

# THE ABSENCE OF GOVERNANCE: CLIMATE CHANGE IN CANADA AND THE UNITED STATES

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There has been remarkably little formal collaboration between Canada and the United States on the issue of climate change policy, despite a wide range of mechanisms for cross-border engagement on common environmental concerns and a vast body of literature that underscores the threat that climate change poses to both nations. Bodies such as the International Joint Commission (IJC) and the North American Commission for Environmental Cooperation (CEC), as well as non-governmental organizations, have published studies outlining the risks of climate change in both Canada and the United States (IJC 2003; CEC 2002, 2008; National Wildlife Federation 2007). These reports examine not only the prospect of elevated temperature but also the proliferation of extreme weather events, public health risks due to changing patterns for disease transmission via insects, declining surface water levels, elevated sea levels,



and shifts in agricultural productivity. Such reports are consistent with those generated for each nation or various regions therein. They provide a common framing for an environmental challenge that is daunting in its potential impact, with cascading effects that could influence virtually every other area of environmental governance, from fisheries habitat to availability of drinking water. These types of documents also confirm the sizable contributions that Canada and the United States make to the global release of carbon each year. These nations' per capita rates of emissions are very similar and both rank among the very highest in the world. Together, they continue to generate more than one-quarter of global emissions per year, with the United States ranking second among individual nations only to China and Canada ranking seventh in annual emissions in recent years. The United States and Canada obviously cannot solve the problem of climate change through unilateral actions. But they clearly need to play significant roles in any serious effort to reduce global emissions and thereby alleviate potential impacts. Nonetheless, climate change policy development was slow within both nations, much less on a collaborative basis. However, there were signs in early 2009 of possible cultivation of a cross-border partnership on climate and clean energy that might also take full continental form through the inclusion of Mexico.

Ironically, climate change is not a new environmental challenge, though its saliency in both Canada and the United States has increased markedly in recent years. In 1988, Prime Minister Brian Mulroney heralded the era of global climate governance with a

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high-profile opening address at the International Conference on the Changing Atmosphere hosted in Toronto. This produced a recommendation that global greenhouse gas emissions were to be reduced 20 percent by 2005, which was supported by both Canadian and American governments. A few years later, both nations had ratified the United Nations Framework Convention on Climate Change (FCCC), calling for national emissions stabilization at 1990 levels by 2000. The 1997 negotiation of a binding international agreement, the Kyoto Protocol, followed. In this instance, Canada and the United States took remarkably similar positions to the bargaining table and left Kyoto with nearly identical emission reduction commitments that were to be realized by the end of the current decade.

All of this activity between the late 1980s and late 1990s suggested that climate change would essentially be framed as a challenge of international governance, requiring some formal cooperation among nations through various venues of international diplomacy. During much of this period, both Canada and the United States acknowledged that climate change was indeed a serious threat. They demonstrated considerable consistency in their research on problem severity and general receptivity toward engagement in these negotiations. Both increasingly acknowledged that early experiments in soft environmental law, such as non-binding commitment under the FCCC, produced few if any intended results. These experiments were expected to yield to some form of hard environmental law established through a treaty that featured formal reduction targets and compliance mechanisms.

More than two decades after the Toronto conference and more than a decade after Kyoto, international climate governance remains in tatters. Most parties that ratified the Kyoto Protocol, including Canada, are nowhere close to their emission reduction targets. Indeed, Canada was pledged to reduce its emissions by six percent from 1990 levels but its actual emissions soared 25 percent between 1990 and 2006. It is commonly recognized that Canada will not begin to approach its Kyoto commitment, barring cataclysmic collapse of its economy and attendant emissions decline or a highly-suspect mass purchase of offset credits from abroad. Ironically, the United States spurned Kyoto ratification but actually has a rate of emissions growth below that of Canada, 17 percent above 1990 levels by 2006. At least part of this differential, however, can be attributed to increased American import of Canadian energy and



manufactured goods, whereby resulting emissions are registered in Canada. Collectively, these two cases demonstrate that the absence of climate governance has produced disturbing performance results, despite initial hopes that purely voluntary strategies and technological development would prove sufficient to reverse past trends of emissions growth.

At the same time, even the most steadfast international supporters of Kyoto, such as the European Union, have struggled to meet various national targets in many cases and have faced significant challenges in implementing a continental emissions trading system, the EU Emissions Trading Scheme (Ellerman et al. 2008). Other major ratifying nations, such as Australia, Japan, and New Zealand, have also struggled to develop policies and reduce emissions growth. Of course, emerging economies such as China and India were never bound by Kyoto and have seen extraordinary rates of greenhouse gas emissions growth in recent years. We are left with very few models for effective climate governance if indeed the goal is stabilization and reduction of emissions.

Hope springs eternal for further international diplomacy and a seamless international agreement. Indeed, the new American federal engagement on climate change in the Obama era has renewed interest in this possibility. The December 2009 Copenhagen climate meetings represent an early test case. But the growing reality of climate policy in North America and elsewhere has thus far been a patchwork quilt of state, provincial, local, and regional policies and emission reduction commitments, often leading to formal collaboration between various jurisdictions. Some scholars have begun to suggest that the next generation of climate policy will involve a mixture of sub-national, national, and multi-national agreements, developed through unique networks or partnerships (Selin and VanDeveer 2009). Such arrangements are most likely in cases where energy and related resources are shared and natural boundaries emerge for defining collaboration, whether shaped by a regional electricity grid that transcends jurisdictional boundaries or through formal compacts between governments with a history of collaboration. This allows considerable opportunity to take advantage of economies of scale and establish governance rules among institutions with some prior working relationship and trust. Such a bottom-up approach suggests possible precedents from the development of trade and monetary policy, with a gradual move toward



cross-national, continental, and, in some instances, international collaboration, but allowing for some degree of regional, national, and even sub-national variation. It clearly reflects a different model from much international environmental policy and climate change deliberations to date, with presumed movement toward expanded international authority over sovereign nations and development of new institutions such as a World Environment Organization (Speth and Haas 2006).

This would seemingly create tremendous opportunity for collaboration between Canada and the United States. But the increasing engagement of individual states, provinces, cities, regions, and, in the United States, even the federal government, continues to have an ad hoc quality. There remains no governance entity currently in operation that has a formal charge to promote cross-border collaboration on greenhouse gas reductions, and all of the potential economies of scale and collaborative opportunities across policy arenas that this might entail. Instead, collective climate governance bringing together Canadian and American entities has thus far been largely non-existent.

This article is intended to further explore this lack of governance and also consider possible alternatives. It begins with a more detailed overview of ongoing climate policy development within both nations, placing particular emphasis on unexpectedly high levels of American state and regional policy engagement. This section will also consider early experimentation with creation of a Western regional zone for carbon emissions trading that links seven states and four provinces in a formal agreement. It then reviews a series of possible collaborative governance options, but examines some of the enduring stumbling blocks to such coordinated action. The paper concludes with references to other models around the globe, whereby neighboring nations have decided to work together on this issue, with particular attention to the cases of Australia and New Zealand as well as the European Union. Indeed, we will ask why it has proven so hard for Canada and the United States to find common ground on climate change, given the somewhat different record between other neighboring jurisdictions. We will explore whether greater collaboration in the coming decades is indeed a possibility and what that might entail for the future of Canadian and American environmental governance. This latter discussion will focus on possible ramifications of the 2008 federal elections



in both nations and the February 2009 summit between President Barack Obama and Prime Minister Stephen Harper that broached the possibility of bold new collaborative options on climate change. These more recent developments may trigger new cross-border collaboration. At the same time, they may also give rise to a more fundamental reframing of the issue by expanding the scope to formally involve Mexico and thereby move from a bilateral to a truly North American continental strategy. This of course would raise numerous new issues of governance, perhaps featuring a substantial expansion of the role of the Commission for Environmental Cooperation or creation of new institutions.

### **NATIONAL DIVERGENCE AS A BARRIER TO COLLABORATION**

The absence of common engagement by Canada and the United States on climate change may be at least partly attributable to important points of divergence in their respective policy development processes. Kyoto is, of course, a fundamental point of departure. A history of fairly unified bargaining in all sessions leading up to Kyoto, on issues such as liberal definition of carbon sinks to allow substantial advantage to heavily-forested areas of Canada and the United States, quickly evaporated after both nations signed the agreement but pursued different ratification routes. In the United States, stiff opposition in the Senate deterred any serious consideration of ratification in the remaining years of the Clinton Administration, given its pivotal role in any treaty ratification process. This reflected near-unanimous opposition from Senators from the Republican Party as well as most representing states with substantial dependency on fossil fuel. Vice President Al Gore said remarkably little in the 2000 presidential race about his plans for moving toward ratification. The subsequent Bush Administration decision to withdraw the United States from Kyoto in 2001 generated headlines around the world but was largely anticlimactic.

This process gave Canada two distinct options based upon the asymmetries whereby the United States tends to dominate the binational relationship (McDougall 2006; Stuart 2007). On the one hand, Canada could clearly withdraw from Kyoto, citing considerable risks of unilateral implementation given its degree of economic interdependence with the United States. This position was strongly endorsed by many prominent industrial organizations and a clear



majority of provinces, led by Alberta. On the other hand, Canada could ratify Kyoto and thereby lay claim to the mantle of North American moral super-power on climate, using ratification to differentiate itself from the United States and pursue a position more closely allied with the European Union. Ultimately, the latter decision was taken, heavily influenced by the desire of outgoing Prime Minister Jean Chrétien to leave ratification as one of his primary legacies after decades of public service.

Canadian ratification did not necessarily commit Ottawa to do anything, aside from a dizzying array of voluntary programs and subsidies for alternative energy sources that appear to have had little if any impact on emissions (Jaccard 2007). But treaty endorsement allowed Canada to remain a respected partner in ongoing international negotiations and may actually have bought it some cover for policy inaction for at least the first few years after ratification. Indeed, much of the climate policy community applauded Canadian commitment and willingness to stand apart from the United States, obscuring its near-total lack of follow-through. At the same time, this action served to formally weaken potential collaborative ties between the two nations. Indeed, even the trading of emission credits under neighboring cap-and-trade systems, had they been established on both sides of the 49<sup>th</sup> parallel, might have been rendered meaningless for Canada as trades were only legitimate for Kyoto purposes if conducted with ratifying parties. This step did not formally seal the borders to policy cooperation, but it certainly chilled any possible action. It has also left respective Parliaments thrashing for some legislative output to demonstrate some movement toward approaching Kyoto commitments.

In contrast, American withdrawal from Kyoto earned opprobrium in Ottawa, Brussels, and around the world as a climate scofflaw. The American federal government further contributed to this perception through prolonged inactivity. Indeed, legislative products with some possible impact on climate were actually quite similar to Canadian policy, larded with distributional subsidies to virtually every generator of energy (low-carbon or otherwise) and voluntary reduction programs. This began to change in December 2007 with an energy bill that included some increase in mandatory vehicular fuel economy. This step was followed by a flurry of proposals under consideration in the 110<sup>th</sup> Congress. It has led to a seeming opening of the federal policy window in 2009 given early



pronouncements by the Obama Administration and the 111<sup>th</sup> Congress. But the overall pattern of disengagement by executive and legislative branches in Washington during this broad period further contributed to a global portrait of American disengagement for collective action related to greenhouse gas emissions, giving further cover to its smaller neighbor which was in essence pursuing a similar strategy in Ottawa.

Another important point of departure involved very different policy responses below the federal level in both nations. American state governments began in the late 1990s to use their own authority to enact policies designed to reduce greenhouse gases with unanticipated aggressiveness and have only expanded and intensified those efforts in the current decade. This represents another point of American and Canadian divergence, as most provinces have done very little on climate policy throughout this period. Indeed, much provincial climate policy effort has focused on trying to extract various forms of rent in exchange for cooperation with a Canadian federal government encumbered by Kyoto ratification rather than take unilateral policy steps well within their expansive powers over natural resources and environmental protection (Rabe 2007). But as the provinces huffed and puffed about Ottawa, a surprisingly wide collection of states began to act unilaterally or in concert to develop significant new policy initiatives.

This burgeoning bottom-up process in the United States has involved essentially all imaginable options in the kit box of climate policy tools. Twenty-eight states have enacted renewable portfolio standards, which mandate a consistent increase in the supply of electricity provided from low-carbon sources. These RPSs now apply to more than sixty percent of the American population and are under active consideration in many other states; they serve as a principal driver behind substantial growth in adoption of new renewable energy capacity in the United States in recent years. In turn, twenty-three states have made formal commitment to a carbon trading program that would essentially parallel the EU ETS; the 10 Northeastern states that comprise the Regional Greenhouse Gas Initiative became the world's first carbon trading program to auction all of its allowances in late 2008. At the same time, California has attempted to use its powers to request a waiver under federal clean air legislation to implement its own legislation that would mandate dramatic reduction in carbon emissions from newly-man-



ufactured vehicles. Fourteen other states have vowed to adopt the California standard if the federal government grants the waiver. Initial executive branch opposition to such a step seemed likely to be reversed under President Obama, following Environmental Protection Agency designation of carbon dioxide as an air pollutant.

Alongside unilateral experimentation, a growing number of states have attempted to enact multiple policies. California, for example, has been simultaneously pursuing its vehicle emissions program in addition to developing cap-and-trade, energy efficiency, low-carbon fuel, and renewable energy mandates in pursuit of statutory emission reductions by 2020 and 2050 that would rival those of any other government in the world. Other states that have large populations and greenhouse gas emission levels and have enacted a multiplicity of climate policies include New York, Pennsylvania, Illinois, New Mexico, and Arizona. At the same time, even historically inactive states such as Florida, Michigan, North Carolina, Texas, and Virginia are beginning to follow suit (Rabe 2008).

As a result, the American federal system has produced a diametrically different pattern from its Canadian neighbors. American federal disengagement from Kyoto has coincided with increasingly active state-level policy development, whereas Canada's formal embrace of Kyoto has generally been met with disdain from the provinces. Even those provinces most outwardly supportive of Kyoto ratification, such as Manitoba and Quebec, have yet to begin to approach their more active American state neighbors in actual policy development. This may be beginning to change, however, most notably in the case of British Columbia, perhaps fostering greater opportunity for cross-border collaboration than in previous years.

## **SIGNS OF POSSIBLE CONVERGENCE**

Despite these gaping differences, there are some significant similarities between the respective nations and even a few indicators of possible collaboration across the national border. Indeed, both federal governments have continued to struggle to formulate significant policy initiatives, despite innumerable proposals. The Climate Change Protection Index (CCPI), which evaluates the climate protection efforts of the central governments of 56 industrialized and rapidly-industrializing countries, finds strong similarities between Canada and the United States and ranks them near the



very bottom among these nations. In the 2007 version of the CCPI, Canada ranks 51<sup>st</sup> out of the 56 entries, with the United States in 53<sup>rd</sup> place. The two countries are separated only by Kazakhstan and barely ahead of China and Saudi Arabia. So both of these federal governments consider any future federal policy engagement essentially from ground zero, among the world's leading laggards.

In turn, public opinion polling is rarely conducted with identical questions posed in both countries. But major polling in recent years suggests considerable uniformity of opinion on climate change, as reflected in Angus Reid (in Canada) and Pew polls (in the United States), as well as other reputable survey efforts. This reflects public sentiment about the existence of climate change and its perceived severity, as well as receptivity to a range of policy tools. There appears to be strong sentiment in both nations for a substantial increase in efforts to reduce greenhouse gas emissions, but particularly strong support for those tools perceived as not imposing substantial direct costs on individual citizens. This may explain the strong sub-federal government preference for such regulatory tools as renewable portfolio standards (in 28 states and two provinces) as opposed to carbon taxes (operational only in British Columbia on a large scale and confined to more modest energy fees in 15 states and Quebec).

More concretely, however, there have been some fairly recent signs of cross-border collaboration that does not involve Ottawa and Washington but rather represent ad hoc regional arrangements, consistent with a phenomenon evident in other areas of environmental policy. Perhaps most significantly, British Columbia and Manitoba have not only become the most active provinces in terms of unilateral policy development but took early steps to formally link their efforts with seven Western American states, Arizona, California, Montana, New Mexico, Oregon, Utah, and Washington, in the *Western Climate Initiative* (WCI). Launched in 2006 by California and initially focused on state partners, British Columbia and Manitoba formally joined the WCI in 2007, followed by Ontario and Quebec. In March 2008, the WCI released detailed draft plans for development of a regional cap-and-trade program for carbon emissions (WCI 2008), although this partnership remains in early stages of development. The depth of actual commitment from some member states (particularly Montana and Utah) and provinces (particularly Ontario and Quebec) remains unclear.



British Columbia took particularly aggressive unilateral actions shortly before joining the WCI, including a formal target to reduce its greenhouse gas emissions by one-third from current levels by 2020, which would place the province approximately 10 percent below 1990 levels. It also set intermediate targets for 2012 and 2016 as well as longer-term targets for 2050. The province also agreed to set carbon emission standards for all vehicles sold in British Columbia, through a policy that has some parallels with the California legislation and thereby veers away from the Canadian tradition of voluntary standards for vehicle emissions and fuel economy. It also established a provincial Climate Action Team that cut across ministries with some likely role in climate change and introduced a carbon tax in February 2008 that is designed to create a pricing disincentive to deter fossil fuel use (Fowlie and Anderson 2008). The carbon tax would generate an estimated \$2 billion during its first three years of operation, which would be returned to citizens and businesses through tax credits. "In British Columbia, we don't need to look to the work of the Intergovernmental Panel on Climate Change to know we've got a problem," said British Columbia premier Gordon Campbell in announcing the new initiatives. "The evidence is all around us, and it obliges all of us to adapt" (Campbell 2007, 2).

Entry into the WCI committed participating states and provinces to developing a "regional market-based multi sector mechanism" for emissions reduction. All WCI members are required to have formal reduction targets and are expected to use the regional system, most likely an emissions trading regime, to attain much if not all of their reduction goals. These respective states and provinces have also agreed to establish a common registry to track and manage credit trading for all emissions covered under the plan. "We welcome British Columbia's participation in the Western Regional Climate Action Initiative," said California Governor Arnold Schwarzenegger in April 2007 after British Columbia signed a memorandum of understanding to officially join the WCI. "We all share the same goals of reducing greenhouse gas emissions and addressing climate change while boosting economic growth. Premier Gordon Campbell's leadership on this issue is helping our two countries take a collaborative approach that will result in real actions and innovative solutions that will have an impact across the globe" (Office of the Premier, 2007, 2).



Manitoba has a longer track record of support for greenhouse gas reduction policies, though it has tended not to match its rhetoric with implementable policies comparable to those of British Columbia or many leading states. The province made a major effort to build a strong climate policy team earlier in the decade. Much of this effort collapsed after staff departures (Rabe 2007). But Manitoba has demonstrated a remarkable proclivity to sign cooperation agreements with various states. In addition to joining the WCI, Manitoba also agreed in November 2007 to join with six Midwestern states (neighboring Minnesota, as well as Illinois, Iowa, Kansas, Michigan, and Wisconsin) in establishing the Midwestern Regional Greenhouse Gas Reduction Accord (Pendergrass 2008). This agreement thus far has much less detail than the WCI and a number of the participating states have not been active in early development of their own carbon cap-and-trade systems. Several years prior to the Midwestern agreement, Manitoba also joined with another subset of Midwestern states to form "Powering the Plains," a collective designed to promote regional renewable energy sources and other methods to reduce greenhouse gases that were particularly well tailored to these jurisdictions.

One earlier effort at cross-border collaboration involved six New England states along with Quebec and the Maritime provinces in an attempt to establish a regional zone pledged to common levels of greenhouse gas reduction by 2010 and 2020. This followed a long-standing set of common agreements among these jurisdictions, only some of which have an environmental policy focus. Some of these jurisdictions, primarily the states, are on track to meet their 2010 goal of holding to 1990 emission levels. But there has been little of the promised development of common standards and policies, with most subsequent effort involving resolutions that support the general goals but offer few details.

Perhaps most significant, the six participating states are part of a larger American regional effort known as the Regional Greenhouse Gas Initiative (RGGI). This initiative also includes New York, New Jersey, Maryland, and Delaware and may expand to include other states such as Pennsylvania. All participants will be linked through a formal cap-and-trade program for coal-burning utilities that began to auction allowances in late 2008 and is designed to achieve a ten percent reduction in emissions in its first decade. The RGGI states make clear their eagerness to serve as a possible model



for federal policy but also have repeatedly contended that they will only work cooperatively with any future federal legislation if it sets standards at the same or greater level than the regional effort. The RGGI process was developed through several years of intensive collaboration between lead environmental and energy officials from participating states (Rabe 2008a). During nearly five years of deliberations, Canadian provinces (including those in the agreement with New England) have been regularly invited to attend sessions and consider membership. New Brunswick has remained a formal “observer” but no province has formally entered into the RGGI system thus far and there is no indication that this will change in the near future. This has raised questions about how serious Eastern provinces are about moving beyond “credit-claiming” steps that are primarily symbolic, as opposed to Western counterparts such as British Columbia that have proven more willing to take concrete policy initiatives.

Overall, there has been some attempt among neighboring states and provinces to begin to think about cross-border collaborations, most of which emphasize some version of an emissions trading mechanism for carbon. All of these have emerged without any active engagement or encouragement from respective federal governments, much less any bi-national or continental authority. They vary in detail from region to region. To date, the WCI is the only one that clearly outlines formal commitments and expectations of membership, thereby approximating the RGGI and the EU ETS rather than more symbolic efforts that lack any mechanisms to achieve reduction goals, however lofty they might be. The WCI precedent does raise the question of whether regional networks that link certain states and provinces could be the beginning of a larger pattern in cross-border climate governance, a topic to which we will return.

## **THE CASE FOR EXPANDED COLLABORATION**

Barring some sudden leap toward a new international regime, which remains hard to envision for numerous reasons, both Canada and the United States enter the “post-Kyoto” era with very modest track records of climate policy development and implementation. Aside from Canada’s symbolic embrace of Kyoto and diverse policy development among American states, these North American neighbors have been widely depicted in international circles as short on



action, long in exacerbating the severity of likely climate change, and laggards in seizing the opportunity to develop new climate-friendly technologies and skills for which vast new markets are anticipated. This raises the possibility that some common action or strategy, perhaps building on the WCI model, might constitute a reasonable next step. There is no bi-national institution which has currently taken the lead on this issue or any organizational “home” for shared climate thinking, much less governance. But there is increasing recognition, at least among some individual scholars, think tanks, and non-governmental organizations that a case can be made for expanded cross-border engagement, whether it entails emissions mitigation or even adaptation strategies, particularly on the heels of the February 2009 summit between President Obama and Prime Minister Harper.

Much of this recognition reflects the extraordinary energy interdependence between the two nations, particularly through American importation of electricity and transport fuel. Cross-border trade in electricity began more than a century ago when Ontario and New York created an interconnection between power generating facilities at Niagara Falls (Averyt 1992). It has steadily increased in subsequent decades and some American regions are dependent on substantial quantities of imported electricity. The ten states that comprise the RGGI zone, for example, secure more than 11 percent of their electricity from Canada each year. Ironically, Canada does not impose any restrictions on carbon emissions from its electricity imports, despite its ratification of Kyoto, whereas RGGI states have a carbon cap-and-trade system but can only address emissions generated among participating American states.

This interdependence may only grow in coming years, in large part because the literal infrastructure for conveying electricity across extended distances in Canada and the United States is generally much stronger on a north-south continuum than in an east-west direction. There are already more than 100 power grid linkages between Canada and the United States. Some effort to improve them has continued in recent years, particularly in Western areas. As one member of Parliament noted in 2007, “Currently there are more electricity lines between Canada and the United States than there are lines between Canadian provinces” (Bevington 2007). Some provincial premiers have frequently sought federal subsidies to bolster east-west transmission ties, most notably Ontario and Manitoba as



a condition of their engagement in the Kyoto process (Rabe 2007). But a number of premiers have actively supported stronger north-south ties in electricity exports, though this might require considerable investment in refined transmission infrastructure, particularly if it were designed to include more decentralized sources of renewable energy. Both Manitoba and Quebec have argued aggressively that they could further expand their substantial current capacity in hydro power and would be keen to sell this to neighboring American consumers rather than citizens of other provinces at greater distance. Indeed, Manitoba Premier Gary Doer regularly meets with counterparts in neighboring states such as Minnesota, not only to engage in organizations such as "Powering the Plains," but also to explore the possibility of greater province-to-state electricity trade. Similar economies of scale are evident in other areas of energy supply.

This physical reality of energy generation and transport underscores the complexity of sustaining two separate policy regimes at the 49<sup>th</sup> parallel. Nine states that border Canada have made some commitment to a carbon cap-and-trade program, with RGGI the furthest advanced. Among the provinces, four have begun to develop linkage with these emerging trading areas, though only British Columbia has moved as far in policy development as the more active states. In turn, while the prospects for a federal cap-and-trade bill in the 111<sup>th</sup> Congress appear promising, it is less clear that Canada is prepared to make a comparable move. Prime Minister Harper and associates appear to be moving in this direction following the Obama lead. But the official position of the Canadian government in early 2009 involved far less stringent reductions and more voluntary mechanisms for compliance. If this pattern continues, a rigorous American carbon emissions trading zone could emerge alongside a very different policy infrastructure in Canada in the next few years. This poses obvious concerns of "leakage," namely whether the absence of carbon pricing and credit allocation in Canada creates a huge incentive for Americans to purchase even more quantities of Canadian electricity, given the absence of regulation. In turn, this raises the issue of common standards of some kind and even the spectre of a shared emissions trading regime. Such a regime could begin with the electricity sector. But as we are learning from California and the European Union, any cap-and-trade system could readily be expanded to other carbon sources, whether fixed



entities such as industries or mobile sources such as all commercial flights in the two nations.

Collaboration could also extend to other areas where some form of carbon-related regulation was developed. The issue of renewable portfolio standards is instructive here, especially given the dense concentration of American RPSs in 11 states that share a border with one or more Canadian provinces. Nova Scotia and Prince Edward Island have also enacted their own RPSs. No two jurisdictions with an RPS define renewable energy in identical ways. They often establish special provisions to boost a specific renewable technology that has a strong base of political support in a particular jurisdiction. In turn, we are also seeing a growing pattern of "RPS protectionism," whereby authorizing legislation is somewhat discriminatory against electricity generated outside of the single jurisdiction, even in cases where it might be less expensive and more environmentally-friendly. This is especially possible among the provinces, given the absence of a Constitutional Commerce Clause to protect cross-border commerce, as reflected in Nova Scotia's RPS that confines eligible electricity to sources generated within the province. Collectively, this type of constraint likely deters full development of renewable potential in Canada and the United States. It leaves little room for shared development of technology and making renewables as price-competitive as possible with conventional sources.

Indeed, whereas some neighboring states have begun to try to establish "renewable energy credits" that would be transferable across states through bilateral agreements, none of this activity has crossed any state-and-provincial border yet. Looking ahead, one could envision a diverse array of RPSs and related policies, perhaps a blending of state, provincial, and federal policies that work at cross-purposes with one another. As in the case of a cap-and-trade program, some mechanism to establish common definitions and develop a viable trading system of renewable energy credits across these various jurisdictions could serve to ease the transition to renewables and thereby provide one path to reduced emissions of greenhouse gases. Similar issues emerge in the arena of renewable fuels, particularly those derived from plant material, given the extreme difficulty of transporting these through pipelines and reli-



ance instead on some form of ground transportation. In this case, a similar mixture of state, provincial, and federal initiatives has produced a complex and varied formula.

Comparable opportunities emerge for virtually every other arena of possible policy development relevant to climate change, from carbon emission standards for vehicles to sequestration strategies that store carbon below ground level. Collectively, an effort to achieve greater unity in Canadian and American approaches might also maximize the potential for both nations to take full advantage of the economic development opportunities likely to accrue to those governments that actively and effectively develop new technologies and skills that will be in high-demand in a carbon-constrained economy. Just as many private firms are attempting to take the advantage by becoming "first movers," many governments (most notably American states in a North American context) are taking similar approaches. But just as the European Union is trying to position itself as the acknowledged world leader in this arena, there could be obvious advantages to some form of collaboration between Canada and the United States, not only to find ways to reduce emissions but to prepare both to take a global role in the development and transfer of essential technologies and skills. This could include a leadership position in the Americas as well as globally, building from their large base of shared research and development capacity, energy consumption, and emissions release. We will consider possible approaches to such a partnership after reviewing likely impediments and challenges facing any such collaboration.

## **THE CASE AGAINST EXPANDED COLLABORATION**

Translating the case for climate collaboration into some form of policy guided by some organization or network is no small task. No existing bi-national or continental institution has assumed anything that approaches a lead role on climate change, hence there is no obvious starting point for any form of common policy development. As noted, organizations such as the IJC have compiled research reports highlighting likely cross-border threats posed by continuing climate change. The North American Commission on Environmental Cooperation has sustained detailed analysis of continental energy markets and concluded in a 2002 report that "There is interest in, and good potential for, trans-boundary emissions trading within North America" (CEC 2002, 23). The CEC was



also the venue for developing a “Statement of Intent to Cooperate on Climate Change and Joint Implementation” in the early 1990s through the lead environment ministers of Canada, Mexico, and the United States, though this largely stalled after the Kyoto ratification battles began. Thus it remains difficult to point to any existing institutional base that has launched a serious collaborative effort, aside from periodic attempts by think tanks such as the C.D. Howe Institute in Toronto or the Canada Institute of the Woodrow Wilson International Center for Scholars in Washington to convene private, governmental, and research stakeholders for broad discussions of collaborative opportunities.

Collaboration is further complicated by significant asymmetries in this case. This includes, of course, the familiar concern raised by many Canadians about power imbalances given the vast scope of the American population and economy in comparison with Canada. Historically, this has contributed to a number of decisions to attempt to preserve Canadian independence from the United States, such as prolonged efforts to maintain a separate currency and monetary policy despite periodic pressures for convergence (Helleiner 2006). It has also sustained a cottage industry of scholarship that chronicles and laments continual pressures on Canada to submit to integration pressures, whether overt or “stealth” in nature (McDougall 2006). Ironically, more recent iterations of this thesis emphasize numerous areas in which Canadian identity appears threatened through asymmetries that prod Canada toward convergence, but downplay cases where Canada chooses a policy route fundamentally different from the United States. Indeed, it is hard to review the last decade of climate policy in Washington and Ottawa, much less sub-national units, and see any American pressure on Canada to conform, whether at the point of Kyoto ratification or development of serious climate policy tools sub-nationally. This is evident in the near-constant refrain in Canada of developing a climate policy “made in Canada,” which thus far has translated into a mish-mash of loosely-structured programs that, if anything, lag behind the United States.

Nonetheless, these concerns persist and likely serve to challenge any serious attempt to link future efforts to reduce greenhouse gas emissions. A further impediment to collaboration is substantial variation in policy capacity, beginning with technical expertise in emissions trading and extending, perhaps philosophically or



culturally, to differences about the appropriateness of a cap-and-trade approach. As a pioneer in emissions trading mechanisms, the American federal government and all fifty states have considerable expertise in emissions trading for various air contaminants and in related arenas of environmental protection (Raymond 2003). This experience has clearly been evident in unilateral state programs to develop carbon cap-and-trade regimes very early in the current decade (Rabe 2004) and more recent efforts such as the RGGI and the WCI to operate on a regional basis. All of these efforts are staffed (and, in some instances, guided) by state agency officials with considerable expertise in various forms of emissions trading and relative comfort with the challenges of transitioning to apply this same tool to carbon emissions. In turn, most of the deliberations over climate change in the 110<sup>th</sup> Congress focused on various forms of a federal cap-and-trade mechanism, most notably the Climate Security Act sponsored by Senators John Warner (R-VA) and Joseph Lieberman (I-CT). It is entirely possible to see such legislation enacted in the next year or two, particularly given President Obama's call for such legislation in his 2009 address to Congress and subsequent federal budget proposal.

In contrast, emission trading has moved at a much slower pace in Canada, both for conventional air contaminants and more recently for greenhouse gases. Both federal and provincial authorities have generally rejected trading mechanisms in favor of some blend of voluntary and regulatory strategies for air contaminants, and some modest early provincial efforts to establish experimental carbon trading systems (such as in British Columbia and Ontario) essentially collapsed. Such resistance to this approach and the attendant lag behind the United States may be attributable to several factors. First, there may be legal and Constitutional constraints on development of this method in Canada, whereas there have been no such questions in the United States. As legal scholar Alastair Lucas has noted, there is "at least a likelihood that the federal government lacks constitutional authority to legislate national standards and the necessary framework for a national emissions trading program. The result is that federal-provincial agreement is necessary and constitutional jurisdiction is not a strong candidate for either negotiating side" (Lucas 2004, 191). Second, there may indeed be resistance to such policy tools from key ministries, either on normative grounds, greater familiarity and comfort with conventional policy tools, and



economies of scale given relative number and size of private and public greenhouse gas sources in the Canadian case (Rabe 2007). Legal scholar Katrina Wyman has offered a particularly nuanced interpretation of the Canadian “slowness to introduce pollution markets,” one that places less emphasis on cultural consideration and emphasizes economic and related factors (Wyman 2002). In turn, a series of economists have raised growing concern about the capacity of Canadian institutions to design an effective cap-and-trade system given limited expertise and pressures to weight down such a system with all sorts of exemptions and special preferences for particular sectors or provinces.

Regardless of the ultimate rationale for Canadian recalcitrance, the clear reality is that the United States appears to be moving from a regional toward a national system of carbon emissions trading, even though many political hurdles remain and the implementation challenges are potentially daunting. In contrast, Canada has little significant policy development under way in this area and scant history with use of market mechanisms of this sort in any environmental arena aside from fisheries management. So far, beyond conventional concerns about power asymmetries among these neighbors, there has been a rather fundamental difference in policy approach and capacity that could prove extremely difficult to blend into any shared system. Given this imbalance, even such issues as developing mechanisms to oversee emissions credit transactions or approve carbon offsets in trading could prove difficult to reconcile across the national borders. One exception here may remain instances in which one or more provinces move in an “American direction” and use their considerable constitutional latitude to develop a “home grown” approach that allows for direct collaboration with select states or even the United States. This factor makes the recent venture of a set of provinces with the WCI states particularly noteworthy, as it advances serious exploration of emissions trading as a mechanism to achieve common reduction goals. Another exception may involve the Canadian federal government’s March 2008 “Turning the Corner” strategy, which includes a general commitment to “setting up a carbon emissions trading market, including a carbon offset system” (Environment Canada 2008). Of course, very recent signs of possible cross-national coalescence around the cap-and-trade approach, explored more fully below, could further stimulate such policy development in Canada.



## LESSONS FROM ABROAD

Beyond emissions trading, some degree of cross-border collaboration might not prove to be so difficult in other policy areas likely to emerge to seek greenhouse gas reduction. Indeed, for all of the attention focused on cap-and-trade methods, any multi-level governance system is likely to employ some blend of policy tools, including forms of direct regulation. This is reflected, for example, in the American federal decision in December 2007 to mandate increases in vehicular fuel economy over the next decade. This could go even further if President Obama grants California and more than a dozen other states their request for a waiver to establish more stringent regulatory standards on carbon emissions from vehicles, thereby raising the possibility of a comparable Canadian response and common standards. Such convergence would be consistent with a growing trend toward collaborative climate change strategies among other neighboring nations around the world. In the European Union, for example, where the ETS has received so much attention, far less than half of the continental reductions required under the first round of Kyoto that runs through 2012 will be achieved through this emissions trading regime. Indeed, even subsequent proposals emanating from Brussels call for an expanded ETS to only address 40 to 45 percent of emission reductions targeted for the next round. The remaining reductions will be delegated to individual Member States, which are free to pursue any menu of policies as long as reductions are achieved and tend to cluster common policies among regional neighbors. A similar dynamic is evident in other systems, such as federal Australia and unitary New Zealand, and also likely applies to Canada and the United States over the next decade. Consequently, climate policy between these North American neighbors may indeed involve varying degrees of reliance on emissions trading but are also likely to feature a confluence of other policies, including renewable portfolio and fuel standards among many others. This creates numerous opportunities for shared strategies between neighboring provinces and states.

Experiences from the European Union suggest that the transition to a more coordinated approach to climate change, whether through carbon taxation, emissions trading, or other tools, is not easy politically nor managerially (Cass 2006). But the EU offers numerous lessons whereby cross-national cooperation has begun to increase, especially in the electricity sector where individual na-



tions have historically protected (and, in some instances, continue to own) large entities that dominate that sector and have little cross-border experience. Some scholars characterize even early episodes such as setbacks in ETS implementation as learning experience in a complex arena that could easily lead to more parsimonious outcomes through policy learning and incremental reform that recognizes national commonalities and differences (Ellerman et al. 2008). As with the WCI experiment, some neighboring Member States within the larger EU system are establishing common strategies in select areas such as development of renewable energy and energy efficiency.

Perhaps a more apt comparison to the Canadian-American relationship involves the burgeoning partnership between New Zealand and Australia on climate policy. These Pacific neighbors have long struggled with asymmetries similar to their North American counterparts. In this relationship, Australia remains the dominant partner given a population and economic base that towers over New Zealand at about the same ratio as the American-Canadian imbalance. Yet Australia and New Zealand remain very active trade partners and have established some forms of common governance in environmental protection and economic development in recent decades. Since 1983, they have implemented a Closer Economic Relations (CER) agreement, which is “arguably the most comprehensive trade agreement in existence” and includes “market harmonization in services and capital, mutual recognition of many standards and the creation of an open labour market” (Patman 2006, 89-91; Catley 2001, 86-89).

In turn, both have struggled to develop effective climate policies independently, reflected in rates of greenhouse gas emissions growth that are well above those of their Kyoto commitments and those of both Canada and the United States since 1990. However, both nations have begun to take significant steps toward collaboration in the past two years, while maintaining national differences. New Zealand is developing a *cap-and-trade* system with broad inclusion of emission sources, while Australia is now building on significant innovation among its states to consider its own national trading program that could work openly with its neighbor. Both nations have begun an active process of exploring ways in which they might link their respective systems, both to achieve emissions reductions at the lowest possible cost and also possibly to emerge as



Asia-Pacific regional leaders in the development and dissemination of climate-friendly technologies. As in the European case, there may be lessons in this bilateral relationship for any future development of Canadian and American collaboration on climate change.

### **A NEW BEGINNING?**

Environmental policy analyses often look for “triggering events,” such as environmental disasters that galvanize public concern and foster significant changes in existing policy or produce entirely new policy initiatives. New environmental policy development in both nations has frequently been linked to such events. But it is also possible that a political event, namely an election, can also be a “game-changer” of sorts, not only by bringing new people into offices but also ideas and policy proposals that might not have been feasible under prior leadership. Clearly, the 2008 American election appears to have considerable potential for having just such an impact on federal climate policy, producing a rapid shift in policy preference, particularly within the executive branch given the election of President Obama. But it is also possible that, in a far more subtle way, the 2008 Canadian election had a similar impact, through the defeat of Liberal Party leader Stéphane Dion who ran in large part on a climate policy idea that is widely endorsed by policy analysts but clearly failed to resonate among Canadian voters and appears similarly unpopular in the United States. Combined, these two elections may create a unique opportunity for cross-border collaboration on climate change through development of a common cap-and-trade system and related institutional development. Such a partnership seemed almost inconceivable as recently as October 2008.

At the same time that he began to push for a carbon cap-and-trade bill toward the end of the first month of his Presidency, Barack Obama also chose to make his first foreign visit to Canada and Prime Minister Harper. One of the major themes to emerge from a one-day summit was commitment to a “U.S.-Canada Clean Energy Dialogue” that would not only increase the movement of energy across the 49<sup>th</sup> parallel but find ways to collaborate actively on developing non-fossil fuel sources and reducing greenhouse gas emissions. In their concluding press conference, both leaders talked about possible venues for cooperation. Obama offered his support for “the development of an electric grid that can help deliver



the clean and renewable energy of the future, to homes and business both in Canada and the United States" (Carboncontrolnews.com 2009b). Harper noted that "I will be watching what's done in the United States with great interest. But I'm quite optimistic that we now have a partner on the North American continent that will provide leadership to the world on the climate change issue" (Weisman 2009, A4). Even prior to this gathering, officials in both nations began to signal broad new possibilities for collaboration, including comments from Canadian Environment Minister Jim Prentice that a "key objective. . . should be a common cap and trade system that would allay competitiveness concerns" (Carboncontrolnews.com, 2009a).

Cap-and-trade emerged as a leading option in both nations despite the historic differences noted earlier. Congress increasingly turned to the cap-and-trade options during the 110<sup>th</sup> Congress and a range of bills were filed early in the succeeding 111<sup>th</sup> Congress. In Canada, defeat for Dion and his "green shift" which proposed direct taxation of the fossil fuel content of fuels redirected attention to cap-and-trade as the primary default. Harper was a strong opponent of the Dion plan but also contended he was constrained from unilateral action by the intransigence of the American federal government. "We didn't want to go too tough on targets with Bush in the White House," he said at the 2008 G-8 summit in Germany, "because then if (Americans) didn't follow it would place Canadian industry at a disadvantage" (Carboncontrolnews.com, 2008). It is highly unclear whether that statement was an accurate explanation for Canadian reluctance to act or instead provided Harper with an excuse to avoid serious policy development. But the elimination of the carbon tax option at home and the end of the George Bush presidency to the south intensified pressure on him to match the new policies being advanced by President Obama and the incoming Congress.

There are, of course, a range of steps that the United States and Canada might take to begin to develop a common approach to this issue. Both have responded to the current economic contraction with stimulus packages that devote greater resources to renewable energy and energy efficiency. This is most evident in the case of the 2009 American Recovery and Reinvestment Act, with its numerous provisions that could contribute to some future level of greenhouse gas reduction, although actual allocation of funds and emission



impact remain highly uncertain. Beyond internal stimulus packages for energy alternatives, the United States and Canada might also begin with options less glamorous than movement toward a full-blown cap-and-trade system and yet could represent essential components of any future climate policy. This might begin with common metrics, namely a reporting system for carbon dioxide and related greenhouse gas emissions from major sources. Ironically, the technical process for measuring emissions is relatively straightforward in most instances, usually a simple algorithm applied to fossil fuel consumption. But, to this point, most of the numbers used to calculate emission levels are estimates and projections rather than having a basis in formal and systematic disclosure and reporting systems. Only three jurisdictions in these two nations, the states of Wisconsin and New Jersey and the province of Alberta, have established statutory emissions disclosure policies. Other jurisdictions have been negotiating on an ad hoc basis the terms of a common disclosure process but with no clear path to reconciling possible intergovernmental and cross-national differences. Such policies could build directly on existing emission reporting programs that operate in Canada, the United States, and Mexico for a wide range of toxic contaminants released to air, water and land. This is an area in which the North American Commission for Environmental Cooperation (CEC) has played a significant role in attempting to systematize these data and provide similar inventories for conventional emissions for all three nations, and could be charged with development of such an inventory for carbon dioxide and other greenhouse gases. Indeed, the Commission also includes analysis of continental climate change within its regular reporting on key North American environmental issues (CEC 2008). The CEC has, however, fairly limited authority at present and lacks any formal charge to develop a climate change inventory, much less develop a continental emissions trading program for carbon.

Such a starting point as an inventory might lead to further areas where collaboration was indeed feasible. As more states and provinces consider, for example, renewable portfolio standards and related policies to promote renewable energy, some important initial steps could dramatically ease the transition toward expanded use of these alternative energy sources. These could include common definitions of what did (and did not) constitute renewable energy and how to define and measure credits from large and small



renewable production sources that could indeed be used to meet various jurisdictional policies. As with the emissions reporting approach, common definitions and metrics could serve to provide a consistency that is currently absent among states and provinces. This would reflect the fact that electricity and energy distribution is not blocked at the 49<sup>th</sup> parallel and recognize that some basic infrastructure needs to be put into operation if future policy is to be credible and effective.

Of course, all of this could coincide with construction of parallel but interactive carbon cap and trade systems by the respective federal governments. Thus far, American proposals have the greatest specificity, reflected in iterations of the proposed Climate Security Act and its numerous counterparts. But these appear to parallel the broad direction Canada is considering in the March 2008 version of its Turning the Corner proposal and is generally consistent with the sentiments expressed by Harper since the Obama visit. Carbon cap and trade programs, as discussed, remain incredibly complex, largely untested, and subject to tremendous political pressures (Rabe 2008a). The possible integration in the development of such systems, however, presents a unique opportunity for both nations to consider whether they prefer climate policies that are interactive and follow the flow of energy and commerce or are hermetically sealed from each other. In this case, it would be crucial to allow for serious interaction between government departments or ministries charged with environmental protection and energy. Despite traditional divides and rivalries between these entities, experiments such as the American RGGI have been reasonably successful in this regard. This is reflected in its ability to meet deadlines for initial launch of its allowance allocation system and completion of early auctions for these allowances in late 2008 and 2009 (Rabe 2009, 22-23). Cross-border collaboration of officials with comparable portfolios might be achieved through similar integrative mechanisms, perhaps compatible with the kind of cross-unit interaction that was envisioned under the Security and Prosperity Partnership of North America (Craik and DiMento 2008).

In many respects, these kinds of steps have parallels to the development of trade relationships involving Canada and the United States and international institutions such as the World Trade Organization. Just as bilateral trade relations between Canada and the United States evolved over many decades, and later expanded to



formally engage Mexico in the 1990s, the WTO emerged over two generations. It was built in an incremental fashion and still recognizes substantial differences by sector, nation, and continent. Many national and multi-national entities played some role in a gradual shift from a very loosely coordinated system of international trade into the current mechanism that blends national, regional, and international authority. The WTO faces numerous limits and continues to be the focus of considerable criticism. But it has succeeded in reducing some rigid barriers to cross-national collaboration that once seemed insurmountable and may pose some useful models for climate policy (Victor 2004).

Of course, in many respects, climate change is infinitely more complex than trade, cutting across virtually all arenas of public policy and clearly demonstrating the limits of unilateral action. But whereas a decade ago, scholars anticipated a rapid march to a binding international governance mechanism, it has become increasingly evident that climate policy will continue to involve some blending of activity that cuts across essentially every level of government in every nation. After a flurry of experimentation and innovation in some Canadian and American jurisdictions, most notably American states, questions emerge about the effectiveness of sustaining uncoordinated strategies, especially given the extraordinary degree of economic and energy interdependence among states, provinces, and these two neighboring nations. Twenty years ago at Toronto, Canada and the United States seemed poised to lead the world, much as they did in securing the transition to economies more friendly to a rapidly-depleting ozone layer. But aside from a significant subset of American states, it is virtually impossible to argue that either nation has begun to deliver on those earlier promises or seized the opportunities to lead a transition to a more climate-friendly economy. At the same time, no bi-national institution has emerged to guide collaborative policy development. Numerous institutional impediments to either unilateral or collaborative policy development remain. But the case for collaboration remains strong, perhaps beginning with steps to establish an infrastructure that can gather reliable data and bring together diverse policy professionals to maximize the likelihood that any future policy will be credible and effective. In both nations, significant institutional development will be necessary in order to implement any future cap-and-trade program. That capacity building might take place on a cross-border



basis if Canada and the United States continue to head in the same general direction.

## GOING CONTINENTAL?

In turn, the very possibility of expanded bilateral collaboration on climate change opens the larger question of a truly radical departure, re-framing the issue and moving toward a fully North American model for environmental governance. The very creation of the CEC and early discussion of possible continental approaches to climate change serves as a reminder of the tremendous environmental and energy interdependence between both Canada and the United States but also with Mexico. There have been a number of proposals over the past decade to move toward greater continental coordination and making energy and climate a central component in such an effort. For example, a 2005 Council on Foreign Relations report on “building a North American community” observed that “A North American energy and emissions regime could offer a regional alternative to Kyoto that includes all three countries.” Headed by a series of former federal ministers and ambassadors from the three nations, the report also endorsed a continental emissions trading program that included offset provisions (Council on Foreign Relations 2005, 18).

This idea appears to have gained momentum, influenced substantially by the arrival of new political leadership in Washington. Interestingly, while President Obama’s first foreign visit and discussion on climate change and energy involved Canada, he actually discussed cross-border collaboration on these very issues a bit earlier during a visit to the United States by Mexican President Felipe Calderón. Shortly before visiting Ottawa, Obama told a leading Canadian journalist of Calderón’s interest in a new partnership, leading him to conclude that “Mexico actually has taken some of the boldest steps around the issues of alternative energy and carbon reductions of any country out there. And it’s very rare for a country that’s still involved in developing and trying to raise its standard of living to stay as focused on this issue as President Calderón’s administration has. What I think that offers is the possibility of a template that we can create between Canada, the United States and Mexico that is moving forcefully around these issues” (CBC 2009).

One possible mechanism for launching a larger continental strategy would be the proposed expansion of the North American



Free Trade Agreement to formally include separate side-agreements that were negotiated on environmental and labor protection. Obama discussed this frequently during the campaign and in the early weeks of his Presidency. Such a step could open a mechanism to link trade liberalization with energy diversification as well as environmental and climate protection on a much larger scale than before. In such a context, an entity such as the CEC might be given expanded authority. Of course, the CEC to date has only limited experience beyond hortatorial functions such as information disclosure (Alm and Burkhart 2006). Consideration of any expanded role therefore leaves many questions concerning its capacity to take on such a challenge as a continental cap-and-trade system, including the issue of reconciling inevitable national differences in how any continental climate agreement might be interpreted or implemented (Betsill 2009). The June 2009 meeting of the CEC Council, which consists of the lead environmental officials of all three nations, could reveal possible avenues for collaboration and whether these recent overtures toward a continental approach are substantive or symbolic.

This kind of a partnership would create the world's largest region for collaborative climate policy, surpassing the European Union in population and total greenhouse gas emissions. As noted above, Mexico has indicated growing interest during the Calderon era in becoming a world leader among emerging nations on climate change and has also expressed interest in possible involvement in a common cap-and-trade strategy. It also might be well positioned to take advantage of its considerable offset opportunities through a North American carbon market. Both Canada and the United States would also gain potential strategic advantages from such an alliance. For Canada, Mexican involvement would help protect it against possible American domination under a bilateral system. For the United States, a continental framework might provide considerable bargaining leverage entering into any larger multi-national or international negotiations, including any future consideration of a global carbon trading regime. Thus it is possible to envision a shift toward continental collaboration, following the new lead provided by the Obama presidency. Given the climate change issue's growing salience in all three North American nations, the CEC or some successor body might become a forceful North American player in the 21<sup>st</sup> century, thereby expanding conventional approaches to



North American environmental governance that focus exclusively on issues that cross either the 49<sup>th</sup> parallel or the American-Mexican border.



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