

GOVERNMENTS URGED TO FOCUS ON LOW-COST CLIMATE POLICIES

Toronto, June 8, 2017 — More governments in Canada are moving forward with carbon pricing, following the signing of the *Pan-Canadian Framework on Clean Growth and Climate Change* in December 2016. This is great news. As **Canada's Ecofiscal Commission** has shown in [previous work](#), carbon pricing is the most cost-effective way to reduce emissions. However, carbon pricing cannot quite do it all.

Some GHG emissions can be challenging to measure and price. And market problems can weaken the effectiveness of carbon pricing. As a result, governments are likely to need additional climate policies to achieve their GHG emissions-reduction targets. But doing so in a cost-effective manner is important for the economy.

Today, the Ecofiscal Commission released a major report, [Supporting Carbon Pricing: How to identify policies that genuinely complement an economy-wide carbon price](#). The report provides Canadian governments with a framework to help them identify, design and evaluate complementary policies that can support their carbon prices. Genuinely complementary policies do something the carbon price can't do, are cost-effective in their operation, and do not undermine carbon pricing policies. But to work well, they must be well-designed, with elements such as predictability, flexibility, and good governance.

The report identifies three rationales for complementary climate policies. Policies could be *gap-fillers* (covering emissions not covered by the carbon price), *signal-boosters* (addressing a market problem and improving how the carbon price works), or *benefit-expanders* (achieving another objective in addition to reducing GHG emissions).

Case studies demonstrate the framework. Ecofiscal's analysis suggests that federal regulations of methane emissions is a very cost-effective policy. It finds that Alberta's coal-phase out has a mid-range cost. And it suggests that electric vehicle subsidies in Quebec are a high cost way to reduce emissions.

The report recommends that governments should assemble a coherent and low-cost policy package by regularly undertaking a review and assessment of each individual policy, as well as the larger policy package as a whole. Policies that are redundant, high-cost or ineffective should be adjusted, or even terminated. And new policies shouldn't be approved if they don't meet the framework's criteria.

As each provincial carbon pricing system comes online, governments should strive to coordinate both their carbon prices and their complementary policies across the country. This will help to ensure the cost-effectiveness of the entire package of policies.

In *Supporting Carbon Pricing*, the Ecofiscal Commission reiterates that governments should continue to use a steadily increasing economy-wide price on carbon as the main tool to reduce greenhouse gas emissions. It shows that they should only use additional *complementary* climate policies that have been demonstrated to be well-designed and low-cost, and that enhance—rather than undermine—the carbon-pricing system. Together, carbon pricing and genuinely complementary policies can create a smart and coherent policy package that reduces emissions cost-effectively, ensuring that doing our part will also help our economy prosper.