

# Economic Impact

## ***How will implementing the Kyoto Protocol affect Canada's economy?***

There will be costs to meeting the targets in the Kyoto protocol, but the Government of Canada is committed to working with provincial and territorial governments, business and industry to develop implementation strategies that ensure a strong and growing national economy. The Government wants to ensure that no province or region bears an unreasonable share of the burden, and that Canadian business remains competitive in the North American and global marketplace.

Sophisticated economic models were used to help guide the design of the plan. While this does not represent modeling of the final plan, the Government of Canada uses these models to fine-tune elements of the plan to even out the impacts on different regions and to reduce the impacts on different sectors of the economy. These models show that many of the negative impacts that had been predicted in earlier studies can be reduced through changes in the strategies used to encourage GhG reductions by governments, business and consumers.

The model is based on the economic scenario that the federal-provincial Analysis and Modeling Group agreed to use as a base case more than a year ago, and on the assumptions that the international price of carbon permits will be \$10 and that the Government of Canada's climate change initiatives and programs are directly absorbed within budget. Three other scenarios were also modeled using different assumptions for prudent risk management.

While it is impossible to be precise in forecasting over 8 to 10 years, the estimated economic impact for the most likely scenario is -0.4 percent of GDP. This is a modest impact relative to the strong economic growth expected over this period. Achieving the first 170 MT of Canada's 240 MT emissions reduction target is estimated to have the following impact on:

### **Employment**

- By 2010, Canada's economy will generate about 1.26 million new jobs, roughly 60,000 fewer than we might expect otherwise.

### **Consumer energy prices**

- There will be no direct impact on gasoline prices.
- The price of natural gas would rise by 4 to 8 percent over the next eight years.
- More efficient houses, cars and equipment will reduce overall energy costs.

### **Key sectors of our economy**

- As you read this section, keep in mind all sectors of our economy will continue to grow over the next eight years. These numbers describe how much bigger or

smaller that growth will be after those eight years as a result of our climate change actions. So, when it says "0.2 percent less growth," it doesn't mean that part of our economy will get smaller over the next eight years, it means it just won't grow quite as much.

Auto industry	+0.9 percent
Iron and steel	+0.4 percent
Oil and gas	-0.4 percent
Electricity	-2.8 percent
Metal mining	-0.2 percent
Pulp and paper	+0.2 percent
Agriculture	-0.8 percent
Consumer goods/services	-0.1 percent
Communications	+0.2 percent

### Overall economic growth

Canada's Gross Domestic Product (GDP) will grow by about 17.5 percent as we take action on climate change over the next eight years. That's about 0.4 percent less growth than we might expect otherwise.

### Economic growth for individual provinces

- Impacts on provincial and territorial economic growth over the next eight years would be marginal, and fairly evenly distributed. Again, a negative number does not mean a province's

economy is going to shrink, it means that province's economy will grow by that much less than expected between now and 2010.

Newfoundland	-0.2
Prince Edward Island	-0.4
Nova Scotia	-0.3
New Brunswick	-0.2
Quebec	-0.2
Ontario	+0.2
Manitoba	-0.2
Saskatchewan	-0.4
Alberta	-0.4
British Columbia	-0.5
The Territories	0.0

### Other impacts

This economic modeling does not take into account the positive impacts of taking action on climate change. For example, the benefits of cleaner air on Canadians' health, the beneficial effects on our environment in general and the opportunities flowing from accelerated innovation.

For more detailed modelling results on the economic impact to key sectors of our economy and for individual provinces, please visit Modelling the economic impacts of addressing Climate Change: [www.climatechange.gc.ca/english/ecoimpact/toc.html](http://www.climatechange.gc.ca/english/ecoimpact/toc.html)

**To find out more about what the Government of Canada is doing  
and what you can do,**

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