

Carbon tax worries cement makers

By Scott Simpson, Vancouver Sun

Published: Tuesday, April 08, 2008

VANCOUVER - British Columbia's plans for fighting climate change could pose "a significant threat" to domestic cement producers, who fear that new carbon taxes and greenhouse gas emission caps will give offshore competitors a huge price advantage in local markets.

B.C. producers expect \$66 million in additional costs over the next five years as a result of the carbon tax announced earlier this year by Finance Minister Carole Taylor, according to Jeorg Nixdorf, vice-president of manufacturing for Lehigh-Hanson Canada.

That amount represents a near-doubling of energy costs to produce Portland grey cement, Nixdorf said.

Last week's announcement by Environment Minister Barry Penner of a plan to introduce a cap-and-trade regime for B.C.'s largest industrial emitters of carbon dioxide is making producers even more anxious, Nixdorf said in a telephone interview.

Taylor promised in her budget speech last February that big industries wouldn't face a double hit from emission caps and carbon taxes - but Nixdorf said the industry has no information to confirm this.

Nor has it seen an indication that the government recognizes the risk that higher production costs linked to emission reductions in B.C. would give rivals in China and some other Asian nations - where emissions are less likely to be penalized - a competitive advantage here.

Lehigh-Hanson's cement plant in Delta is British Columbia's third-largest greenhouse gas emitter, with 1,028,455 tonnes of carbon dioxide-equivalents in 2006, according to Environment Canada.

It is one of three Portland grey cement manufacturing plants in B.C., and 15 across Canada that make the federal government's list of the nation's top greenhouse gas emitters.

The cap and trade system, so far, is just a concept - the legislation introduced last week only provides a framework to allow the province to participate with other western states and provinces in a regional cap-and-trade system now under development.

The system would fix, or 'cap,' the amount of carbon dioxide a large industrial operation can annually pump into the atmosphere - and set up a trading regime in which companies

getting credits for lowering emissions can swap them to companies that need additional credits.

The government hopes the system can lead to an overall reduction in greenhouse gas emissions.

According to Mark Jaccard, a key B.C. government adviser on climate change, the province is "still a long way from implementation of a cap-and-trade system."

Moreover, he said, B.C. may decide to remove itself to the sidelines while U.S. states work out their own emission caps.

"B.C. might decide to take an observer position in the western climate initiative while it sees what the next U.S. federal government will do," Jaccard said in an e-mail.

Nixdorf said the industry agrees with the government's decision to curtail emissions. But he said the lack of information and reassurance from government is a concern.

"We believe and agree that responding to the threat of climate change is a responsibility in every sector of the economy. So we certainly support the provincial government here," Nixdorf said.

"However, our industry has not been consulted on the implementation of the B.C. carbon tax, or greenhouse gasses emissions at the level of trade proposed.

"For us, the absence of those appropriate consultations has contributed to a significant uncertainty. The way the carbon tax is designed now, it does not address taxation on import products. The province so far does not have a concept together for addressing leakage, and this poses a significant threat to domestic production.

"The risk we see is a potential for permanent and negative impact upon the competitiveness of the manufacturing operations in our province."

Business Council of B.C. executive vice-president Jock Finlayson said the cap-and-trade legislation arrives at a time when manufacturers are already struggling due to the rising Canadian dollar, recession in the U.S. and "brutal" international competition. "So to the extent that either this bill or other things the government has done around its climate change policy are going to result in the imposition of additional costs on industry, particularly export industries, it's not doing to be very well received.

"I think it's fair to say that the carbon tax, which was unveiled in the budget and which comes into effect on July 1 and rises over the subsequent four years, plus the expected imposition of emission reduction obligations on major industry no doubt will cause some companies to postpone certain investment decisions."

He said that ultimately, business council members are looking for evidence that the province recognizes there is a commercial as well as an environmental aspect to negotiations with other jurisdictions involved in the western climate initiative.

"This is a negotiation about pursuing environmental goals, but trying to do so in a way that also advances your commercial interests and I think a number of us have yet to see how B.C.'s strategy reflects that. The whole thing seems to be run by the climate action secretariat, but it doesn't have a mandate to worry about industry. Its only mandate is to deliver on the greenhouse gas reduction goals the government has set - but you need to do that in a cost effective way.

Hopefully, as well roll through the next few months the government will be strengthening its information base, if I can put it that way."

ssimpson@png.canwest.com

© Vancouver Sun