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Thursday, May 17, 2007

Chair

Mr. Bob Mills

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● (1100)

[*English*]

The Chair (Mr. Bob Mills (Red Deer, CPC)): I would like to explain to members that we do have a video camera, a video feed here as approved by the House in 2001. I believe we've had cameras before. It's a stationary camera and it stays behind us here. So that's just to advise you about what's happening.

I'd like to welcome our guests. Our first guests are from Finance, and we will go through the first round of 10 minutes each. I would ask you to be as brief as possible so that we get the maximum questions in. And we'll then go to a second round, which is five minutes each.

So we'll begin with an opening statement, which we asked for yesterday. If you have an opening statement, perhaps you would give us that to begin, please. I'm not sure who's giving that.

Mr. Gauthier.

[*Translation*]

Mr. Denis Gauthier (Assistant Deputy Minister, Economic Development and Corporate Finance, Department of Finance): Thank you, Mr. Chairman.

This morning I am accompanied by my colleagues from the Department of Finance, who work in the economic and fiscal policy, fiscal policy and economic development policy branches. In response to this committee's invitation, we will attempt to respond to the best of our knowledge to your questions on the economic and budgetary framework of the government's climate change plan.

We are at your disposal.

[*English*]

The Chair: Now, Mr. McGuinty.

Mr. David McGuinty (Ottawa South, Lib.): That was a very short opening statement. Thank you very much.

Thank you, Mr. Chair.

Thanks for joining us. I'm hoping that Finance Canada officials, Mr. Chair, can stay with us throughout the two-hour session this morning as their Environment counterparts were kind enough to do yesterday. Health Canada officials are to come and join us here quite shortly.

So we're hoping you can stay on over the two-hour period. Maybe you can give us some reflection before I get into some questions, if that's possible.

[*Translation*]

Mr. Gauthier, yesterday I put several questions to Environment Canada officials with respect to whether or not an economic analysis had been undertaken before the plan was officially made public and was announced by the Minister of the Environment.

[*English*]

Maybe you can help us understand, again. At the end of April, the Minister of the Environment said the cost of implementing his emission reductions plan for industry will cost the Canadian public, he said, about $8 billion annually. We have had some information fed to us that in fact, before this plan was even announced, Finance Canada officials did not want to be involved in the Bill C-288 economic analysis that was presented by the minister at the Senate committee. The Finance Canada officials declined to be involved in the calculations and they did not agree to warrant the numbers, to substantiate the numbers put forward by the minister at that particular meeting.

That was the meeting when he announced that the cost of Kyoto compliance would be $4,000 per family, you will recall. If you don't recall, that was the number. Curiously, it was exactly the same as the number used by Preston Manning almost 10 years to the day, when Mr. Manning stood up in the House of Commons and said it would cost $4,000 per family to achieve Kyoto compliance, which led us to wonder whether or not the minister had even adjusted for inflation.

Can you tell us how Finance Canada was involved in the economic analysis that was conducted? We were told that a robust model was performed. We couldn't get any details. We don't know what the capacity of Environment Canada is to even conduct such models. Can you help us understand what role Finance Canada played with these numbers, particularly the $8 billion annual cost? Were you involved in crafting these numbers? Did you provide the econometric modelling or any kind of other modelling capacity within the department?

● (1105)

Mr. Paul Rochon (Director General, Economic and Fiscal Policy Branch, Department of Finance): Why don't I answer that question? We reviewed the Environment Canada results and provided feedback on the results. We do not undertake our own separate econometric analysis of their results, but we're satisfied they were generally reasonable with the caveats that the department issued with its report.

I believe the $8 billion you're referring to is the 0.5% of GDP that is estimated to be the economic cost of the government's regulatory plan. We also had a look at those estimates, and they seemed reasonable to us and generally consistent with prior work that the department has done and has published using general equilibrium models.

Mr. David McGuinty: Were you involved in any of the modelling or number crunching that went on with respect to Bill C-288?

Mr. Paul Rochon: We had a review of the model runs that Environment Canada carried out, yes.

Mr. David McGuinty: Do you warrant the numbers that were put forward?

Mr. Paul Rochon: They're reasonable. They're in the ballpark. That's a major change that we're talking about of 35%, a roughly one-third reduction in emissions over about three years, and we believe it would have a major impact on output and employment in the short term.

Mr. David McGuinty: So when the minister stood up in Vancouver after a long flight and announced extemporaneously, without any evidence of it in the actual equal action plan or the regulatory framework, when he said that the cost per tonne of carbon would be between $100 and $200, did you warrant those numbers?

Mr. Paul Rochon: I'll let Monsieur Robidoux answer that.

Mr. Benoit Robidoux (Director, Economic Studies and Policy Analysis Division, Department of Finance): Again, the price they got, I think, was almost $200, and this is the price we would agree with, in the ballpark, if you want to achieve Kyoto objectives within the timeframe that Kyoto set up.

Mr. David McGuinty: He wasn't talking about Bill C-288; he was talking about his own plan.

Mr. Benoit Robidoux: The price of $100 to $200 per tonne?

Mr. David McGuinty: Yes, that's right. He said the cost to Canadian polluters would be $100 to $200 per tonne in excess of their regulated cap, or their regulated levels.

Mr. Benoit Robidoux: I think this would be a mistake on your side to understand, or on his side to conduct the right number. These numbers are way too high, because in Bill C-288 the price was in fact nearly $200. If I remember well, it was $190, or something like that, and this was reasonable given the effort requested in the timeframe requested. For the plan, the price would be quite a bit lower than that.

Mr. David McGuinty: I need to understand again. You say the numbers, Mr. Rochon, are reasonable. Did you conduct the analysis?

Mr. Paul Rochon: We did not conduct that analysis; we reviewed it. We have reasonably extensive expertise with econometric models and have conducted analyses previously, in the late 1990s, with what were termed general equilibrium models. And given the extent of the shock, that would appear to us to be reasonable.

● (1110)

Mr. David McGuinty: Who conducted the analysis?

Mr. Paul Rochon: It was done by Environment Canada's quantitative group, using the 2020 model, which is an engineering-based model that looks at the types of investment and other production adjustments that are required to achieve these emissions reductions.

Those impacts were then fed into what is called a macro econometric model, and the model in question used was Informetrica's TIM model. Then through an iterative process between the two models, the economic impact was determined.

Mr. David McGuinty: Was the Environment Canada analysis done in-house or was it outsourced to an analysis or economic firm of some kind?

Mr. Paul Rochon: It was a combination of the two, but I'll let Benoit speak to that more directly.

Mr. Benoit Robidoux: I think you should ask that question of Environment Canada.

My understanding, when I discussed it with them, was that it was in-house, but there were some contracting parts within the project, so it could well be both. But I think they are better placed to answer that specific questions. But for sure, some of the analysis was done in-house.

Mr. David McGuinty: Yesterday we heard from Environment and Natural Resources Canada, I think from both sets of witnesses, who said there would be a 20% cut across the economy. The target was 20% by 2020. What does that mean? For example, what is the large industrial emitters' share, and what is the consumer/public share, and how much federal money—you warrant the numbers—will it cost to achieve the 20% across the economy cut?

Mr. Paul Rochon: How much federal money? Well, under their plan, some federal money has already been allocated, for example in the 2007 budget, the ecoTrust.

Mr. David McGuinty: It's not called that anymore, Mr. Rochon, fortunately.

Mr. Paul Rochon: The other dimension of the plan, of course, is the regulatory requirements that will be placed on the transportation sector. In principle, those do not cost any federal money to the extent that they're regulatory requirements that would be placed largely on the automotive sector.

Then the third dimension of the plan is the actual emissions intensity reductions that are to be applied in the industrial sector. The administration of that system, presumably, would cost a certain amount of money, but I'm not knowledgeable enough on the exact cost of that at this time.

Mr. David McGuinty: I asked the officials from the two other departments again yesterday about the offset system and the three-year grace period for new entrants.

Given that there are no parameters defined for offset systems, that it's difficult to cost participation at even 10% in CDM, and that all new market entrants are graced out for three years, wouldn't most Canadians say these numbers can't stand the test of analysis? How can we know that the number put forward of $8 billion a year is actually sound? How is this possible? Do I misunderstand modelling, or is there something that I'm missing?

In my previous life, for nine years it was very clear across the federal system that Environment Canada had extraordinarily limited economic analysis capacity. This work was normally done by Finance Canada, and the numbers were generated by them and not Environment Canada.

We heard even yesterday—

The Chair: Your 10 minutes have run out, sir.

Mr. David McGuinty: —that NRCan was not involved whatsoever. So can you help us understand the offsets and the new market entrants? How can we trust the numbers?

The Chair: Go ahead, Mr. Gauthier.

Mr. Denis Gauthier: It comes back to the modelling. The modelling is done for a scenario over a period of years. In the first three years there may not be any reductions for the new entrants, but I gather that the modelling would take into consideration that in the future those reductions would materialize.

It's the same thing with the offsets. The offsets will have to be developed. I guess Environment Canada would know better about how the offsets will work, but eventually this is modelling the scenario up to 2015.

Is that correct, Benoit?

Mr. Benoit Robidoux: It's 2020.

The Chair: Mr. Bigras, please.

● (1115)

[*Translation*]

Mr. Bernard Bigras (Rosemont—La Petite-Patrie, BQ): Mr. Chairman, my comments will be just as brief as those of the finance department.

I thought that the clerk was supposed to let the witnesses know that we wanted to hear opening comments on their parts. I hope that was done. Was a document circulated? Will there be a presentation?

[*English*]

The Chair: That was requested yesterday. Nothing was handed around, to my knowledge.

[*Translation*]

Mr. Bernard Bigras: In the most recent budget, what is the magnitude of spending with respect to the accelerated capital cost allowance for the purposes of encouraging technology in the oil sands sector?

[*English*]

Mr. James Green (Chief, Resource and Environmental Taxation Section, Tax Policy Branch, Department of Finance): Thank you, Mr. Chairman.

The government announced in the recent budget that the existing accelerated capital cost allowance for oil sands would be phased out over the coming years. At the same time, the government announced that the existing accelerated allowance provisions that apply for a variety of clean and renewable energy technologies—and this covers a range of things: wind power, solar power, geothermal, and so on—would be extended to investments made up until 2020. That provision provides a 50% writeoff.

As well, that provision is being extended to a variety of additional technologies. It's being extended to wave and tidal power, which is an emerging source of renewal energy that's now gathering steam in Canada. It's also being extended to cover additional applications of technologies that are already covered, like the scope of solar technologies, for example, being extended beyond industrial applications to a broader range of commercial applications. The minimum size restrictions on photovoltaic systems are being dropped. Additional waste fuels, for example, in the pulp and paper sector, are being made eligible, and additional sources of biomass from organic waste will be allowed.

Many of these are relatively new technologies in Canada, and the budget plan estimates that the cost over the next two fiscal years for these measures will be in the range of about $10 million a year.

With respect to the oil sands specifically, the government has indicated that, going forward, it will identify additional areas in which accelerated capital costs allowance and additional measures can be used to encourage investment in emerging technologies, like, for example, carbon capture and storage. The federal government is currently participating with the Government of Alberta in a task force on carbon capture and storage, which is expected to identify and make recommendations with respect to the appropriate role for government in that area.

[*Translation*]

Mr. Bernard Bigras: Would the accelerated capital cost allowance for technology in the oil sands be approximately $1.4 billion per year?

[*English*]

Mr. James Green: If you're speaking with respect to the existing provision that provides accelerated CCA for oil sands, which is being phased out in the budget, this is a provision that applies to general investment in the oil sands. It's a provision that essentially accelerates the deductions that firms can take for their capital cost. So it doesn't change the total amount of tax on a project, but it changes the timing. It means that firms can take bigger deductions in the early years and lower deductions in later years. So they pay less tax in the early years of a project, and more tax in later years.

The fiscal impact of that for the government can vary quite a bit from year to year. It depends on the balance of projects that you have and where they're at in their life cycle. So for projects that are at an earlier stage, they are paying less tax, and then you have other projects that may be a later stage that are paying more tax.

We estimate that based on current economic conditions and based on projected investment over the next few years, the provision is currently costing and will cost the government for the next few years in the order of $300 million a year. That's a number that will gradually decline as the provision is phased out.

● (1120)

[*Translation*]

Mr. Bernard Bigras: Was an environmental assessment performed on that measure before it was announced?

[*English*]

Mr. James Green: With respect to the decision and the announcement that was made in the budget to phase out this measure, there was a strategic environmental—

Mr. Bernard Bigras: I'm sorry, I don't have the translation.

Mr. James Green: With respect to the measure that was announced in the budget to phase out the accelerated capital cost allowance for oil sands, as with other measures that are presented to the minister for the decision, the department conducted a strategic environmental assessment with respect to the implications of that decision.

[*Translation*]

Mr. Bernard Bigras: Another measure announced in the budget involved providing tax incentives to owners of more ecological and energy-efficient vehicles. I would like to know why. I would also like you to tell me which criteria you used in order to establish these tax incentives and to determine which vehicles were efficient. I was surprised to see that owners of vehicles that consume 8, 9 and even, if I am not mistaken, 10 litres per 100 km—and I'm referring to 4-wheel drive vehicles—will be getting tax benefits.

Why is it that you are giving tax incentives for heavy vehicles on our roads? We're not talking about 6 litres for every 100 km but rather 10 litres.

Mr. Denis Gauthier: With respect to these vehicles, the incentives were proposed by Transport Canada staff who are specialists in energy measures for vehicles. There are two categories in the budget, that is, cars, and mini-vans and trucks. In the case of cars, a tax benefit of $1,000 is provided when the energy consumption of the vehicle is at most 6.5 litres per 100 km. With respect to efficiency, for every 0.5 litre less that the vehicle consumes, there is a $5,000 increase in the benefit. Therefore, if a vehicle consumes 6 litres or less for every 100 kilometres, then the incentive is $1,500. If the vehicle consumes 5.5 litres or less for every 100 kilometres, then the incentive is $2,000 which is the maximum available incentive.

In terms of heavy vehicles, that is trucks, commercial vehicles or minivans, the standard is 8.3 litres per 100 km. There aren't many vehicles in the 10 litre category. For commercial vehicles, fuel consumption has to be 8.3 litres per 100 km. The same 0.5 litre scale is used for those consuming less fuel.

Mr. Bernard Bigras: I have no more questions.

[*English*]

The Chair: You have one minute left, Mr. Lussier.

[*Translation*]

Mr. Marcel Lussier (Brossard—La Prairie, BQ): My question will require a response that is much longer than a half a minute.

The table on page 9 of the government's document includes credits for early action, not exceeding 15 megatons. Was the minister of Finance consulted on that 15 megaton limit?

Mr. Denis Gauthier: We were aware of that limit, but I do not believe we were consulted on the issue.

Mr. Benoit Robidoux: We knew about it, but we were not consulted on the issue.

Mr. Marcel Lussier: So the issue is not one of funding, but of the maximum amount, which is 15 megatons, calculated at $20 a tonne. Were you not asked whether that would be an acceptable limit?

● (1125)

Mr. Denis Gauthier: It was part of the plan put forward by Environment Canada.

Mr. Marcel Lussier: Thank you.

[*English*]

The Chair: Thank you, Mr. Lussier.

Mr. Cullen.

Mr. Nathan Cullen (Skeena—Bulkley Valley, NDP): Thank you, Mr. Chair, and thanks to our witnesses.

I've been at presentations of Finance Canada before and there's always a written submission. Was there a decision not to? Were you hurried? Did you not have time?

Mr. Denis Gauthier: This file is more an Environment Canada file. We were consulted in the development of the file, but it's not per se a Department of Finance file, so we thought that time would be better spent answering your questions. It's not as if we have anything to add. There is a plan out there. There is a budget. We could have spent ten minutes talking about measures in the budget, but we are all familiar with those measures. I don't think we had anything substantial to add, other than policy.

Mr. Nathan Cullen: When you're doing the budget and you're doing economic forecasting for the country, you consult externally; you use a number of different estimates of what the growth of the economy is. Is that correct? Or do you use just one estimate and then base budget predictions on that?

Mr. Paul Rochon: We use an average from private sector forecasters, so we survey them for their view of the economy.

Mr. Nathan Cullen: Without revealing state secrets, about how many do you typically use?

Mr. Paul Rochon: About 15 to 20.

Mr. Nathan Cullen: When we asked Environment Canada officials yesterday how many different groups were consulted in terms of the economic forecasting modelling, they used just one internally.

Mr. Paul Rochon: They used one model to develop the baseline. That's correct, yes. However, they consulted four or five private sector economists.

Mr. Nathan Cullen: Okay, that's interesting. We couldn't get that out of them.

Mr. Paul Rochon: I'm sorry; I'm thinking of Bill C-288.

Mr. Nathan Cullen: No, this is on the EcoAction plan.

Mr. Benoit Robidoux: They consulted with us about the base case for GDP growth in their model, and it matched roughly what we got as the average from private sector forecasters.

Mr. Nathan Cullen: Again to be clear, in order to have some sort of veracity in your numbers, and knowing you're making predictions based upon solid accounting, in using 15 to 20 different estimates, we still can't determine how many the government actually used for their environmental forecasting. They wouldn't tell us.

The question I have is more of a fundamental question. When an environment minister from a previous government was here, I asked, why did greenhouse gases go up over a certain amount of time? His answer was that the economy also improved. Is it Finance Canada's opinion that with GDP growth, there must be growth in greenhouse gas emissions from the Canadian economy?

Mr. Paul Rochon: It's not necessary that this happens. In fact, this plan suggests that over time this situation can be reversed. However, it is the case that given the structure and evolution of GDP for the longest period of time, greenhouse gas emissions have actually increased with economic activity.

Mr. Nathan Cullen: Have we done any analysis in Canada as to the economic impacts of significant changes in average global temperatures, or temperatures within Canada—a Stern-like report, but for the Canadian economy? Has Finance Canada ever engaged in that?

Mr. Paul Rochon: We have a number of studies on the website using general equilibrium models, primarily to look at the costs of mitigating greenhouse gas emissions.

Mr. Nathan Cullen: No, I'm sorry. To be clear, part of what Stern looked at was, imagining a two- to five-degree rise in global temperatures, what impact would that have on the world's GDP? Have we done the same thing for Canada? As we know, a two-degree global rise would actually be accelerated here in Canada. We'll have much higher temperatures than that. Have we done this analysis?

Mr. Benoit Robidoux: At Finance?

Mr. Nathan Cullen: Yes.

● (1130)

Mr. Benoit Robidoux: No.

Mr. Nathan Cullen: One of the roles of Finance is looking to the future of the Canadian economy, making predictions with greater uncertainty as you go further out, regarding both the potential benefits and threats to the Canadian economy. If one of the leading current threats to the global economy, identified by countries around the world, is an increase in global temperatures or an increase in the variability of weather, and so on, why have we not yet engaged, as a country that is very dependent on natural resource extraction, in that type of analysis?

Mr. Paul Rochon: As I said, we have engaged in two fashions. We published a number of economic studies that are now somewhat dated. Also Environment Canada has undertaken a fair bit of work, and we've been involved with them.

As to the costs and benefits of climate change per se, there's a fair bit of uncertainty regarding what the physical impacts will be. It will happen over a long period of time. These are stock effects, as opposed to flow effects.

Mr. Nathan Cullen: That's interesting to me.

One of the witnesses who came before us while we were studying Bill C-30 implored us to consider the whole Kyoto Protocol and those types of messages, less as an environmental negotiation than as an economic one.

I'm becoming more and more concerned with our economic preparedness and the soundness of our analysis.

I have a question about Bill C-30. This bill was rewritten, as you know. Were you conferred or consulted with in terms of the economic impacts of the rewritten form of the clean air and climate change act?

Mr. Richard Botham (Chief, Knowledge and Innovation, Economic and Corporate Finance Branch, Department of Finance): Do you mean, were we consulted concerning the amendments proposed by the parties?

Mr. Nathan Cullen: Not proposed. As the bill stands right now, a series of changes have been presented back to the House. Has Finance Canada been consulted as to the cost, economic or otherwise, of introducing that bill into law? Have you done a similar analysis on Bill C-30, as was done on Bill C-288?

Mr. Denis Gauthier: I don't believe so.

Mr. Paul Rochon: We haven't done it on Bill C-30.

Mr. Nathan Cullen: The reason I raise it again is that the minister has made claims as to the cost, but we're still trying to find out who he asked about it. No one has come forward yet and told us that they were consulted.

Has Finance Canada done any analysis on the effectiveness of a carbon tax and its cost to the Canadian economy?

Mr. Denis Gauthier: We did some a long time ago.

Mr. Nathan Cullen: How long ago was it?

Mr. Denis Gauthier: It was probably in the early 1990s, at the time of the Rio meeting and all that. There is a published discussion paper that was looking at various alternatives to the—

Mr. Nathan Cullen: Has there been any analysis since then?

Mr. Denis Gauthier: Since then, I don't know; I'd have to ask Benoit, but probably around 1992 we did one looking at what a carbon tax would make.

Mr. Benoit Robidoux: Yes, Denis is right. It was published in 1992. Other analyses we did afterward were all done with permit—[*Inaudible—Editor*]—and a carbon tax.

Mr. Nathan Cullen: I was a recent United Nations meeting, and the European Union, under the direction of France, talked about levying essentially a tax on countries that do not fulfill their obligations under the Kyoto Protocol. Has Finance Canada engaged in any modelling as to what those taxes could look like on Canadian products being exported? Have we any engagement with the European Union on this? This measure is gaining some momentum from our European counterparts.

Mr. Denis Gauthier: There are discussions. Our G8 representative in the department, who attends all those international meetings, is making us aware that those discussions are gathering now, but there has not been work so far, or actual proposals that we could study.

Mr. Nathan Cullen: Okay.

How much do we trade with the European Union, in terms of our total domestic output? Is it in the 15% range? Would that be high?

Mr. Paul Rochon: Oh, I think that would be high. Yes.

Mr. Benoit Robidoux: That would be high. We trade basically 80% to 85% with the U.S., so the rest is the rest of the world.

Mr. Paul Rochon: Mexico would be significant.

Mr. Nathan Cullen: The Mackenzie Valley pipeline is a project that has been ongoing for the last 20 years or more. This current government talked about having a share or a stake in this. Were you consulted in the costs, the potential of putting—? An amount of $2 billion was thrown around by the government officials at one point. Has the government come to you to see what that money would look like, where it would come from?

Mr. Denis Gauthier: Yes, we've been consulting the proponents of various scenarios that they're discussing with the government in terms of different fiscal incentives. We've been consulted on a range of them.

Mr. Nathan Cullen: We often talk about the costs of implementing our Kyoto Protocol obligations. Has Environment Canada or the government engaged you in the potential economic benefits of engaging in greenhouse gas mitigation and reduction? Have we done any analysis?

Mr. Denis Gauthier: Do you mean of the benefit of action?

Mr. Nathan Cullen: Yes. Have you been consulted on the economic benefits, the specific benefits?

Mr. Denis Gauthier: No. We've been consulted on the cost, not on the benefit—not to my knowledge.

● (1135)

Mr. Paul Rochon: The benefits are quite difficult to quantify. They could take the form primarily of new technologies and innovations that are developed. That's a very uncertain process.

Mr. Nathan Cullen: One imagines that if the government says it's going to initiate so many megawatts of wind power or if one imagines the government incentivizing the auto industry to make low-emission cars, industry is quite capable of talking about the projected economic benefits of any particular government subsidy or tax measure. We do this all the time, do we not? I mean, we do this with the oil sands. The accelerated capital cost was meant to derive a certain amount of economic benefit, and the government makes that choice based upon some projections.

I'm not understanding why we remain in the framing of this issue as the economic costs of doing something about climate change.

Mr. Denis Gauthier: Maybe Benoit wants to extend this point, but some of those benefits are captured in the economic modelling, I think, of the plan. For instance, introducing the regulation will lead to a renewal of the capital stock, and as that capital stock is renewed —In the case of the steel industry, carbon sequestration and a pipeline leading to that will have a beneficial impact on the steel industry, so when you do the macro-modelling, it's embedded.

Mr. Nathan Cullen: Do you do that?

Mr. Denis Gauthier: It has been part of the—

The Chair: Your time is considerably over.

I'll go to Mr. Harvey next, please.

[*Translation*]

Mr. Luc Harvey (Louis-Hébert, CPC): Thank you for appearing before us to testify this morning. We appreciate your presence here, and are learning some very interesting things.

If I understand correctly, you estimate that the cost of the plan put forward by the Conservative Party, which is aimed at reducing greenhouse gas emissions by about 20 per cent, will cause a drop of some 0.5 per cent in GDP. Do you believe that the financial study of the economic cost of Bill C-288 is credible, and was properly carried out?

Mr. Paul Rochon: I believe it is a reasonable study.

Mr. Luc Harvey: You believe it's reasonable. Does a 0.5 per cent drop in GDP have a negative impact on the economy, on jobs as a whole, on the unemployment rate and on other factors?

Mr. Paul Rochon: That's a good point. We need to take into account the fact that our economy is growing at a rate of 2 or 3 per cent a year. A 0.5% drop in GDP is not huge—the impact would correspond, say, to a loss of 50,000 jobs.

Mr. Luc Harvey: During the study of Bill C-288, the projected cost was calculated at 8 billion dollars, not 100 billion dollars, which would amount to a 7.5% drop in GDP. Eight billion dollars amounts to about 0.5% of GDP, while 100 billion is thirteen times that much, or 7.5% of GDP.

What would a 7.5% drop in GDP represent?

Mr. Paul Rochon: It would be much more significant. In the very short term, it would probably lead to an economic recession—a drop in both output and employment—within one or two years.

Mr. Luc Harvey: Are we taking about a major or a minor recession ?

Mr. Paul Rochon: It would be a fairly significant recession in comparison with what Canada has experienced so far.

Mr. Luc Harvey: How many years back would Canada be dragged if its GDP were to drop by 7.5%?

Mr. Benoit Robidoux: It's a short-term cost. The long-term impact on the economy would be different. The economy would be weaker, but would rebound later. Measures of this kind would have fairly significant economic impacts, even over a 10-year period.

We would see some decline, as in the 1980-1982 economic recession. Some people would be affected quite significantly, though it is difficult to make any precise determination.

● (1140)

Mr. Luc Harvey: We're talking about projections, and we come up with calculation models. There are different ways of seeing things. But we can judge whether a study is reasonable and whether it corresponds to the standards that an industry or a department has established.

You believe that the calculations are reasonable in both cases, and that, even though it's hard to predict the future, there is no real problem with the calculations.

Mr. Paul Rochon: Yes, that is what we believe.

Mr. Luc Harvey: Thank you very much, Mr. Chairman

[*English*]

The Chair: Mr. Vellacott.

Mr. Maurice Vellacott (Saskatoon—Wanuskewin, CPC): Thank you very much.

I want to delve into some of the same areas there.

The Chair: Mr. Vellacott, perhaps you can stay with the current plan, not just Bill C-288.

Mr. Maurice Vellacott: I'm talking about the new regulatory framework. That is the intent of my questioning here.

I think many have said it's pretty strong action. Some recently in the committee have said it was stronger than they—

Mr. Mark Warawa (Langley, CPC): On a point of order, Mr. Chair, I'm just questioning why you have instructed Mr. Vellacott—I know that Mr. Cullen has just talked to you. Is that the reason why?

The Chair: Obviously we're here to look at the government's current plan. It was brought to my attention by Mr. Cullen that some of Mr. Harvey's questions were about Bill C-288, which is not really what this committee meeting is about. It's about the government's plan.

I just cautioned Mr. Vellacott, and I believe he's living with that.

Mr. Mark Warawa: I would just point out that it was Mr. Cullen who brought up the Mackenzie pipeline. So I think there is some latitude.

The Chair: I try to give as much latitude as possible, yes.

[*Translation*]

Mr. Luc Harvey: He also talked about Bill C-30.

[*English*]

Mr. Maurice Vellacott: I hope this is not deducted from my time, Mr. Chair.

The Chair: We'll balance it off.

Mr. Maurice Vellacott: Anyway, actions to the new regulatory framework—there is obviously a cost involved. Someone has suggested that it is pretty strong action, and inevitably there comes a cost with that. I assume government bears part of it, but at the end of the day individual Canadians and families do, I guess.

So my question is this. In what manner will ordinary individual Canadians like you and me be affected? How will we be affected? How will we see the impact of this new regulatory framework in our life? What kind of consequence would it be for the ordinary person?

Mr. Denis Gauthier: I think you're right. In the end, it's individual Canadians who will bear the cost of any action, and it can turn into an impact on the price of energy, whether it's electricity or gas. As new regulations are introduced to make cars more fuel efficient, it is quite likely that those technologies that will be developed by the automobile industries will not cost less. It will impact on the price of new technology to make those cars more efficient, so it should have an impact on the price. At the same time, you'll pay more but you will get a better product, a more efficient product, and it will be the same thing in terms of new products that will become regulated in terms of new energy-efficient appliances.

So it is likely that the development of those new products will cost a bit more, and that's how the cost will be translated to individual Canadians.

Mr. Maurice Vellacott: So we would pretty much be assured that we as consumers are all going to be receiving some higher costs with respect to vehicles, for example, to our energy costs, and so on. There are reasonable odds that it would be significant or—some degree of increase for those.

Okay. That's why I think I will interject at this point that we do need to get some balance here. We are all prepared to pay some bite on this, but not to the point that it devastates us and devastates the Canadian economy.

I have a question with respect to the budget 2007. I am assuming I can go there, Mr. Chair, with respect to those measures affecting the environment, and maybe a little more detail—You referred to the trust fund for clean air and climate change. There's been a reference to the phase-out for the accelerated capital cost allowance as well on the oil sands, and some of the $2 billion to support the renewable fuels as well.

I have a question, and it came from something my colleague Francis Scarpaleggia mentioned yesterday. He referred to the fact that he drives around—I don't know what kind of vehicle he has, an older SUV or whatever, but he drives around and he gets frustrated by listening to radio ads on the environment.

I suggest he—

● (1145)

Mr. Francis Scarpaleggia (Lac-Saint-Louis, Lib.): I didn't say I was frustrated by radio ads on the environment. I said I'm frustrated by government, publicly financed radio ads that use subjective terms like “tough” five times in a 30-second bite. I have no problem listening to radio ads about the environment. And I don't have an SUV, and it's not really relevant to the discussion.

Mr. Maurice Vellacott: I'll carry on from here, because I do think we are all—Francis and I and others—interested in terms of the scrappage program.

I suggest to people like Francis that they buy an annual bus pass. I don't listen to any radio ads when I'm on a bus. There are none of those.

But I am curious about the next two-year scrappage program to retire older vehicles. There is some $36 million there.

Can you tell me a bit of the detail of how that will work?

Mr. Richard Botham: There are really two components to the budget measure that was announced. Some $6 million was announced to increase support for non-governmental organizations that are already active in scrappage programs. The second component was $30 million to support an enhanced incentive for scrappage. That measure is going to be designed by Transport Canada and Environment Canada. So the details on that will be forthcoming.

Mr. Maurice Vellacott: So the end of that obviously gets more of those older vehicles off the road and provides a little more incentive for people to do so.

Mr. Denis Gauthier: Not only to get more of them; the $6 million is going to existing programs. Naturally it's to get more off the road, but it's to get those vehicles off the road in an ecologically responsible way. So it's not just parking a vehicle in a scrapyard and letting the oil—It's draining it properly and disposing of it properly.

So there will be the combination of doing it in an ecologically friendly way and also getting more off the road.

Mr. Maurice Vellacott: You said $36 million is the total for that?

Mr. Denis Gauthier: Yes, that's right.

Mr. Maurice Vellacott: I think that really rests my questions for now, Mr. Chair.

The Chair: Thank you very much.

I will now go to five minutes. We'll go first of all to our radio listener, Mr. Scarpaleggia.

Mr. Francis Scarpaleggia: Do you know what is the dollar cost per tonne of greenhouse gas reduced with the public transit tax credit?

[*Translation*]

I' like to read you an excerpt of an article by Louis-Gilles Francoeur in the April 28 issue of *Le Devoir*. You can tell me whether or not you agree.

> The Baird Plan was preceded by an unauthored study, which the government based on reaching Kyoto targets in eight months. The basic hypothesis for that study, which yielded a price per tonne of $195, was obviously far-fetched because Canada has six years left in which to attain its targets, and might even gain additional time with a catch-up plan, with no penalty, if the plan is considered credible.

Mr. Denis Gauthier: The Kyoto objectives were supposed to be met in eight months. There was no intention of reducing the GHG emissions by 6% based on the 1990 baseline by 2012, but to meet that objective over a five-year period, between 2008 to 2012. The target is averaged over a five-year period. We have five years to reduce GHG emissions by an average of 6% compared to the 1990 baseline. We may not meet that objectives as of 2008. If we don't meet the target in the first two or three years, then we will be have to catch up in the following years in order to meet the average that has been established.

Mr. Francis Scarpaleggia: I don't think there will be any penalty if we bring forward a credible catch-up plan. The initial comments made by the chairman of the UN Framework Convention on Climate Change do not lead us to believe that the UN considers the Baird plan to be credible. Do your economic forecasts provide for any penalty to which Canada may be subjected?

● (1150)

Mr. Denis Gauthier: Mr. Robidoux could tell you if we have taken any penalty into account. As to whether or not a catch-up plan might allow us to avoid any penalties, that would be a question for Environment Canada or the people who negotiated the agreement. I have always considered that a second period would be renegotiated, at which time there would be a penalty of 30%.

Mr. Francis Scarpaleggia: If we had no credible plan for catching up.

Mr. Denis Gauthier: That remains to be negotiated. I don't know. I can't answer your question. Mr. Robidoux—

Mr. Francis Scarpaleggia: Never mind. I will ask another question.

Since we are no longer working within the Kyoto Protocol framework and since we cannot benefit from the purchase or sale of greenhouse gas credits, Canadian companies will not be able to sell these credits on the international market, and that represents a loss for those companies. Is the loss of potential earnings for Canadian companies accounted for in your economic models?

Mr. Benoit Robidoux: Within the plan itself?

Mr. Francis Scarpaleggia: In your 10 or 15-year forecasts.

Mr. Benoit Robidoux: The only way to account for any potential loss of Canadian business earnings would be to base our assumptions on the 2008 European market price, since that is where the only real market currently exists. We have to know the price. Since the current market price is very low, the losses would be minimal.

[*English*]

Mr. Francis Scarpaleggia: How do you predict technological innovation and its impact on the economy in your models—an econometric model, for instance?

Mr. Paul Rochon: An econometric model would pick that up implicitly through investment, but unless one had an endogenous growth model that was specifically geared towards measuring that impact, typically models do not have an explicit variable for measuring technological progress.

Mr. Francis Scarpaleggia: So that benefit, from a tough plan, would not be factored in.

Mr. Paul Rochon: It would be factored in, as Denis mentioned earlier on, via the impact on investment, because there would be a positive impact on investment.

The Chair: Thank you, Mr. Scarpaleggia. I'm sorry, your time is up.

Mr. Allen.

Mr. Mike Allen (Tobique—Mactaquac, CPC): Thank you, Mr. Chair.

I have a couple of areas I would like to ask some questions about. One is on the cost of the framework and the second is on the accelerated capital cost allowance.

With respect to the new regulatory framework, we had a presentation last week in the natural resources committee, I think it was by NOVA Chemicals, as I recall, and they said that over 1990 to 2003, the investment required to decrease 0.2% in intensity targets was roughly about $1 billion. So if we say that, we're talking about $5 billion for 1% and $10 billion for 2%.

Was any of that taken into consideration with industry that you know of, that kind of investment that would be required in terms of these models, and the appropriate spinoff effect in the economy for it?

Mr. Paul Rochon: I'm not aware of consultations with industry; you'd have to check with Environment on that. A key element of models is what's called the elasticity of substitution, or the extent and the ease to which firms can substitute technologies in the face of a change in price, which is essentially what we're doing here.

So the models would implicitly have a historical estimate of those types of changes. But to my knowledge, there was no survey of firms done to estimate what would be required per firm, for example.

● (1155)

Mr. Mike Allen: Okay. With respect to the $7 billion to $8 billion a year and the cost to the economy—and we're doing this by sector, and of course some of the provinces are going to be impacted more than others with respect to the impact on the electricity industry. In New Brunswick and Nova Scotia, I can think of two that are.

Do you have any idea what the impact on electricity rates would be and what the tax impact of those electricity rate increases would do to the economy?

Mr. Benoit Robidoux: I think the document published by the government had some estimate on electricity, and the impact should be fairly limited again, at least in the early years, on the price of energy. As for the exact number, I think they put some numbers in their documents, so I would in fact refer to those numbers.

You had a question about the regional impact too. Again, even though on the energy and for the regional impact I think those kinds of models are good in order to get a general idea about the aggregate impact, for the impact by province, by industry for different types of energy, for example, it's a bit early because the details of the plan are still not specified. So to do a thorough assessment of those things you need to have the specification of plans, which I think will be known by the fall, based on what the document is saying, after consultation with provinces and the industry.

So it's a bit early to talk about these regional and specific impacts.

Mr. Mike Allen: Okay, I'd like to go quickly to capital cost allowance.

During the study on the oil sands, there was a lot of discussion in committee about just wiping out the accelerated CCA. One of the concerns I always had is that no one could ever really quantify exactly what that is for all the issues you've brought about. There are nuances to it, like specific investments in each project in the oil sands and that. So when this $300 million—I'd heard that anything from $300 million to $500 million might be the case.

I have two questions. First, when did you really come up with this $300 million as the figure for what's going to be lost to the economy? Then, when that has replaced accelerated capital cost allowance for the new environmental, do we roughly know what kind of impact on the economy and government revenue that's going to have?

Mr. James Green: The $300 million figure that I spoke of earlier is an estimate that we developed in the course of developing the measure that was announced in the budget. It is a forward-looking measure based on announced investment intentions, and that's an average figure. It's a number that bounces around a lot from year to year.

Sorry, that's the fiscal cost in reduced revenue to the government by providing this additional allowance. It's not a measure of the impact on the economy of the investment induced; it's a fiscal cost to the government.

Going forward, the government will identify additional measures, as I mentioned, with respect to emerging areas like carbon capture and storage. Because the details of those things have yet to be determined, we're not in a position at this time to predict what the fiscal impact of those things will be.

Mr. Mike Allen: So it's beyond the scope or purview of what you're looking at right now.

Mr. James Green: That's right.

The Chair: Thank you.

We'll go for one question to Mr. Bigras, for three minutes maximum, please.

[*Translation*]

Mr. Bernard Bigras: When you analyze the economic costs, the amount is about $8 billion, but when it comes benefits, the amount is about $6.4 billion in the area of health. You say that this represents only a fraction of the benefits that Canadians will enjoy.

I would like to know why you account for all of the economic costs, whereas you only consider a fraction of the benefits. Might we conclude that the benefits, as a whole, would represent a higher amount than the economic costs? Have you broken down the benefits in a way that would allow you to determine if they represent only a fraction of the advantages?

Mr. Paul Rochon: Again, that is not something that we have done. However, you are referring to something that relates more closely to our well-being than to economic costs. There are models that allow for that type of calculation. There are, no doubt, people who would feel that a clean environment and clean air represent a benefit. It is something that cannot be easily observed.

We must realize that this concept goes beyond economic costs. It involves taking into account a whole host of factors that enhance our well-being.

● (1200)

Mr. Marcel Lussier: You said that there will be a 30% penalty if Canada does not meet its 6% five-year average between 2008 and 2012. What is that percentage based on? Would the total penalties be in the billion or in the million dollar range?

Mr. Denis Gauthier: Environment Canada or the people who negotiated the agreement would be in a better position to answer that question.

This is how I understand it; if Canada were to fall short of its 300-megaton objective at the end of the 2008-2012 period, there would be a new round of negotiations to cover the following five years. According to the Kyoto Protocol, Canada or any other country that does not meet its target will be subject to a 30% penalty. For example, if Canada has not met its 300-megaton commitment, the target will increase by 30%, which will lead to a 390-megaton deficit.

Mr. Marcel Lussier: You are referring to the quantity and not to the monetary value.

Mr. Denis Gauthier: A new target would be set for the second period. Unless I am mistaken, that is how I believe it will work.

[*English*]

The Chair: Thank you, Mr. Lussier. That's three minutes. I'd like to get on to health.

Thank you very much for appearing on behalf of Finance. I know that members appreciated that.

I understand that a couple of you might be able to stay to provide any additional information. I think health is a pretty important aspect of this whole thing. I would ask whoever has to leave, to leave, and whoever is staying, to stay.

We have three people from Health Canada, and we'll get going as quickly as we can.

Thank you.

● _____ (Pause) _____

●

● (1205)

The Chair: To begin, I'd like to welcome our members from Health Canada.

Mr. Warawa.

Mr. Mark Warawa: On a point of order, Mr. Chair, we just finished Finance and there were some questions on costs specific to advertising. I just want to submit to the clerk, in both official languages, some information.

Previous governments spent for one conference in Montreal, the United Nations conference on climate change, $1.6 million. That was just for that one conference. I thought the committee would find that informative.

The Chair: The clerk can circulate that to members.

Mr. David McGuinty: Would that be the international United Nations Conference of the Parties meeting, engaging 169 countries in Montreal?

The Chair: Mr. Warawa.

Mr. Mark Warawa: Yes, and unfortunately, they were not informed about the 35% above the Kyoto targets, that Canada would not be meeting the targets. The advertising cost $1.6 million, Chair.

The Chair: That's been tabled.

I'd like to move on and have our Health people do the presentation, if we can.

Mr. Cullen, on the same point of order.

Mr. Nathan Cullen: Yes, on the same point of order, because its relevancy is skipping the surface, could the parliamentary secretary also supply the cost figures for the government's public relations plan for their EcoAction? I believe it's to the tune of about $1 million as well that they're planning to spend. Could he table that, as well, for the committee's review?

The Chair: It's $5 million.

Mr. Nathan Cullen: Oh, is it $5 million now? Okay. If we're talking about costs and important uses of government money for the environment—

The Chair: Mr. Cullen, again, we have witnesses—

Mr. Nathan Cullen: Mr. Chair, if I may, if what Mr. Warawa just presented was relevant to the subject that you just accepted, then clearly we're talking about government's choices in spending. If they're going to spend $5 million on publicity, and are criticizing other governments on their spending, then clearly he can table a second document as well.

You've accepted this as relevant to our discussion today. Clearly, if the parliamentary secretary is interested in going down this path, then let's look at government spending.

Mr. Mark Warawa: Mr. Chair, in response to that, Mr. Cullen was one of the people who were asking questions on costs, and I'm glad he is—Can I please finish? The Treasury Board reports annually. It's a public document. I encourage him to read that public document when it's available.

The Chair: I think to end this, pursuant to standing order 108(2), the study of the government's climate change plan, entitled Turning the Corner, is what we're doing. We have guests.

I want to proceed. Could we take this up, Mr. Cullen, when we don't have witnesses here? I want to get the maximum time. We will end at one o'clock. I understand your point.

Mr. Nathan Cullen: Why accept it then? I understand we can talk about it later. But if you're interested—and I believe your interest is genuine—in having as much witness time as possible, why accept the gamesmanship? It does not engender a good conversation. If the parliamentary secretary continues in that, simply rule it out of order, and we'll move to the witnesses.

The Chair: I'll put it this way, Mr. Cullen. I'm going to hold this document. I will discuss it with Mr. Warawa, and we will raise it at our next meeting.

Ms. Fletcher, I believe you're making a presentation first on behalf of Health Canada. We do have two members of Finance who are joining us as well. Could we hear your presentation, please?

Ms. Susan Fletcher (Assistant Deputy Minister, Healthy Environments and Consumer Safety Branch, Department of Health): Thank you very much for inviting me to be here today, Mr. Chairman.

I'm the assistant deputy minister of the healthy environments and consumer safety branch of Health Canada, and in that connection, one of my responsibilities is for environmental impacts on health. It's in that respect that I'm here today.

● (1210)

[*Translation*]

I am pleased to address this committee on Health Canada's role in the Government of Canada's plan for climate change.

[*English*]

With your indulgence, I will speak for a few moments, not only about climate change but also about the closely related issues of air pollution and chemicals, which from a health perspective are inextricably linked to each other. There's no question that the environment is a key determinant of health. Our well-being is dependent upon the quality of the air we breathe, the water we drink, the food we eat, as well as the safety of the products and chemicals we use. These cornerstones of our daily life are being threatened by changes to our climate.

[*Translation*]

We know that climate change is already occurring throughout the world.

[*English*]

We've seen real examples of the types of events that climate change will make more frequent; for example, the extreme heat and cold waves and other severe weather events we've seen in recent years. One such example is the 1998 ice storm in eastern Canada, which was responsible for 28 deaths, 945 injuries, and the evacuation of some 600,000 people. Each year we in Canada record extreme weather events in all parts of the country that affect our lives, our health, and our livelihood.

The fullness of the effects of extreme weather events, such as storms, extreme heat and drought, as well as floods, is not well recorded or understood. We know, however, that we can be better prepared to mitigate these effects, and that we need to take special care of the most vulnerable within our population, often those with compromised health or immune systems, the elderly, the sick, and the very young.

While the way in which climate can affect health is complex, many of the relationships and effects are well documented worldwide by reputable researchers and organizations such as the World Health Organization. Although still a relatively new field of research, the study of the specific effects on the health of Canadians has progressed largely in parallel with the study of the broader impacts of climate change on the environment and on society.

[*Translation*]

There are, however, still many unknowns. Among those is knowing who is most at risk within our population, under what conditions these vulnerabilities occur, and how we must adapt our behaviours and public health practices to mitigate those effects.

[*English*]

We are also working to better our understanding of how climate acts on the environment in less direct ways and what the possible health effects could be. For example, climate variables such as temperatures, winds, humidity, and precipitation influence environmental processes such as the chemical reactions that cause air pollution, the transportation of chemical contaminants in the atmosphere, and the survival and replication of certain pathogens that cause water-borne, food-borne, or insect-borne diseases.

Much of the research carried out by Health Canada and other organizations in this country and internationally is providing evidence of the link between these climate variables, mostly temperature and precipitation, and groups of illnesses such as cardio-respiratory, cardiovascular, and gastrointestinal diseases.

In 2003 Health Canada released, in collaboration with the World Health Organization, a report providing guidance to researchers, health authorities, and national governments on how to carry out assessment of the impacts of climate change on health. Shortly thereafter, the department embarked on an assessment of its own of the capacities in Canada for coping and adapting to future climate change and the implications for the policies and practices of health authorities at all levels of government. Health Canada expects to release this report in the fall, and it will be a major milestone for us as a country and an example for the rest of world.

[*Translation*]

Health Canada is not alone in advancing knowledge and solutions on this issue.

[*English*]

The Public Health Agency of Canada is modelling, for example, the spread of Lyme disease associated with changing weather to better understand the potential risks to Canadians.

As I mentioned at the beginning of my remarks, from a health perspective, air pollution and chemicals are inextricably linked to climate change, and I would like to discuss this briefly.

My colleague Cécile Cléroux has told you about the importance of addressing climate change and air quality together, because the two problems have, overall, the same sources. The two issues are also linked in their health impacts. By taking action on both greenhouse gases and air pollutants, we can realize both immediate and long-term health benefits for Canadians.

In designing public policy, it's always hoped that any trade-off between the costs and benefits now and later can be minimized. Yet we all know that the balance is not easy, nor are the risks and benefits easy to see. Fortunately, what we know about the health implications of air pollutants puts us in a position to obtain benefits now and into the future.

Numerous studies show us that the range of health end points related to the exacerbation of cardiovascular and respiratory diseases increases immediately after a smog episode. Other studies have shown that people in less polluted communities live longer.

As these effects are observable, even for small increments of air pollution and in relatively clean communities, on the basis of this science, applying targets to reduce pollution emissions across the country makes sense, since the health risk can be reduced whenever an air quality improvement can be achieved. The health payback is essentially immediate.

● (1215)

[*Translation*]

The concept that action needs to be taken only when air pollution exceeds specific values is obsolete. By applying national emissions regulations across the country, the federal government will provide benefits to all Canadians.

[*English*]

Research has made it possible to estimate the health benefits that will result from the implementation of the government's plan by 2015. Examples of these health benefits include reduced death, fewer hospital admissions, and fewer asthma attacks. By applying economic methodologies for the evaluation of these benefits, Health Canada has estimated that by 2015 the value will be approximately $6.4 billion annually. This puts the health benefits from air pollution reductions in the same broad range as the estimated economic costs. Thus in the short term the GHG emission reduction strategy is balanced by air pollution benefits.

In the longer term, global action on reducing greenhouse gas emissions will have significant health benefits worldwide, but the health benefits of GHG reductions will take a long time to appear. Just as it has taken a long time to see the impact of the last several decades of increased emissions on global temperatures, so it will take time to slow the increase and reverse the trend. And more importantly, regardless of what we do, climate change will have health impacts on Canadians in the coming decades and there will be a lag before emission reductions will show benefits. However, in the short term, we can be assured that the combined action on air pollutants and climate change will provide health benefits that will make our society more sustainable.

[*Translation*]

We already know that our climate affects our health in various ways and that we can improve our protection of parts of our population who are already experiencing difficulties with certain types of weather.

[*English*]

Our efforts to reduce greenhouse gases are essential. But we also acknowledge that we will not see the results of those efforts soon, so we need to provide Canadians now with ways to cope with the changing climate.

Just as it is important to address air pollutants and greenhouse gases together, it is important to address other environmental health factors in balance with these issues. One of those is the quality of indoor air. Thus far, most of the attention has been focused on outdoor air pollution, but it is important to remember that we, as Canadians, live indoors. In fact, we spend 90% of our time indoors.

In the built environments in which we live, work, go to school, and play, we're exposed to a variety of contaminants such as airborne moulds from excessive moisture, emissions from household products and building materials, and carbon monoxide from poorly vented oil and gas appliances. These and other indoor air contaminants can cause or exacerbate many ailments, including asthma, respiratory infections, and allergies.

[*Translation*]

Health Canada is taking action to address the issue of indoor air.

[*English*]

Under the clean air agenda announced last fall, the government committed to developing a priority list of indoor air pollutants in partnership with provinces and territories. It will lead to guidelines and other measures to protect the health of Canadians from these pollutants when they are indoors.

Another key initiative to improve health and the environment is the chemicals management plan. Announced last December, this innovative plan, developed by Health Canada and Environment Canada, is designed to ensure the safe management of chemical substances.

Chemicals are natural, and most are generally benign. Through human ingenuity, we've found ways to manipulate chemicals to improve the quality of our lives, increase food production, and cure illnesses. However, some chemicals are dangerous and can remain so for a very long time. Under the plan, the government will take immediate and decisive action on five categories of chemicals, including the prohibition of many of them. We have also begun assessing some 200 chemicals that have been flagged as high-risk. Industry is being challenged to prove that they can use these products safely and soundly.

In conclusion, climate change is an issue of importance to Health Canada. I hope my remarks have informed you of how we are addressing the challenge through our departmental mandate and as a key player in the delivery of the government's environmental agenda. But to be clear, our role is one of producing scientific evidence on the impact on health and on the benefits of reducing that impact.

● (1220)

[*Translation*]

Both the scientific evidence and the information we received from Canadians tell us this work is important.

[*English*]

Our immediate actions under the clean air agenda and the chemicals management plan will inform and complement the work we are doing on the health effects of climate change. Taken together, we believe these initiatives provide a foundation for protecting the health of Canadians from environmental contaminants, now and into the future.

[*Translation*]

Thank you.

[*English*]

The Chair: Thank you.

I will go immediately to Mr. McGuinty and Mr. Godfrey.

Mr. David McGuinty: Thank you very much, Ms. Fletcher.

I'm going to be circumspect in my questions. We're running out of time, so it would be helpful to have short answers, if that's okay. I don't want to be rude. We'd love to have more time, and perhaps we can get you back.

Can you tell us, to start, Ms. Fletcher, whether you have performed any analysis on Bill C-30? Has Health Canada been called upon to perform any analysis on Bill C-30? You referenced a number of parts, in your remarks on air quality and so on, that are instrumental to Bill C-30. Have you done any work analysis on Bill C-30 in its present form?

Ms. Susan Fletcher: We were provided with some scenarios by Environment Canada, and we did the health impact of those scenarios. If you would like details on the methodology of the impact work we did, I'd like to turn to Phil Blagden, my scientist, for that work.

Mr. David McGuinty: Does that include analysis of Bill C-30 as amended?

Mr. Phil Blagden (Acting Manager, Air Health Effects Division, Healthy Environments and Consumer Safety Branch, Department of Health): The only analysis we've done since Bill C-30 was amended was a summary of its content and the implications for the department.

Mr. David McGuinty: Thank you.

Mr. Green, I need to correct the record. Moments ago you said—and I would like to turn the question, as well, to Ms. Fletcher and your team from Health Canada—that a comprehensive environmental assessment was performed on the government's plan. Yesterday we heard from Environment Canada that no such environmental assessment has occurred.

Ms. Fletcher, in your document you talked about Health Canada doing a major environmental impact assessment on health to cope and adapt to future climate change.

The first question, Mr. Green, is whether I misunderstood. Are you saying that the Department of Finance did an environmental assessment?

Mr. James Green: To be clear, Mr. Chairman, in response to the question, what I said was that with respect to the budget measure that phased out the accelerated CCA for oil sands, the department conducted a strategic environmental assessment, which it does in respect of all policy proposals that are presented to the minister for decisions.

Mr. David McGuinty: So on the plan in its entirety, to your knowledge, no strategic environmental assessment has occurred, is that right?

Mr. James Green: I can't speak to it. It would not have been conducted by the Department of Finance.

Mr. David McGuinty: Thank you very much.

Ms. Fletcher, has Health Canada actually performed an environmental impact assessment on the plan, and if it has, what alternative plans did you put forward? In any environmental assessment, there is a mandatory requirement that alternative plans be developed.

Ms. Susan Fletcher: As I explained, our work is the scientific development of the health impacts, so we did look at the activities around health and the strategic assessment of the impact of the health activities, but we did not look at the broader issue.

Mr. David McGuinty: Finally, before turning it over to my colleague Mr. Godfrey, there's no interdepartmental environmental assessment that either department has participated in on this plan.

Ms. Susan Fletcher: We would have done, as a government, as my colleague said, a strategic environmental assessment. I think if there is an environmental person here who would have been responsible for the policy work, they would be able to speak to it.

Hon. John Godfrey (Don Valley West, Lib.): Okay. Ms. Fletcher, I assume that the quality of your analysis of health costs and benefits, which you outlined on page 8 of your document, can only be as good as the quality of the economic analysis that it's based on, which is somebody else's job. Would that be a fair comment?

Ms. Susan Fletcher: We use assumptions in our methodology, absolutely.

Hon. John Godfrey: All right, but it's based on other people's work on the economic part.

Ms. Susan Fletcher: And by and large, recognized scientific evidence that a number of people have done, so we don't only go to one source.

Hon. John Godfrey: Okay.

Now, to the two Finance officials, you were consulted on, as I understand it from your testimony, these two documents, *The Cost of Bill C-288 to Canadian Families and Business* and the *Regulatory Framework for Air Emissions*. Is that correct?

A witness: Correct.

Hon. John Godfrey: So you reviewed that. Does that mean then that the Department of Finance stands behind the figures, the analysis, the methodology, and the conclusions of these two documents?

● (1225)

Mr. Benoit Robidoux: We believe that the analysis is reasonable in both cases, that the economic impact that comes out of the analysis is reasonable in both cases, yes.

Hon. John Godfrey: Therefore, did you note that between the two, as I heard in your previous testimony, there was a bit of a discrepancy in the methodology behind the two documents? That is to say, in the case of this document, Bill C-288, which is a plan that doesn't exist, versus this document, which is a plan that does exist, there is—

The Chair: Mr. Godfrey, again, you know—

Hon. John Godfrey: I'm asking about methodology.

The Chair: —we discussed that earlier, and of course I asked Mr. Vellacott to live by that. Perhaps you could as well, please.

Hon. John Godfrey: So I guess the question is this. There are two sets of methodologies involved. Did you find a discrepancy, given the fact that in one case five outside economists were used and in the other case no outside economists were used?

Mr. Benoit Robidoux: It's a fact that in the case of Bill C-288, if I could speak about that—

The Chair: I'd rather you didn't, but—

Hon. John Godfrey: They've been raised by everybody else. I simply want to know, is there a discrepancy in the methodology?

The Chair: Very quickly, Mr. Robidoux, please.

Mr. Benoit Robidoux: The results were presented to, I think, five or a number of fairly well-known economists that are put at the end of the document, and like us, they reviewed the results and provided their assessment to Environment Canada. So they were not doing the analyzing; they reviewed the analysis, and in all these cases, they agreed with the results of the analysis, broadly speaking.

The Chair: Mr. Blagden, I think, wanted to jump in there.

Mr. Phil Blagden: Only to take it back to the economics involved in the health analysis.

We're using a model that has been publicly peer-reviewed in the past and has been developed over a number of years. The health benefit analysis and the economic costs calculated there are standard science, and the health benefits model has already been validated.

Hon. John Godfrey: My question is about the economic analysis, that we will have certain reductions or not—

Mr. Phil Blagden: We weren't involved in that.

Hon. John Godfrey: So I guess my question is, since you have a degree of responsibility for these two reports, because you have been reviewing them and consulted on them, is it also part of your responsibility to point out discrepancies of methodology, where one seems to be more rigorous than the other? Is that part of what you have to do in the review and consultation process?

Mr. Benoit Robidoux: If we'd thought that one was less rigorous than the other, yes, it would have been our responsibility. But we thought both were of the same rigour, done with the same model, with the same approach, by the same people, and in exactly the same way, as far as I'm concerned.

Hon. John Godfrey: There was a reference earlier in testimony to an economic model developed in the late 1990s for analyzing all of this in the Department of Finance—an econometric model. Has that gone on for further development so that Finance Canada is the ultimate repository of this economic analysis of environmental issues, or does that not exist as an independent entity still within Finance Canada?

Mr. Benoit Robidoux: We started in 1992 developing, as Paul said, generic accrual models, which are different models from what is used by Environment Canada. We developed these models over time, and they are now dynamic models, more state-of-the-art models. And we keep developing these models, yes, so they are still there. Right now, we're still in the phase of future development of these models.

Hon. John Godfrey: Thank you.

The Chair: Thank you.

Mr. Bigras.

[*Translation*]

Mr. Bernard Bigras: Thank you, Mr. Chairman.

According to the text of the regulatory framework, we can expect to see $6.4 billion in health benefits once the framework has been implemented. Does your department have a study to demonstrate that the implementation of the Kyoto Protocol will result in positive impacts on our health? In recent years, since Canada ratified the Kyoto Protocol, has your department analyzed the health benefits that could result from meeting the Kyoto targets?

[*English*]

Ms. Susan Fletcher: We didn't do the same economic analysis for Kyoto, because greenhouse gases act at a global level and they affect the atmosphere as a whole. It's impossible for us to determine health impacts. So we can't do an economic analysis on the health impacts directly, the way we can on air pollutants.

● (1230)

[*Translation*]

Mr. Bernard Bigras: I don't understand. You are using the government's assumption. There are greenhouse gas emissions targets that are not provided for in the regulatory framework. In recent years, have you undertaken any type of economic analysis to determine how respecting the Kyoto Protocol could positively affect our health? I know what you said, but your answer applies just as well to the current plan as it does to the Kyoto Protocol. Both assumptions are the same. Did your department undertake a study? We would not want to find out that a study was done by your department—That would be quite something. Do you have a study somewhere in your department's archives?

[*English*]

Ms. Susan Fletcher: We can do the health impacts of a reduction in air pollutants, and the $6.4 billion that you referred to is our assessment of the reduction in air pollutants by 2015, given this new agenda.

The Kyoto targets are related to greenhouse gases. We've never, to my knowledge...but I'll turn to my scientist.

Mr. Phil Blagden: There are no direct health effects from greenhouse gases. The analysis that we do is premised on the direct health effects of the air pollutants in terms of exposure.

The implications of Kyoto are global. Climate change is something that's developing, as Susan mentioned in her speech, and is ongoing. You can't do an economic analysis on the impact of one country in those terms, because you're looking at long-term impacts on the change in the climate and the resultant health benefits. We do not have enough certainty from the models to calculate those things. If you were to try to divide it down on a country-by-country basis, you would get a negligible impact. That's not to say that there are not benefits from reducing greenhouse gas emissions; it's simply that you cannot calculate those health benefits with the science that's available, because they do not have direct health effects.

[*Translation*]

Mr. Bernard Bigras: How were the global benefits by province established in this plan? What method was used? What did that include? Are the system costs included in the breakdown by province?

[*English*]

Mr. Phil Blagden: Environment Canada ran an air quality model, and so the input to that model was the emissions reductions. The air quality model predicts ambient air quality conditions across the country on gridded squares. Our model takes the information from those geographic areas and applies it in terms of personal exposure, individual exposure, according to the population and distribution across the country and to the health risks. So it's fairly straightforward to simply identify all of the areas that are contained within the boundaries of Quebec.

The only differential there would be that there are a couple of boxes on the borders, so I believe Gatineau was counted in Ontario, but it's a relatively minor issue. But the actual calculations are based on the exposure of people living in Quebec to air pollutants and the difference that the regulatory reductions would make in the air pollution concentrations, specifically the pollutant particles and ozone.

[*Translation*]

Mr. Bernard Bigras: Would you say that table G.1 includes the system costs in provinces where the plan will be implemented? Would emergency room visits represent a system cost? The number of hospital admissions would be a system cost. Does that include those costs?

[*English*]

Mr. Phil Blagden: It includes the estimates of the impacts and the costs of emergency room visits, yes. So you can see from G-1 that the mean that we're looking at is a reduction nationally of about 1,000 emergency room visits. We can break that down to the number of emergency room visits per province, and then we multiply that by a cost factor to come up with a total amount, which for all of the impacts came to $6.4 billion nationally. For Quebec it was in the range of about $2.2 billion on the figure below.

I'm not sure if everybody has the same copy as I do, but there was a typo in G-5. The green bar is at the total benefits. The blue bar is at the per capita benefits.

I'm sorry, it's other way around. So I'm reading it wrong as well. The per capita needs to be green; otherwise you look at Saskatchewan and you see the discrepancy.

● (1235)

[*Translation*]

Mr. Bernard Bigras: I have no other questions.

Mr. Marcel Lussier: Is there any time left?

[*English*]

The Chair: Yes, you still have three minutes.

[*Translation*]

Mr. Marcel Lussier: Ms. Fletcher, you state in your brief that you are monitoring Lyme disease. Are you monitoring other diseases that migrate due to climate change? I was thinking of the West Nile virus. Is there anything else that Health Canada should be keeping an eye on?

[*English*]

Ms. Susan Fletcher: To be truthful, it's not Health Canada that's doing that monitoring, it's the Public Health Agency of Canada. And yes indeed, they are monitoring a number of different kinds of vector-borne diseases, as you mentioned, such as the West Nile virus, Lyme disease. They're also looking at pandemics and all kinds of different things we can be exposed to in the years to come.

If you wanted more details on that, you would probably be better to bring somebody in from the Public Health Agency to talk about the work they're doing.

[*Translation*]

Mr. Marcel Lussier: I hope that there is not yet any threat from malaria.

[*English*]

Ms. Susan Fletcher: To the best of my knowledge we're not, but then again I'm not the authority on that. Again I would advise you to speak to the Public Health Agency.

[*Translation*]

Mr. Marcel Lussier: Will there be any public awareness campaigns to make us aware of how climate change can affect our health? Do public awareness campaigns fall within your mandate?

[*English*]

Ms. Susan Fletcher: This is Jacinthe Séguin. She's my scientist responsible for climate change.

[*Translation*]

Ms. Jacinthe Séguin (Manager, Climate Change and Health Office, Healthy Environments and Consumer Safety Branch, Department of Health): Our mandate does not require us to take part in public awareness campaigns. However, we are expected to provide scientific information, particularly to municipalities or regional or provincial public health authorities. We provide them with the scientific information and they include it in their own public awareness campaigns.

That type of advertising is usually done locally, because each region or municipality determines its own objectives. They know what risks apply to their individual location and whether or not a campaign is warranted.

Therefore, we provide that type of information. From time to time, we review what has been prepared by some of these people, but we are not directly responsible for crafting the campaign.

[*English*]

The Chair: Mr. Cullen.

Mr. Nathan Cullen: Thank you, Chair.

It's a question about the $6.4 billion. Is this an annual? Is it a one-time-off benefit to the Canadian economy?

Ms. Susan Fletcher: It will be the annual by 2015. With the targets we have in place, by 2015 annually we should be seeing $6.4 billion.

Mr. Nathan Cullen: Do we have any figures as to what the progression is in savings per year up until 2015 of the health benefits, rather than just the end point?

Mr. Phil Blagden: The scenario that was run—and we did run scenarios for the period 2015 to 2044—was based on the regulations coming into place in 2015, and the scenario looks at the impact of the regulations. So if those regulations come into play sooner, we'll have benefits. But the plan is that everything would be intact, in place, in 2015.

● (1240)

Mr. Nathan Cullen: This is a large figure, $6.5 billion. This is accrued through people not being in hospitals? This is a value given to—

Mr. Phil Blagden: Well, $6 billion of that is based on reduced mortality, $5 million a life. It is the standard value given in this sort of analysis.

Mr. Nathan Cullen: That's $5 million per person.

Mr. Phil Blagden: Yes, so 1,200 premature mortalities are avoided, and the model, although it does have confidence intervals on those ranges—So we do a confidence analysis on those ranges.

Mr. Nathan Cullen: This is focused entirely around air pollution rather than greenhouse gases.

Mr. Phil Blagden: Air pollution entirely.

Mr. Nathan Cullen: I want to get to that in a moment.

So we can figure out, if you allow NO_x and SO_x and volatile organic compounds to increase, we can use these models to determine how many people will die because of that and what the economic impact of those people dying is. Is that correct?

Mr. Phil Blagden: We ran the model for the business as usual scenario and then for the regulated scenario. The figures you see are the difference.

Mr. Nathan Cullen: Right. So when we're talking about regulated, we're talking about NO_x, SO_x, smog-causing pollution.

Mr. Phil Blagden: Yes.

Mr. Nathan Cullen: So when the government allows a certain industry to increase pollutants, in a sense we can translate that into human mortality. If we were to say we were going to allow so many tonnes of these smog-causing pollutants—I know these are all models—we could estimate what that is.

Mr. Phil Blagden: Within the model. You have to realize the model was driven by a meteorological model, so there's an issue. If you go too small to calculate, then the model's not going to give you a difference in output because of the inherent errors in it. So I wouldn't want to narrow it down to one person's SUV.

Mr. Nathan Cullen: We can certainly narrow it down to a major industrial sector because that will produce enough. We had Natural Resources here yesterday, and I asked them particularly about the oil sands sector, which is being given permission to increase volatile organic compounds by 60%. Can we translate the allotment of increased pollution that is allowed to that particular industrial sector and then translate that into human life cost and then an economic figure?

Mr. Phil Blagden: Environment Canada would have to run the model to give us the ambient information.

Mr. Nathan Cullen: Is it possible?

Mr. Phil Blagden: You would have to ask them in terms of the specifics of the scenario you'd like to run.

Mr. Nathan Cullen: But the model you were using and the $6.4 billion?

Mr. Phil Blagden: With the model we're using, if Environment Canada gives us an ambient concentration, we can calculate the health impacts.

Mr. Nathan Cullen: Have they asked you to do that?

Mr. Phil Blagden: The models we've done so far—

Mr. Nathan Cullen: I'm sorry, I want to be specific with my question. Have they asked you to do that with respect to the oil sands in particular?

Mr. Phil Blagden: I'm personally not aware of the current requests for modelling.

Mr. Nathan Cullen: These are choices that governments make about how much to restrict pollution—and you've claimed the $6.4 billion, which we'll accept as a model. When other choices are made to allow pollution to increase, then there are also consequences to those choices. It's curious to me that the government hasn't sought out what the health impacts are of allowing the oil sands to increase by that much.

I have a question about the science, and this might be for Madame Séguin. There was a statement made by Mr. Blagden earlier that there are no direct health impacts associated to greenhouse gas emissions. I'm having a hard time understanding the validity of that statement.

Ms. Jacinthe Séguin: Greenhouse gases influence climate change, if we take that as a premise. Climate change influences different components of the environment, and then it's through those changes that you might have direct health effects.

Mr. Nathan Cullen: If we, say, in a city like Toronto or Montreal, increase the average temperature in a given a year by five degrees, we know the corresponding effects on smog of that five-degree increase. If you warm the atmosphere up that much, smog has a different impact.

Ms. Jacinthe Séguin: It really depends—

Mr. Nathan Cullen: They've often been called interrelated.

Ms. Jacinthe Séguin: —whether you're looking at the air quality aspect of it or at climate change, the change in the climate. They're not one and the same.

Mr. Nathan Cullen: Of course, but they're interrelated, certainly.

Ms. Jacinthe Séguin: They are interrelated.

Mr. Nathan Cullen: If a city's average temperature is 10°C and you put this much pollution into it, if you increase the city's average temperature to 20°C and you put the same amount of pollutants into the atmosphere, the results of smog will be totally different. We know that. It's warmer in the summer.

Ms. Jacinthe Séguin: It also depends on your cloud cover. Right now, there are some models that are becoming more sophisticated at modelling the interaction between increases in temperature and the formation of smog.

Mr. Nathan Cullen: Sure, but even anecdotally we know we get smog days predominantly in the summertime and not in the wintertime.

Ms. Jacinthe Séguin: Phil can answer that.

● (1245)

Mr. Phil Blagden: These are really questions you should direct to Environment Canada, but I'll give you some of my knowledge from previous experience there.

There are a number of research studies out now, a small number of research studies, that attempt to calculate the impact on air pollution of increasing temperatures of climate change. Those studies do show generally an increase in ozone-particular smog in areas, if you assume certain scenarios.

Mr. Nathan Cullen: Have we done any of this assessment in-house?

Mr. Phil Blagden: There has been some work done by Environment Canada, supported by Health Canada, looking at synoptic situations.

The important thing to keep in mind is that it's not just temperature driven, that there's complex meteorology involved.

Mr. Nathan Cullen: Temperature is an important factor, we can say.

Mr. Phil Blagden: Temperature is one factor that determines the release of certain precursors for ozone.

Mr. Nathan Cullen: Would you describe it as an important one? There are only so many variables.

Mr. Phil Blagden: Yes, but it's not always the most important thing. You can get ozone episodes from a variety of circumstances. A lot of it is long-range transport. A lot of it has to do with whether or not you have an inversion.

Mr. Nathan Cullen: Thank you.

The question I have, and this is what strikes me about this comment, is that when we look at cases, as was talked about in the opening brief, of extreme weather, the impacts of increase in temperature in the Far North—I mean, direct health impacts of that —and we talk about smog days and the average increase in temperature, why Health Canada has gone through the rigour of looking at the pollutant side, but when I look through all of your graphs in terms of wet sulphates, particulates, affected ozone levels, all of these are directly correlated, not exclusively to temperature.

Mr. Phil Blagden: You're using the word “direct” in a different way than I did.

Mr. Nathan Cullen: I don't want to go into semantics.

Mr. Phil Blagden: When I said greenhouse gas didn't directly impact, I meant that if you breathe greenhouse gases, you do not have a health effect. If you breath PM and ozone, you do have a health effect.

Climate change and calculating—

Mr. Nathan Cullen: PM and ozone, these things that cause human health effects, are affected by climate change.

Mr. Phil Blagden: The science on that is still in the development stage

. The point is that we do not at this point have the modelling ability to calculate those impacts. You would have to be looking out at 2050; you would have to look at the global impacts, the global climatic changes; and you would have to have better models than we have now.

Mr. Nathan Cullen: This government has assumed, as has the previous government, that there is a direct correlation between climate change and smog, between greenhouse gases and smog. This assertion has been made time and time again. The Canadian public has accepted this assertion. We've heard scientific evidence to claim that assertion. To then come back and say that we're going to account for the pollution aspect of things, which is all well and good in terms of those direct pollutants we've named, but not talk about the direct or indirect costs to the Canadian health system and to Canadians individually of climate change seems bordering on irresponsible, because we've all claimed them to be connected.

I'll allow you a moment.

Ms. Susan Fletcher: I was just going to say that the difficulty for us is that even the modelling of air pollutants is very complex. It's not a simple model that we have. As you've heard about the complexity of the relationship between greenhouse gases and climate change and air pollutants, it's even more complex and we just don't have the models. I don't think there's anywhere in the world where they do right now.

Mr. Nathan Cullen: And heat waves and all of those types of things that cause direct human impact—health impacts, encroachment of malaria, tropical diseases—we can model those things.

Ms. Susan Fletcher: We can model them, but those are individual things, and it's hard to take those direct climate change environmental impacts and relate them back up to greenhouse gases.

Mr. Nathan Cullen: We certainly know if—

The Chair: Mr. Cullen, your time is up, I'm sorry.

Mr. Warawa.

Mr. Mark Warawa: Thank you, Mr. Chair.

I have a quote here from David Suzuki. The David Suzuki Foundation actually wrote a report—I politely listened to Mr. Cullen and the others, and I would ask for the same courtesy—and the article written was “The Air We Breathe”. It says: “There is strong evidence that air pollution is the most harmful environmental problem in Canada in terms of human health effects, causing thousands of deaths, millions of illnesses, billions of dollars in health care expenses, and tens of billions of dollars in lost productivity every year.”

I appreciate the witnesses from Health Canada being here, and that's the message that we heard from you today.

I found it quite interesting. I made a note on page 7 of the presentation. The paragraph in the middle of that page said: “On the basis of this science, applying targets to reduce air pollution emissions across the country make sense, since the health risk can be reduced wherever an air quality improvement can be achieved. The health payback is essentially immediate.”

I want to ask a question of the officials from Health Canada. How important is it to have a national air quality standard? We've heard proposals from the opposition that we provide regional standards. How important is it that we have a national air quality standard?

● (1250)

Ms. Susan Fletcher: The point I was trying to make in my opening remarks was that a national one will provide benefits overall, because if you have a target and you allow pollution up to that target, the people within that area will be subject to that level of air pollution. If you push the level of air pollution down as low as you can everywhere in the country, you're going to have immediate impacts.

I'm going to ask Phil to speak to you more directly.

Mr. Phil Blagden: That's essentially it. You can get benefits from reducing air pollution wherever you reduce air pollution. We have not seen a threshold for the effects even in relatively clean communities. An emission reduction in a less polluted community can have, all other things being equal, the same impact as the same emission reduction in a polluted community. It sounds a little bit odd, but the reality is that the risks are more or less linear, as you reduce the concentrations.

Mr. Mark Warawa: The Turning the Corner plan was presented on April 26. We're the first government in Canadian history to deal with both greenhouse gas emissions and pollution, including indoor air quality.

I believe, Ms. Fletcher, you mentioned during your presentation that, on average, 90% of our time is spent indoors. We're indoors right now. We take our bus ride home, hopefully. Some listen to the radio, but we get home, and that is somewhat indoors too. Then we go home and we're indoors. So 90% of our time is indoors.

How important is it that we have national air quality standards to protect the health of Canadians? How important is the indoor quality aspect of this?

Ms. Susan Fletcher: Clearly, indoor air is affected by the ambient air outside as well, but there are additional impacts on indoor air, whether it's mould, off-gassing of products and building materials, and so on. From a health perspective, we're very interested in looking at indoor air as well and ensuring that we have appropriate guidelines in place to regulate pollutants and indoor air. For health, to us, it's a very important thing to be doing as well.

Mr. Mark Warawa: There was a question earlier about Bill C-30. Bill C-30 included having a national air quality standard, and the opposition took it out, unfortunately.

I have a quote from the Canadian Medical Association. It said "was optimistic that the targets and timelines announced by the federal government will move Canadians further down the road to better health." They also said that Canadian doctors "are well aware of the effects that poor air quality can have on the health of our patients—That's why we believe any measures taken now to improve air quality will have a positive impact on the health of Canadians now and in the future."

As I mentioned a moment ago, we're the first Canadian government to provide, by regulations, controls on both greenhouse gas emissions and pollutants, including indoor ones. Is there any other country that's gone to that extent?

Ms. Susan Fletcher: Not to my knowledge.

Mr. Phil Blagden: No, we have not seen regulations of the same sort in terms of indoor air. We're working towards indoor air, so we will be looking internationally as part of that process.

● (1255)

Mr. Mark Warawa: So we are world leaders in moving in this direction. Thank you.

An hon. member: Less bluffing.

Mr. Mark Warawa: Of course, I have my heckling section working well over there.

Chair, there were comments made about Bill C-288, so I have to make a comment on it too. During the hearing of witnesses on Bill C-288, every one of those I asked whether we can meet the Kyoto targets domestically within the eight months said no, we cannot meet them; Bill C-288 is not achievable. That was every one, except for one person who represented an environmental group.

So, Chair, obviously the members of the opposition—

The Chair: Everyone's had a turn at Bill C-288, so now we're even.

Mr. Mark Warawa: Now we're even.

The point I wanted to make, Chair, is that unfortunately the members across disregarded all the signs and forged ahead with Bill C-288 regardless of what they heard. But from what we've heard yesterday and today, and actually the day before, on Tuesday, when we had an excellent presentation on carbon sequestration and capture, we see very clearly that we have a plan that will reduce greenhouse gas emissions, with absolute reductions of 20% by 2020, and that we reduce pollution levels by 50% within the next eight years. Those are targets, and my hope is that we can go even beyond them. Those are targets that are achievable, and the plan is done within a realistic timeframe.

My hope is that we will work together, all parties, to clean up the mess. I'm not going to try to place blame for what's happened in the past, but we need to look forward and work together to provide a cleaner environment for the health of all Canadians and for the health of the globe.

I have a couple of minutes left, and I'd like to provide them to Mr. Harvey, please.

[*Translation*]

Mr. Luc Harvey: My question is to the Department of Finance representatives. We recently received a study on the costs related to Bill C-288; compared to the first study, is this one in any way related to what could have been done for the Government of Canada when the Kyoto Protocol was drafted?

Mr. Benoit Robidoux: I'm not sure that I understand your question.

Mr. Luc Harvey: How many studies did the government undertake to determine the costs of the Kyoto Protocol?

Mr. Benoit Robidoux: The government did some studies, and some were done outside the government. Recently, in fact, a study was undertaken on the Kyoto Protocol objectives. However, all of these were based on the premise that we had 10 years to meet the targets. Even more recent studies were based on the understanding that we had about 10 years. So the impact began a few years ago.

As far as I know, the Environment Canada study of Bill C-288 is the first one to suggest that we should move quickly, in other words, within the next year and over the coming four years. That is the first time that it has been suggested in a study.

There is a huge difference between meeting the same targets quickly and providing more time for business to adapt, to renew its investment, replace the inputs, etc. That requires time, and it can't be done quickly, within a year, without incurring very high costs.

Mr. Luc Harvey: I have a final question for Ms. Fletcher. We have discussed air quality and the direct impact on health. Would the purchase of foreign carbon credits improve the quality of life of Canadians?

[*English*]

Ms. Susan Fletcher: That's a really difficult one. From the point of view of improving the global atmosphere—and we've talked about climate change being a global phenomenon and Canadians' health being impacted by the global phenomena—even though we can't put an economic evaluation on it yet because we don't have the modelling, anything we do to improve the climate globally will eventually have an impact.

● (1300)

The Chair: Thank you very much, Mr. Harvey.

I'd like to thank our witnesses again for a job well done, and I thank all the members.

I want to remind members that on our first Tuesday back we have the minister. A notice will be coming from the clerk. I will be discussing with a member of each party what we're going to do to progress at the meeting on Thursday, the 31st. I believe we tentatively set Bill C-377—I believe that's the number, but whatever the number is, Mr. Cullen, we will discuss it.

Mr. Nathan Cullen: The number is correct.

The Chair: We will discuss it, and if need be, we will get together, so that we can give the clerk some direction as to where we're going to go for that last Thursday.

Mr. David McGuinty: Thank you very much, Mr. Chair, and thank you to the witnesses for coming.

I'm just wondering, in the last moment before we leave.... I think most members would agree that we probably had more questions asked than answers provided in the last couple of meetings, which were good, productive meetings, and I think we've scratched the surface. I think it would be very beneficial for all of us to hear from the outside economists who were, for example, called to deal with the famous Bill C-288 that we've put aside, to have them come and help us understand and put in context the numbers—especially given that we've heard from Finance Canada that they completely warrant all the numbers put forward by the government, and so does Health, and so does Environment, and so does NRCan, apparently. I think it would be very beneficial for Canadians to hear from those five economists, for example, and have them appear before us.

I wonder whether, before the break week, we can ask the clerk to approach those five economists and find some time in the very near future, after we return, for a meeting or two, an opportunity to follow up on the analysis and ask them for their good guidance and their good observations.

We're in the hands of expert economists and expert modellers such as Mr. Blagden and others. It would be very helpful to get a perspective now.... The government used the five outside experts for one plan, and we think it would be very useful to apply it to its own plan. We're wondering why it hasn't happened on Bill C-30, but that's another issue.

So I would put to the committee, Mr. Chair, and to you that it would be very useful, very beneficial for Canadians to see what outside experts are saying. I'm wondering whether we can ask the clerk to do that now.

The Chair: Mr. McGuinty, because our time is up, I will discuss that with each party in the steering committee. You know what our schedule is, with the cancellation of the one meeting. Then, of course, we have the three weeks in June that we can discuss. So I will do that.

I'm going to adjourn the meeting at this point, and I will discuss this with you.

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