

Briefing Note: Call for a New Climate Test

Energy policy must align with climate science. The Climate Test will use the latest climate science to evaluate all proposed energy supply and demand policies and projects in light of the globally agreed goal of limiting global warming to 1.5°C, informed by the spirit of global cooperation that made Paris successful.

To date, environmental assessments evaluate the impact of new projects in a business as usual or “reference case” energy scenario. Commonly used energy projections such as the U.S. Energy Information Administration’s Reference Case, the International Energy Agency’s Current or New Policies Scenario, the Canadian National Energy Board energy supply and demand projections, or energy outlooks produced annually by oil companies such as Exxon or BP, assume global energy markets that are consistent with 4°C to 6°C of warming.

This means that our most important national energy supply and demand projections are assuming continued failure to achieve internationally agreed climate goals. However, if Canada and the United States expect to achieve these goals, they must aim for success – and must measure policies and investment opportunities against a path that leads to climate safety.

Late last year, the United Nations climate change summit in Paris produced a global framework (supported by all signatories to the UN Framework Convention on Climate Change, representing 195 countries) that expressly supports a global peak and decline of greenhouse gas emissions by mid-century. The Paris Agreement set an ambition to limit global warming to well below 2°C and to pursue efforts to limit the temperature increase to 1.5°C.ⁱ United Nations Secretary-General, Ban Ki-moon, has tabled the Paris Agreement for ratification at the UN headquarters in New York City on April 22, 2016. The United States and Canada are expected to sign the Agreement at that time.

Despite rapidly changing global policy context, decision-makers in North America do not currently have the information or analytical tools to properly evaluate whether a given project or policy is needed in a global market that is transitioning to lower carbon emissions consistent with the Paris Agreement. The low-carbon transition affirmed in the Paris Agreement will dramatically shift both national and global energy markets away from business as usual scenarios. The implications of that transition will be of great relevance to Canadian and U.S. policymakers conducting economic and environmental reviews to inform decisions on long-term energy projects and permits.

In an international market consistent with the Paris climate commitments, demand for fossil fuels will peak in the near future and decline, resulting in progressively weaker prices for coal, oil and natural gas.ⁱⁱ Incorporating an assessment of global energy markets in a climate safe scenario will allow policymakers to consider project and permit decisions in scenarios consistent with success in meeting international climate objectives, and help them avoid public and private assets being economically threatened by the global transition away from fossil fuels.



A credible, robust climate test will provide United States and Canadian decision-makers with the tools necessary to ensure they are able to position their economies to thrive in a global market that is transiting to clean energy and a climate safe future.

A rigorous, cross-border climate test will provide decision-makers with the tools to more accurately assess the economic and environmental impacts of major project and permit decisions. As U.S. and Canadian policymakers take action to incorporate a climate test into their long-term decision making process, the credibility of that test will rest on its adherence to the following broad principles:

- ***Energy decisions must be guided by climate science.*** According to the IPCC's most recent analysis, global greenhouse emissions must be reduced dramatically by mid-century in order to limit global temperature rise to 2°C.ⁱⁱⁱ Achieving the 1.5C limit agreed to in Paris will require greater and more immediate reductions. Globally, these reductions will require the majority of fossil fuel reserves to remain unexploited. Within this context, it is imperative that decision-makers are provided with the tools they need to assess how energy projects and policies fit within a climate safe energy future.
- ***Decision-makers must develop and consider models that are consistent with a global economic transition away from high-carbon fossil fuels.*** It is essential that the United States and Canada have a clear roadmap for global energy supply and demand based on 1.5°C and 2°C limits. This roadmap will require U.S. and Canadian energy information agencies to construct robust models for global energy markets that are consistent with these climate scenarios.
- ***Environmental review processes must assess the need for projects and policies in the context of global energy supply and demand scenarios consistent with international climate goals.*** Any environmental review should take the aforementioned data and analysis and apply it to existing projects and policies under federal review to determine the economic and environmental viability of those proposals.
- ***Environmental review processes must assess a project or policy's greenhouse gas emissions.*** In addition to assessing the need for a project or policy in a scenario consistent with international climate goals, decision-makers should evaluate the greenhouse gas emissions associated with a project, assess the environmental impact of those emissions and evaluate their effect on national and international efforts to meet long term carbon reduction targets. In assessing the carbon pollution from any proposed project, the government should be able to show how that upward pressure is accounted for in their plan to meet their targets in the medium and long term.

ⁱ The United States and Canada have agreed to an initial warming limit of 2°C in numerous venues including the G8, as well as the Copenhagen and Cancun UN climate summits. More recently, both countries agreed to pursue efforts to limit warming to 1.5°C as articulated in the Paris Agreement reached in December 2015.

ⁱⁱ International Energy Agency, World Energy Outlook, 2015, pgs. 112-114, 150-151, 273-276.

ⁱⁱⁱ Intergovernmental Panel on Climate Change, IPCC: Greenhouse gas emissions accelerate despite reduction efforts, April 13, 2014, https://www.ipcc.ch/pdf/ar5/pr_wg3/20140413_pr_pc_wg3_en.pdf.