

## **Kyoto Report Executive Summary**

### **Counting The Costs: The Effects of the Federal Kyoto Strategy on Canadian Households**

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#### **Summary**

The expert literature on the costs of Kyoto, including analyses done by and for the federal government, shows that Canadians can expect implementation of Kyoto to be very costly. Based on a planning document released October 24, 2002, the federal government is looking at a proliferation of regulation-intensive policies that will cost a lot and do little.

For instance, in speeches and advertising they are focusing on household energy efficiency measures like "turning down the thermostat" or doing the laundry in cold water. They estimate these measures would yield 0.4 Megatonnes of reductions. But the overall target the government has committed to is 240 Megatonnes: 600 times larger. Clearly, public relations campaigns to get people to save energy are irrelevant to the discussion of how to meet the Kyoto target. Kyoto ultimately means a fundamental restructuring of the economy.

If the Kyoto target is going to be met, there will have to be substantial changes in consumption driven by large energy price increases via taxes, tradable permits or cost pass-throughs from new regulations on industries and households. Canadians will experience a higher cost of living and lower real incomes.

Previous analyses have shown that once these measures start to bite, the price of natural gas could go up more than 90 percent, while the price of gasoline at the pump could rise by about 50 percent (or 30 to 35 cents per litre).

The combination of price increases and wage reductions that will eventually be necessary will reduce annual real after-tax household income by about \$2,700 as of 2010. This is an extremely costly policy, especially in light of the fact that it yields no economic or environmental benefits.