

October 4th, 2016

The Honourable Catherine McKenna
Minister of Environment and Climate Change
Government of Canada
200 Sacré-Coeur Boulevard
Gatineau, Quebec K1A 0H3

The Honourable Scott Moe
Minister of the Environment
Government of Saskatchewan
Room 345, 2405 Legislative Drive
Regina, Saskatchewan S4S 0B3

An open letter to the Ministers of the Environment:

The purpose of this letter is to express the views of the Saskatchewan Chamber of Commerce on the federal government's recent decision to impose a carbon tax in a manner that will potentially have many unintended and negative consequences.

Canadians agree that a reduction in our carbon emissions is a positive goal, but also agree that the method of achieving this goal must be sustainable from both an economic and environmental perspective. We and most Canadians know there will be a cost to achieving that goal and it is in that area where the conversation should have continued, instead of unilateral action being taken by the federal government as we have seen this week.

We offer several points that we believe will move the conversation forward toward a more thoughtful and productive outcome. Because this is an issue that generates many differing opinions, we provide these with the hope that a solution is available to those who act responsibly.

The implementation of a tax as was described by the federal government is too blunt of a tool to achieve the desired outcomes. The direct and significant impact it would have on many energy and trade-intensive industries will be quick and dramatic. As most companies in these sectors are "price takers" and sell their products and services globally, they will not be able to pass on the increased costs which will cause real and serious impacts to their operations.

A blanket carbon tax will have a very negative impact on three key sectors:

- Transportation – Including trucking, rail, logistics, private vehicles, and facilities like the Global Transportation Hub. As a province that relies upon truck and train transportation for trade, these transportation methods have

no clean energy option short of replacing all their engines, and that is simply impossible.

- Agriculture – All fuels that power equipment will increase in price, as will the related costs of fertilizers and the cost of steel in machinery. Saskatchewan agricultural producers have no option but to use fuels to produce the foods that help to feed the world.
- Heating – All companies who sell, pay for, use or service heating for buildings, drying grains, and even drying potash will be impacted.

The solution should include finding ways to incentivize businesses to use less hydrocarbons through improved efficiency programs. These should include support for energy efficiency programs, shorter amortization of energy efficient capital assets, and increasing the efficiency standards required for new engines and motors.

Canada needs to be very mindful of the stance our key neighbors and trading partners take on this issue and ensure that our actions are aligned with theirs, otherwise the consequences will be devastating for our economy. Consider that the USA, China, and India are all key markets to Saskatchewan, are all large emitters, are competitors with Canada for many commodities, and have all not yet confirmed their specific actions on this issue. For Canada to lock ourselves into a program means that we as price takers are clearly left hobbled. Canada's additional costs cannot be passed on to customers in these countries and our viability to trade into these markets will be diminished. This will mean lost jobs and less capital invested into Canada's trade-related industries. The cost differential created by such a program may also lead to "carbon leakage" where facilities are moved out of Canada to the competing jurisdictions.

Consideration needs to be given to a process in which all entities - residents and businesses alike - who will benefit from reduced emission will share in the cost. The proposed action will focus too heavily on those who are larger emitters and who cannot pass on the increased cost. The economy will suffer and the loss will be swift and in some cases dramatic.

As we are a province and a country of traders, we must be considerate of a change that will cause direct and negative impacts on all trade. For importers who move their products across the country, costs will go up and in some cases that cost or a portion of it may be recoverable. For exporters however, few will see any recovery of those increased costs. In the case of oil, steel, potash, and food we are price takers in a very competitive marketplace. As other jurisdictions do not have similar carbon taxes, they will be more competitive and we will lose sales and jobs, future opportunity, and perhaps the fiscal capacity to address our future carbon issues.

A reduction of carbon use will require new sources of non-carbon energy and at present that is not economically feasible or available. The Ontario green energy fiasco is a clear example where

October 4, 2016

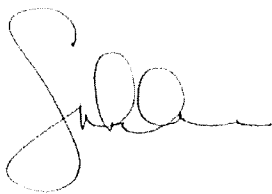
Page 3

decisions made in the name of the environment have crippling impacts on businesses and residents alike. Clearly a more thoughtful process is required. Greater investment into the use of nuclear, solar, wind, biomass, and hydro power is required before we penalize carbon energy use.

We as a provincial Chamber of Commerce and our member businesses remain committed to the goal of using less carbon in our daily lives. The process announced by the Prime Minister will cause real and significant damage to our economy and reduce our ability to work together on other important issues. I urge the federal government to engage with the business community through our Chamber and the Canadian Chamber of Commerce to find workable solutions in a manner that brings environmental and economic common sense to the issue. Without a commitment to working together, this new carbon tax will divide us all when it should have brought us closer.

We remain active on this very complex but important issue and pledge our resources to find a better and more productive solution.

Yours truly,

A handwritten signature in black ink, appearing to read 'Steve McLellan', with a large, stylized initial 'S'.

Steve McLellan
CEO

Cc: The Right Honourable Justin Trudeau, Prime Minister of Canada
The Honourable Brad Wall, Premier of Saskatchewan
The Honourable Ralph Goodale, Member of Parliament for Regina-Wascana
The Canadian Chamber of Commerce
Saskatchewan Chamber of Commerce Board of Directors
Saskatchewan Chamber of Commerce Members