



JAN 19 2017

Mr. Steve McLellan
Chief Executive Officer
Saskatchewan Chamber of Commerce
smclellan@saskchamber.com

Dear Mr. McLellan:

Thank you for your correspondence of October 4, 2016, concerning the pan-Canadian approach to carbon pricing and its potential impact on various sectors of the economy. I regret the delay in responding.

As you know, the Government of Canada recognizes that real and concrete measures are needed to build a cleaner, more innovative economy that reduces emissions and protects our environment, while creating well-paying jobs for the middle class and those working hard to join it.

The pan-Canadian approach to pricing carbon emissions will expand the application of carbon pricing already in place in Canada's four largest provinces to the rest of the country in order to help us achieve our international 2030 emissions target in the most efficient manner possible. This approach recognizes the need to minimize competitiveness impacts and carbon leakage, particularly for trade-exposed sectors: each province and territory has the flexibility to decide how to implement carbon pricing, either through an explicit price-based system such as those of British Columbia and Alberta, or through a cap-and-trade system such as those of Quebec and Ontario. All revenue will also remain in the province or territory of origin, which will decide how it is used. Examples of revenue use in the four provinces with established carbon pricing systems include consumer rebates, business tax cuts, and investments in energy efficiency and clean technology. Any impacts on businesses will be modest and depend on provincial and territorial governments' design of their respective carbon pricing system and chosen investment of revenues.

The Government of Canada will implement a backstop carbon pricing system in any jurisdiction that does not have a system that meets the benchmark in place in 2018. The Government is in the process of developing this federal backstop and will consult stakeholders on specific design elements—including scope and coverage—over the course of 2017.

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The pan-Canadian approach to pricing carbon pollution, combined with the many other clean growth measures that the federal, provincial and territorial governments are taking to support emission reductions, will stimulate innovation and create new jobs. These include actions to foster clean energy, green infrastructure and clean technologies as well as to build resilience to the impacts of climate change and other actions. In Budget 2016, the Government announced over \$1 billion over four years, starting in 2017–2018, to support clean technology, which will play a critical role in Canada's transformation into a low-carbon economy. The global clean technology market presents a promising opportunity for Canadian businesses, a source of new jobs and a driver of prosperity for all Canadians.

In the Pan-Canadian Framework on Clean Growth and Climate Change released on December 9, the federal government committed to complete an interim report that will include an assessment of approaches and best practices to address the competitiveness of emissions-intensive, trade-exposed sectors. Departmental officials have taken note of the interest of the Saskatchewan Chamber of Commerce and the Canadian Chamber of Commerce to participate in future consultations that relate to carbon pricing and climate change policy.

The Government of Canada is taking important steps to leave a cleaner, more prosperous world for this and future generations.

Sincerely,

A handwritten signature in black ink, appearing to read 'C McKenna', with a long horizontal flourish extending to the right.

The Honourable Catherine McKenna, P.C., M.P.