

## ***EPCOR Issue Statement on Climate June 14, 2002 – Calgary***

In response to both the Federal Discussion Paper on Climate Change and the Alberta Plan for Action EPCOR has prepared the following issue statement.

EPCOR's Climate Change Program, in effect since 1995, is focussed on the management of greenhouse gas (GHG) emissions and emission reductions inventory. It is a dynamic program that is tied quite closely to municipal, provincial, national, and international policy. The Program includes rigorous project development, inventory management, and education and awareness for employees and the public.

Currently, there is a perception that equates an anti-Kyoto stance with an anti-environmental stance. This is not the case at EPCOR. Addressing climate change is a priority, and opinions regarding Kyoto are independent of this priority.

### **EPCOR's Participation in Canada's Climate Change Efforts**

EPCOR has and continues to be fully committed to the National Climate Change Process. EPCOR participated on 3 Issue Tables, provided comments on the Action Plan 2000 and the National Business Plans, and participated in numerous consultation workshops held on issues such as Domestic Emissions Trading. With every opportunity, EPCOR provides comments to the Federal Government, supporting our position for a long-term, comprehensive management approach to climate change.

EPCOR also supports the efforts and statements made by the Canadian Electricity Association (CEA). EPCOR would like to reiterate the comments made in the February 2002 paper, "Electricity and Climate Change: Towards a Sustainable Future". A long-term policy for a sustainable electricity future should include all fuels and technology, taking into account a full range of environmental issues (beyond climate change exclusively), and it should address any regional equality issues.

### **EPCOR believes:**

*Climate Change is a serious, global issue and we have an important role in directly addressing the issue – on behalf of Albertans and Canadians.*

*Climate Change is a long-term issue that must be addressed immediately, but with long-term goals. Technology investment is a way to achieve a sustainable solution.*

*The policy process for addressing climate change in Canada must be transparent, truly consultative, and include agreement between all the provinces and territories.*

*All Canadians must be engaged on the issue of climate change to have a discernable impact on the reduction of GHG emissions in this country.*

*Canada must be prepared for the impacts of climate change; an adaptation strategy must be developed.*

Fundamentally, the CEA position paper concludes that the Kyoto targets cannot be met in the 2008 – 2012 time frame. The electricity industry requires a period well beyond 2012 to meet the greenhouse gas reduction commitments outlined by the Federal Government.

### **EPCOR's Response to the Federal and Alberta Governments' Proposals**

In direct response to highlights of both the Federal "Discussion Paper on Canada's Contribution to Addressing Climate Change" and "Albertans and Climate Change: A Plan for Action" EPCOR offers the following comments.

#### **Federal**

It is not possible to accept the Federal Government's analysis of how the Kyoto target can be achieved without a better understanding of the modelling assumptions that were used for the analysis. Based on in-depth analysis conducted many times in the past 5 years, it remains unclear how the Federal Government calculates the numbers that allow Canada to achieve the Kyoto target.



There is a substantive lack of transparency and depth in the modelling information provided by the Analysis and Modelling Group. Methodologies and assumptions are not clear and are not based on anything but a Kyoto framework. When assumptions are clarified, the long-range, tangible implications of those assumptions are not evident.

EPCOR is concerned with the potential for inconsistencies between proposed options and Alberta's new climate change licensing requirements for new thermal generation development.

EPCOR questions the inclusion of credits from sinks under Current Actions in the Federal Discussion Paper. This action, developed in concert with the private sector, appears to be only available to the Federal Government and not part of any domestic emissions trading system or offset development opportunity.

On numerous occasions EPCOR, independently and through organizations such as the CEA and GEMCo, has provided comments to the Federal process. The Federal Government's position paper does not reflect these comments.

In the interest of a truly open and fair consultation process among governments, industry, non-governmental organizations, individual Canadians, and non-Kyoto discussion papers such as the Alberta Plan and that of the CEA should be included in the Federal process.

Prudence suggests that the Federal Government consider alternatives to the options outlined in the Discussion Paper.

Open market trading systems are the preferred design of most industries for ensuring cost-effective GHG emission management. They allow entities the ability to manage their emissions in the best way possible for their organization. They also limit the need for Federal Government purchase of international permits.

EPCOR recommends that additional Federal Government Funds be allocated to technology investments as a solution to GHG reductions. This may require appropriate

financial incentives, such as tax credits.

None of the options outlined in the Federal paper meet the standard set by the First Ministers that no region should be unfairly burdened by the national response to climate change.

Given that EPCOR and other companies have been engaged directly in GHG emission reductions projects for a number of years, the issues of banking and credit for early action must be addressed.

### **Alberta**

Many of EPCOR's concerns raised by the Federal Discussion Paper are not present in the Alberta Government's plan. Furthermore, the Alberta Plan further reflects the Canadian Electricity Association position paper.

EPCOR is generally supportive of the Alberta Plan subject to obtaining a better understanding of some of the key elements.

### **Conclusions**

1. EPCOR remains supportive of reducing greenhouse gas emissions within a time-frame that is both environmentally responsible and achievable. The Kyoto target in the 2012 time frame is not achievable based on the best available information.
2. EPCOR supports investment in technology in preference to government purchase of international permits. This can positively impact Canadian jobs and competitiveness. Due to the natural capital cycle of energy projects, technology solutions require long term focus, with a target year of 2020.
3. The Federal consultation process should be broadened to include non-Kyoto options such as the Province of Alberta Action Plan.
4. The Analysis and Modelling Group assumptions must be fully presented to the Canadian Electricity Association for analysis and critical review so the electricity sector can participate fully in this process.
5. EPCOR cannot support the Federal discussion options due to the current lack of clarity with respect to key elements of the options.

If you wish to discuss these comments further, please contact David Lewin at (780) 412-3196.

