

The Green Stéphane Dion: Implications for Business

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New Canadian Federal Liberal Leader, Stéphane Dion's environmental agenda is detailed, substantive and will have far reaching consequences for business.

New Liberal Leader Stéphane Dion may be the first party leader to have made so many significant and detailed policy commitments before actually assuming office. One could argue that these were promises to Liberals only and they may be tempered considerably should Dion assume government as Prime Minister. However, there is little doubt that these policy pronouncements are heartfelt; distinctly his and his environmental 'evangelism' has been well received by Canadians.

Mr. Dion feels strongly about the environment and clearly took the time to learn the Environment portfolio well when he assumed this position in the latter stages of the Martin administration. The vast majority of the printed documentation from his leadership platform focuses on significant programs, regulations and incentives for environmental change, some of them actually put forward when he was Environment Minister.

There should be no doubt in anyone's mind that this is a platform that provides a clear indication of what a Dion government would attempt to do. The overall impression that emerges is of a technocratic, activist government that believes a program, incentive or regulation is the answer to virtually every challenge in society – at least, when it comes to the environment. This is an intensely hands-on platform and a job generator for the public service simply because of the sheer volume of regulatory activity and program administration that will be required.

Mr. Dion repeatedly stated that there were three pillars to his leadership platform: social justice, economic prosperity and environmental sustainability. It was the third leg - the environment- that clearly differentiated him from the other leadership contenders and it was this pillar that received most of the attention in his leadership platform documents. With over a hundred pages of text, there are five main components:

- Energy and Climate Change Plan
- Clean Air Plan
- Clean Water Plan
- Health and Environment Plan
- Innovation and Commercialization Plan

There are considerable incentives directed at consumers: notably refundable tax credits for energy retrofits on housing, tax credits for energy efficient cars and mortgage deductibility for qualifying green housing investments.

Industry focus would be on fuels (mandated 10% ethanol and biodiesel); oil sands production (changing CCA treatment) on power generation (through incentives directed at provincial utilities); appliances, refrigeration and heating (CCA changes and regulations); buildings (LEED incentives); and vehicles (emission standards and regulated CO2 reductions).

Emission regulatory caps and trading systems would be reintroduced as the Kyoto commitments would be met.

Government-to-government incentives would be provided through infrastructure programming (e.g. farmers, mass transit) and special measures would be set up to educate and protect against extreme weather results. Government research and development incentives would be prioritized towards environmental research. The clean water plan comprises financial incentives directed towards well known sensitive ecosystems. The clean air plan is essentially the cap and trade system combined with regulations.

Dion's Health and Environment Plan is a more aggressive version of the Harper Government's recently announced "Chemical Management Plan". While the Harper Government has narrowed its preoccupations to 200 odd chemicals, Dion sets the limit at 500. Reverse onus on industry was introduced into both plans; however, the time limits imposed in the Dion plan are more severe. Under the Dion plan, he also proposes time limits and reverse onus for an additional 3500 chemicals that are identified for risk screening assessment. The government's plan does not have the same limits or deadlines.

The science for the many of these chemical substances will be unavailable, unclear and, in some cases, contradictory. Both government and industry may have real resource constraints with respect to the necessary competencies. These factors, mixed with the quick timetable, have the potential to create acrimony and regulatory decisions that set in train significant industry consequences.

Dion's innovation and commercialization plan is presumably the plan intended to make business take notice. There are some interesting ideas in the plan, including the "Grand Challenges" program, sector technology networks and technology roadmaps, SR&ED refundability to small business and 15% tax credits to angel investors. However, it is a very narrow plan involving multiple government programs directed at a relatively small number of beneficiaries.

While Mr. Dion's policies are tightly targeted, they also leave many traditional policy areas untouched or, if mentioned, done so in the context of "green" policies: farmers will be assisted by ethanol production; tax policy is a matter of credits for buying green or green research; international aid is more money for environmental research; aboriginal assistance is for clean water; economic competitiveness is about investing in the environment; etc. It is abundantly clear what Mr. Dion wants to do about the Environment but his positions on any number of other business areas are not defined. Those other policies may become clearer as we get closer to an election.

Implications for Business

There are obvious opportunities and costs for business should all or part of these plans be implemented by a Dion government.

While the public may focus on the various incentive programs, these are really just the thin icing on a very large regulatory cake. By Mr. Dion's own calculations, if enacted, in the range of 88%-91% of the anticipated greenhouse gas emission reductions between now and 2012 will be brought about by regulation – not incentives. These regulatory costs will be borne largely by business. Some undetermined portion of these costs will be balanced off by new demand for green products, technologies and services.

The costs will initially affected selected industries but then tend to be more widely spread via increased market pricing for a wide variety of goods and services. Ultimately, consumers will pay. The benefits will be more tightly targeted based on which companies, organizations and individuals are able, qualified and interested in participating in the programs:

- By forcing hard regulatory targets and a cap and trade system to implement the Kyoto commitments, industry will have significant adjustment challenges, particularly key industrial sectors such as oil and gas and power generation, as well as transportation.
- The significant consumer and infrastructure incentives should provide new opportunities for the renewable energy, housing, construction, real estate development, mass transit, infrastructure industries and universities.
- There would be greater incentives for co-generation projects.
- Car buying patterns could significantly change for both consumers and some fleet operators.
- Government building leases would become progressively skewed toward 'green buildings'.
- Ethanol and biodiesel remain a significant opportunity.
- The Health and Environment Plan would be very administratively and resource intensive for the chemical and related sectors. Some sub-sectors would be significantly affected.

Business should take note of these potential impacts and should be monitoring what parts of the program actually end up in a Liberal election platform. Now is a good time to attempt to influence platform development and to provide reasoned advice where gaps exist.