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Discussion

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## Discussion After the Speeches of Dennis A. Leaf and Alex N. Manson\*

QUESTION, *Professor King*: What do you think the effects of the Air Quality Agreement have been on trade and commerce between Canada and the U.S.?

ANSWER, *Mr. Leaf*: I can't give a quantitative answer on that, but I can discuss some of the issues raised by our Congress. Some of the issues were economic and environmental considerations in relation to trade, and they concern a level playing field and the competitiveness of our industry.

One of the big areas, of course, was the trade in electricity — that acid rain was a plot by the Canadians to ensure they could export more energy to our country. Another concern, of course, was that by raising electricity rates, particularly for industries that use electricity as a primary raw material, you're forcing them out of this country. Also, we were concerned about the relationship of these and other issues to prevention and significant deterioration, and visibility protection.

We have to respect the different industrial makeup and actual facts of our neighbor. The fact is that in Canada, roughly seventy percent of the emissions come from smelters, and twenty to twenty-five percent of the emissions come from electric power plants. In the U.S., about seventy percent of the emissions come from utility sources, and about twenty percent from smelters. Who are we to tell them that they have to do the same thing to their electric utility sources that we do to ours? I think we both went for the most cost-effective reductions that could occur. In Canada, the most cost-effective reductions that could occur were from smelters. That's the way it works out. In our country, the most cost-effective reduction will occur within the electric industry.

QUESTION, *Professor King*: If you clean up, for example coal-fired power plants, does that increase cost of doing business?

ANSWER, *Mr. Leaf*: Definitely yes. We will monitor the situation over time. The Clean Air Act has very specific and very far-reaching provisions for analyzing the impacts of the Acid Rain Control Program in the United States, both from an environment perspective, monitoring the visibility, etc., as well as a costs and benefits of the program perspective.

Definitely the cost of electricity is going up. The costs, depending

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\* The questions, answers and comments presented herein have been edited by the *Canada-United States Law Journal* for the purpose of clarity, and have not been edited or reviewed by the respective speakers.

upon the compliance option chosen, could range for an individual source over a hundred million dollars. When you build one of these scrubbers, you're basically adding a chemical plant onto an electrical plant. They're huge capital projects, and they will increase the cost of doing business.

**QUESTION, *Mr. Jarashow*:** What are your comments with respect to the present situation and the projected situation, out to the 2005 period, in the context of air quality in Europe and the rest of the world? In other words, how does the U.S. experience relate to the broader worldwide concern?

**ANSWER, *Mr. Leaf*:** In terms of acid rain, clearly the area that I'm most familiar with is Europe, and I think what you see is, particularly under the United Nations Convention on Long-Range Transboundary Air Pollution, a variety of mechanisms being used. Basically, everybody recognizes the need to reduce nitrogen oxide and sulfur dioxide emissions. I think they're having a lot more success with sulfur dioxide emissions, where they can go to large plants and put in place control technology, as opposed to nitrogen oxide reductions, because of the influence of mobile sources, where it's hard to control people's driving habits.

In a place like the former West Germany, for example, they adopted a program for major sources to put on scrubbers. These are very expensive systems which give you ninety-plus percent reductions in nitrogen oxide, and they are being used widely in both Germany and Japan. Other places, like in Sweden, one of the things that they've tried to do most recently is cut their income taxes, which we all know were high, and increase indirect taxes and put on pollution taxes; so, they have a carbon tax, a nitrogen tax and a sulfur tax.

One of the issues that we are all facing now is the concept called "critical loads". Your long-term targets for reductions should be those that protect critically sensitive ecosystems, and if you do that, there's going to be a lot of scientific discussion on what a "critical load" is.

**COMMENT, *Mr. Manson*:** Basically, I read the situation in Europe much like Dennis. There's an SO<sub>2</sub> protocol in a number of countries, which started in Helsinki in 1985, and says crank your emissions back by thirty percent in 1993; that's being renegotiated now. The concept of critical loads is being looked at. There is a nitrogen oxide convention that was signed in Sophia in 1988, which says that eight countries committed to stabilizing their nitrogen oxide emissions at the 1987 level or thereabouts by 1994; they're looking at further reductions by 1996. Most countries that are members of the Economic Commission for Europe have signed on to it.

The one thing I think you'll see a tendency of in Europe — again, it's just a personal opinion — is that the EC is going to start treating a lot of these things as a block. The Member States are not going to sign on individually to many of these commitments. They are going to sign on together, and that's where it will give them the advantage of being able to

find more cost-effective ways of doing things than if they were to deal with these problems individually in a country.

QUESTION, *Mr. Yosowitz*: Is the former Soviet Union involved in any of the international agreements. I know that they have plenty of smelters, so how do they fit into the picture?

ANSWER, *Mr. Manson*: I must confess, I haven't heard whether all of the new Republics are being asked to sign the agreements, but the Soviet Union was a signatory to those earlier protocols I was talking about.

COMMENT, *Mr. Leaf*: The Soviet Union did sign some of these agreements, and I think some of the things just stopped because of the economic and political turmoil there. What we do find at the Agency — and this isn't a complete answer — is that the Republics, or the individual countries, are now coming to see us more and more. Just last week, I met with an official from the Ukraine who was very interested in the U.S.-Canada Air Quality Agreement, because there's an interest in setting up a program between the Ukraine and Poland on reducing their sulfur dioxide emissions and potentially setting up trading between the two.

