



Ontario and Quebec announce plans to create interprovincial cap and trade system

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At a joint cabinet meeting held in Quebec City in early June, Ontario Premier Dalton McGuinty and Quebec Premier Jean Charest signed a Memorandum of Understanding with respect to a provincial and territorial cap and trade initiative. The accord sets out the two provinces' plans to create an interprovincial cap and trade system for the trading of emissions credits, which could be implemented as early as 2010.

The accord explicitly rejects the use of the intensity-based targets (i.e., per unit of production) such as those used in the federal government's green plan called *Turning the Corner*. Instead, like the Kyoto Protocol, the system proposed by the two Premiers would set caps based on absolute greenhouse gas reductions using a 1990 baseline. The federal framework uses 2006 as its baseline year and, as noted, rejects hard caps on emissions in favour of intensity-based reduction targets.

The accord invites other provinces and territories to sign on and "work together collaboratively on the cap and trade initiative". Further, the Ontario and Quebec Premiers have stated that they hope their system, once implemented, could become the foundation for a national cap and trade system. However, news of the Premiers' plans drew immediate criticism from federal Environment Minister John Baird, as well as Prime Minister Stephen Harper, who accused the Premiers of "political posturing" and suggested that the federal plan would be more aggressive and get underway sooner.

In addition, the accord contemplates forming linkages with other North American and international trading schemes, as well as working with "broader regional trading initiatives already under development". This could presumably include linking with the cap and trade scheme currently under development by the Western Climate Initiative (WCI), an alliance of seven American states and three Canadian provinces (Quebec, Manitoba, and British Columbia) that is jointly developing regional strategies to address climate change. Ontario has observer status with the WCI.

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