Putting Lipstick on a Pig

Mark Carney's Proposed Climate Plan

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PUTTING LIPSTICK ON A PIG –

MARK CARNEY'S PROPOSED CLIMATE PLAN

EXECUTIVE SUMMARY

On January 31, 2025 Mark Carney, the ex-banker now running to be the leader of the Liberal Party of Canada and Canada's ad interim Prime Minister, issued a press release in which he presented the main elements of a revised climate policy that a government he seeks to lead would implement. The proposal placed special emphasis on replacing the current carbon dioxide pricing regime, generally known as the carbon tax.

In this article, I will describe the main features of the Carney plan and explain why, in my view, they differ little in substance from the carbon dioxide pricing regime that has been the central feature of the climate policy pursued by the Liberal Party under Justin Trudeau.

Carney's stated rationale for revising the current carbon tax system is that the carbon tax is "not working", as it has become "too divisive". It is unclear how a tax that has had disproportionately adverse effects on Canada's resources industries, especially in western Canada, ever since it was introduced in 2018 has only suddenly become "divisive". Accordingly, a Mark-Carney-led government would "immediately remove the consumer carbon tax and instead create a system of incentives for making greener choices".

In fact, the continuation of the OBPS on large industrial users assures that the affected companies will be obliged to pass those increased costs on to consumers in the form of higher prices. Further, the Carney assessment seems to have forgotten the effects of the Clean Fuel Regulations. The Parliamentary Budget Office estimated that the cost of the regulations to households will range from $231 per year for lower income households to $1,008 per year for higher income households, and that the end-user effects would be "broadly regressive", because lower income households generally spend a larger share of their income on transportation and other energy-intensive goods and services compared to higher income households.

The counterpart to the claim that the revised policy would reduce consumer costs is that it would enhance consumer benefits by subsidizing actions that reduce emissions and doing so in new, innovative ways. Yet, those subsidies do not appear out of thin air; they are funded by taxes on all Canadians.

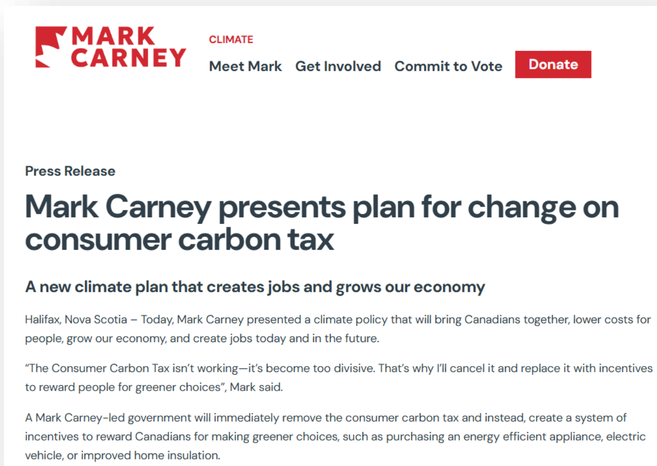
Carney's proposed policy would only increase the severity and cost of the existing regulations.

The proposed Carbon Border Adjustment Mechanism would seem tailor-made to aggravate the Trump Administration in the United States and virtually guarantee the application of the punitive American tariffs that Canadian federal and provincial governments are now seeking to head off. It would, like most of the Carney proposals, require a major expansion in the federal bureaucracy to design, manage and administer it.

Canadian climate policy has long been characterized by the use of a multitude of policy instruments imposed by federal, provincial and territorial governments to pursue reductions in greenhouse gas emissions according to arbitrary targets set after international conferences. While nominally centred on the use of carbon pricing, the federal government climate policy regime in fact includes over 140 different measures that run the gamut from taxes, tax incentives to subsidies, regulations, information programs and others. The policy regime proposed by Mark Carney claims to mark a departure from that approach, but it in fact is more of the same. It is just-like-Justin.

PUTTING LIPSTICK ON A PIG – MARK CARNEY'S PROPOSED CLIMATE PLAN

On January 31, 2025 Mark Carney, the ex-banker now running to be the leader of the Liberal Party of Canada and Canada's ad interim Prime Minister, issued a press release in which he presented the main elements of a revised climate policy that a government he seeks to lead would implement. The proposal placed special emphasis on replacing the current carbon dioxide pricing regime, generally known as the carbon tax.



MARK CARNEY

CLIMATE

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Press Release

Mark Carney presents plan for change on consumer carbon tax

A new climate plan that creates jobs and grows our economy

Halifax, Nova Scotia – Today, Mark Carney presented a climate policy that will bring Canadians together, lower costs for people, grow our economy, and create jobs today and in the future.

"The Consumer Carbon Tax isn't working—it's become too divisive. That's why I'll cancel it and replace it with incentives to reward people for greener choices", Mark said.

A Mark Carney-led government will immediately remove the consumer carbon tax and instead, create a system of incentives to reward Canadians for making greener choices, such as purchasing an energy efficient appliance, electric vehicle, or improved home insulation.

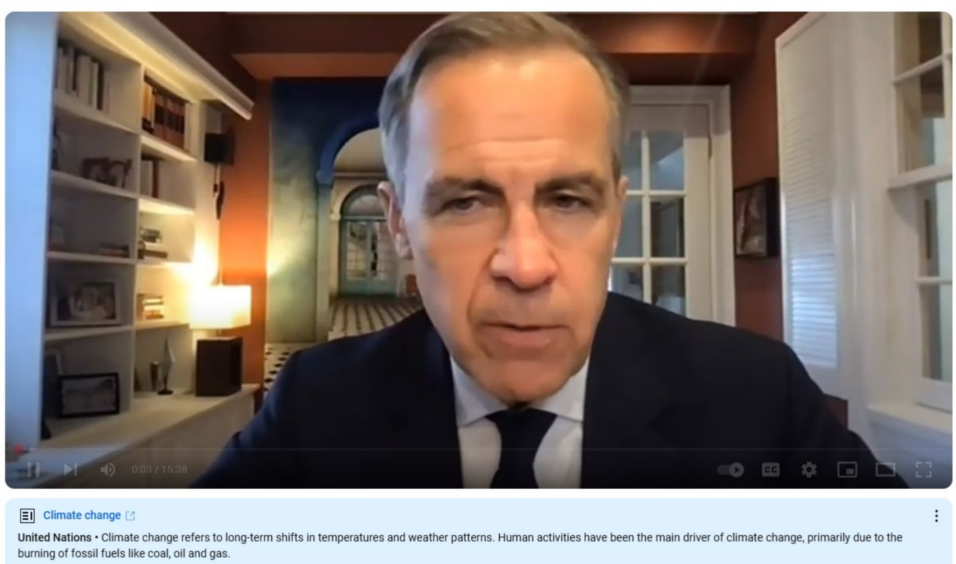
https://markcarney.ca/media/2025/01/mark-carney-presents-plan-for-change-on-consumer-carbon-tax

In this article, I will describe the main features of the Carney plan and explain why, in my view, they differ little in substance from the carbon dioxide pricing regime that has been the central feature of the climate policy pursued by the Liberal Party under Justin Trudeau.

The new policy would include the following actions:

- Removing the carbon tax that consumers, households and small businesses now pay on hydrocarbon fuels such as gasoline, diesel fuel, heating oil and natural gas; this, the release states, would in the absence of counter-measures leave Canadians "worse off" as a result of the elimination of the rebate.
- Retaining and "tightening" the Output-based Pricing System (OBPS) that now imposes carbon taxes on large industrial emitters like manufacturers and oil and gas producers, and extending the OBPS to 2035.

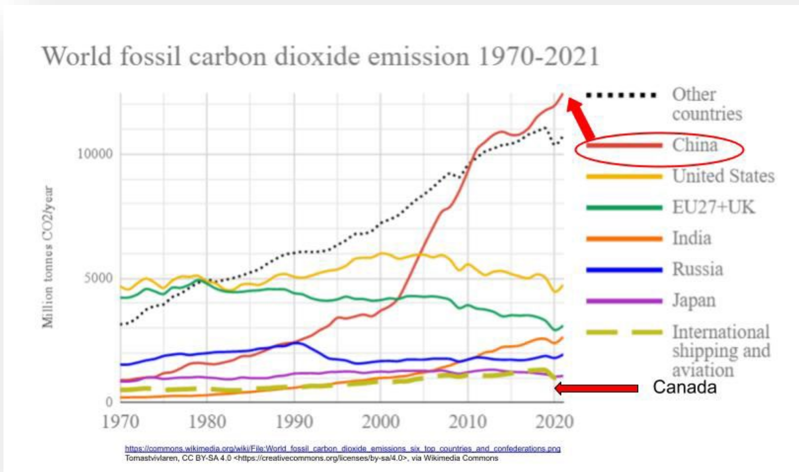
- Implementing a new Carbon Border Adjustment Mechanism, a tariff that would be placed on imports of goods from other countries that do not impose emissions reduction measures as costly as those imposed in Canada.
- “Strengthening” (i.e. increasing the severity) of existing regulations such as the oil and gas methane regulations;
- Speeding up approvals of “clean energy projects” (but not other energy projects);
- Developing and implementing a new “consumer carbon credit market under which, among other things, large industrial firms would be obligated to “pay consumers to lower their carbon footprint”;
- Introducing more subsidies for home energy retrofits and heat pumps;
- Having the Canada Mortgage and Housing Corporation explore offering “discounts” on mortgage insurance for low- or middle-income households that purchase “energy efficient homes”;
- Phasing out the use of fossil fuels in federal government buildings by 2030;
- Offering more taxpayer-funded investment tax credits and Carbon Contracts for Difference (federal government guarantees that subsidies will continue in future for certain projects and investment even if a future government cancelled the programs);
- Providing even more subsidies for electric vehicle charging infrastructure;
- Moving quickly to finalize and implement the Canada Sustainable Investment Guidelines, a means whereby Canada’s financial institutions would discourage funding for fossil fuel production or consumption; and
- Mandating broad coverage of climate risk disclosure for companies across Canada.



Mark Carney’s keynote speech at the PRI’s China Climate Neutrality Week
https://youtu.be/XZ1TX_1WmGY

The People's Bank of China was a co-founder of the Network for Greening the Financial System (NGFS) -- the group of central banks pushing mandatory climate disclosures. China is the world’s largest emitter. Net Zero policies hand the competitive advantage to China.

The mandatory emissions reporting associated with such reporting imposes a huge burden of cost on industry and society; the USA, Canada's largest trading partner has rejected mandatory emissions reporting, but in order to trade with the EU and UK, it appears that under "CBAM" this will be required.



https://blog.friendsofscience.org/wp-content/uploads/2020/08/Futile-Folly-aug-2020-Reissued-FINAL.pdf

The Rationale for the Changes

Carney's stated rationale for revising the current carbon tax system has nothing to do with the fact that it has imposed major costs on Canadians and severely undermined the competitive vulnerability of Canadian businesses in domestic and export markets. Instead, he insisted that the only reason the carbon tax was "not working", was because it has become "too divisive". **It is unclear how a tax that has had disproportionately adverse effects on Canada's resources industries, especially in western Canada, ever since it was introduced in 2018 has only suddenly become "divisive".** Accordingly, a Mark-Carney-led government would "immediately remove the consumer carbon tax and instead create a system of incentives for making greener choices".

Analysis of the Measures

A central claim behind the proposed policy is that it would eliminate the aspects of current federal government climate policy that promote emissions reductions by increasing the costs of producing and using fossil fuels. In fact, **the continuation of the OBPS on large industrial users assures that the affected companies will be obliged to pass those increased costs on to consumers in the form of higher prices.**

https://blog.friendsofscience.org/2020/07/20/the-clean-fuel-standard-the-latest-in-climate-pancaking/

Further, the Carney assessment seems to have forgotten the effects of the Clean Fuel Regulations. While not treated by the federal government as a tax, the Clean Fuel Regulations have a comparable cost effect. The regulations require liquid fossil fuel (gasoline and diesel) suppliers to gradually reduce the carbon intensity – or the amount of "pollution" – from the fuels they produce and sell for use in Canada over time, leading to a decrease of approximately 15% (below 2016 levels) in the carbon intensity of gasoline and diesel used in Canada by 2030. This will raise gasoline and diesel fuel prices. Environment and Climate Change Canada (ECCC), in its published analysis of the regulations, estimated that they would decrease real GDP in Canada by up to $9 billion in 2030. **The Parliamentary Budget Office estimated that the cost of the regulations to households will range from $231 per year for lower income households to $1,008 per year for higher income households,** and that the end-user effects would be "broadly regressive", because lower income households generally spend a larger share of their income on transportation and other energy-intensive goods and services compared to higher income households.

The counterpart to the claim that the revised policy would reduce consumer costs is that it would enhance consumer benefits by subsidizing actions that reduce emissions and doing so in new, innovative ways. **Yet, those subsidies do not appear out of thin air; they are funded by taxes on all Canadians.** According to the federal government's own projections, federal spending on climate-related measures already averages over $20 billion per year, which of course must be funded either by current taxes or future debt.

Carney does not propose to reduce regulations that impose direct and indirect costs on consumers; indeed, he proposes to add more. I recently described the costs that Canadians already pay as a result of climate-related regulations. The most costly and pervasive regulations would appear to be these:

- The Clean Electricity Standards – estimated costs of at least $58 billion
- Emissions Cap on the Oil and Gas Sector – estimated costs of $2.3 billion
- EV Sales Mandate– estimated costs of $25.5 billion
- Net-Zero Building Code by 2030 – Estimated costs unknown but up to $902 billion
- Impact Assessment Mandating Attainment of Net-Zero – estimated costs unknown but potentially over $350 billion

Carney's proposed policy would only increase the severity and cost of those measures.

Already, Canadians are paying a significant price for climate policies. Previous reports by Robert Lyman have demonstrated the devastating impact, and the irrelevant, immeasurable benefits.

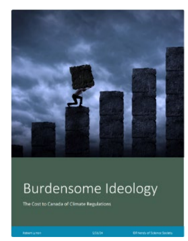
Robert Lyman – Previous Reports Calculating the Costs/Impacts/Benefits

The total federal and provincial expenditures on climate measures over the period 2020 to 2030 as listed by the Carbon Policy Tracker are $476 billion or $11,900 per resident of Canada. This equates to roughly $28,000 per household ***(i.e. an average of $2,800 per household per year).*** *This is just what has been announced to date; there remain five more fiscal years before 2030 during which governments may add more initiatives.* https://blog.friendsofscience.org/2024/05/13/what-are-climate-policies-costing-canada/

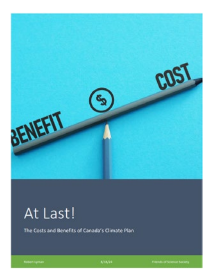
Another way in which Contracts for Difference (CFDs) could be applied would be to ensure investors in "clean energy" projects that, regardless of how either markets or policies may change, they will continue to receive financial benefits from taxpayers…To date, the federal government has announced only one CFD. On December 20, 2023, Deputy Prime Minister Chrystia Freeland announced that the Canada Growth Fund had concluded an agreement with Calgary's Entropy Inc. Freeland proclaimed, could reduce emissions by up to 9 million tonnes over 15 years. ***At a price of $86.50 per tonne plus an initial payment of $200 million, the federal expenditure totals $978.5 million, or almost $1,000 per tonne, an absurdly high cost.*** https://blog.friendsofscience.org/2024/05/13/turning-taxpayers-into-risk-takers/

In its March 2022 Budget1, the federal government published projections that the total private and government investments needed to attain net zero would be between $125 billion and $140 billion per year from 2023 to 2050, or somewhere between $3.4 trillion and $5.2 trillion.

Thus, the range of estimates published to date is between $2 trillion (RBC) and $5.2 trillion. That is an almost unimaginable amount of money. $2 trillion is $50,000 for every one of Canada's 40 million residents now, or $118,000 for every household. $5.2 trillion is $130,000 for every resident, or $306,000 for every household. ***Averaged over 27 years, $2 trillion would cost every one of today's residents about $1,850 per year; averaged over 27 years, $5.2 trillion would cost every one of today's residents $11,330 per year.***
https://blog.friendsofscience.org/2024/05/23/burdensome-ideology/



As Canada is responsible for only 1.5% of global GHG emissions, the federal objective to reduce emissions by 40% would reduce global emissions by 0.6%, some or all of which will be offset by increased emissions elsewhere. ***If Canada achieved the intended emissions reduction and maintained that reduction in future, the global average temperature would be reduced by 0.007 degrees C.*** *(seven thousandths of a degree Celsius) as of 2100 compared to a case in which Canada does nothing. (Again, this assumes that these emissions cuts would not be offset elsewhere).* https://blog.friendsofscience.org/2024/08/24/at-last-the-costs-and-benefits-of-canadas-climate-plan/



Carbon Border Adjustment Mechanism (CBAM)

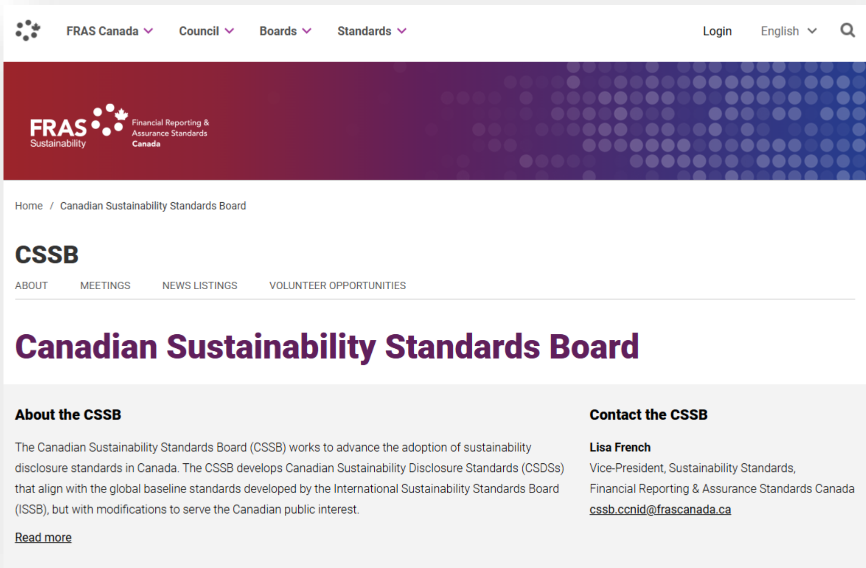
The proposed Carbon Border Adjustment Mechanism was part of the Fall Economic Statement and is part of Carney's leadership platform. This is essentially a very complex set of tariffs that would be imposed on the imports of goods from the countries that do not have climate policies as severe as those implemented by Canada; in other words, almost all the countries in the world outside of western Europe. Notably, it would mean imposing a broad range of tariffs on Canada's three largest trading partners – the United States, Mexico and China. **Such a measure would seem tailor-made to aggravate the Trump Administration in the United States and virtually guarantee the application of the punitive American tariffs that Canadian federal and provincial governments are now seeking to head off.** It would, like most of the Carney proposals, require a major expansion in the federal bureaucracy to design, manage and administer it.

https://taxation-customs.ec.europa.eu/carbon-border-adjustment-mechanism_en

Mandatory Climate Risk Reporting

Implementing the Canada Sustainable Investment Guidelines and mandating broad disclosure of "climate risk" by companies would impose heavier reporting and compliance requirements on Canadian firms at precisely the time when many of those firms are already exiting the voluntary domestic and international schemes to which they have previously adhered. The Canadian Sustainability Standards Board (CSSB) has already released standards for how companies will have to report that ignored concerns about the draconian requirements and how the high cost of implementation would disadvantage Canadian businesses operating in the United States market. As Tammy Nemeth has pointed out, **Mark Carney has over the years praised a radical shift in accountants' focus from just financial disclosure to sustainability disclosure to "hold clients' feet to the fire of climate alarmism" rather than simply to ensure**

financial accuracy. Again, adopting the changes proposed by Mark Carney would move Canada in directly the opposite direction of the climate policy regime that already exists in the United States and very far from where that is likely headed under the Trump Administration, to the great competitive disadvantage of Canadian firms.



https://www.frascanada.ca/en/cssb

The costs to industry of counting Scope 1, 2, 3, emissions are astronomical. See Friends of Science Society's submission to the International Sustainability Standards Board and related comments on Catherine McKenna's UN High-Level Expert Group on mandatory climate risk reporting. Excerpt vis a vis impact on US economy:

> ***The Competitive Enterprise Institute's Wayne Crews estimates that the current total cost burden of U.S. federal regulation comes to nearly $2 trillion per year.*** *That accumulated burden also harms innovation, kills jobs, and slows economic growth, resulting in a smaller economy and lower investment returns. The SEC's own estimates suggest that the overall* ***cost of disclosure and compliance for public companies will rise from approximately $3.8 billion per year to over $10.2 billion—a more than 250 percent increase, based on this rule alone.***
> *Read that last bit again, if you have the stomach for it: in an inflationary environment, in which stagflation is a real risk, the SEC wishes to impose AT least a 250% increase in compliance costs on ALL publicly traded companies for disclosures that it doesn't even know will be beneficial Talk about "broadening the drivers of inflation."*

General Comments

Canadian climate policy has long been characterized by the use of a multitude of policy instruments imposed by federal, provincial and territorial governments to pursue reductions in greenhouse gas emissions according to arbitrary targets set after international conferences. While nominally centred on the use of carbon pricing, the federal government climate policy regime in fact includes over 140 different measures that run the gamut from taxes and tax incentives to subsidies, regulations, information programs and others. **The policy regime proposed by Mark Carney claims to mark a departure from that approach, but it in fact is more of the same. It is just-like-Justin.**

Putting “lipstick on a pig” is a rhetorical expression that means making superficial changes to something that is inherently unattractive or undesirable. It implies that the changes made will not alter the fundamental nature of the thing. This is an apt description of the Mark Carney climate plan.

About the Author

Robert Lyman is an economist with 27 years' experience as an analyst, policy advisor and manager in the Canadian federal government, primarily in the areas of energy, transportation, and environmental policy. He was also a diplomat for 10 years. Subsequently he has worked as a private consultant conducting policy research and analysis on energy and transportation issues as a principal for Entrans Policy Research Group. He is a frequent contributor of articles and reports for Friends of Science, a Calgary-based independent organization concerned about climate change-related issues. He resides in Ottawa, Canada. Full bio.

About Friends of Science Society

Friends of Science Society is an independent group of earth, atmospheric and solar scientists, engineers, and citizens that is celebrating its 22nd year of offering climate science insights. After a thorough review of a broad spectrum of literature on climate change, Friends of Science Society has concluded that the sun is the main driver of climate change, not carbon dioxide (CO_2).

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