



# National Round Table on the Environment and the Economy

## Annual Report 2008–2009



National Round Table  
on the Environment  
and the Economy

Table ronde nationale  
sur l'environnement  
et l'économie

Canada



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on the Environment  
and the Economy

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sur l'environnement  
et l'économie

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NATIONAL ROUND TABLE ON THE ENVIRONMENT AND THE ECONOMY

344 Slater Street, Suite 200  
Ottawa, Ontario, K1R 7Y3  
Canada  
Tel.: (613) 992-7189  
Fax: (613) 992-7385  
E-mail: [admin@nrtee-trnee.ca](mailto:admin@nrtee-trnee.ca)

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# LETTER FROM THE CHAIR AND PRESIDENT AND CEO

July 2009

Dear Minister:

We are pleased to submit to you the *2008-2009 Annual Report* of the National Round Table on the Environment and the Economy (NRTEE).

This year was particularly busy for the NRTEE. In the summer of 2008 we released an advisory note entitled *Developing Ambient Air Quality Objectives for Canada*. The note completed our work in response to the Government of Canada's request for advice on long-term climate change and clean air strategies for Canada.

The Round Table marked its 20<sup>th</sup> Anniversary in 2008 with a unique forum called "Securing Canada's Future in a Climate-Changing World". It consisted of three roundtable sessions with Canadian leaders in sustainability discussing Canada's environmental and economic security as seen through the lenses of our ecosystems, energy economy, and Arctic environment. The resulting report, *Climate Forward*, was published in June 2009.

The NRTEE continued its focus and research on the critical issue of climate change. In early 2009, the NRTEE released *Geared for Change: Energy Efficiency in Canada's Commercial Building Sector*, a collaborative report with Sustainable Development Technologies Canada (SDTC), setting out a policy pathway to overcome barriers to technology deployment that would improve the energy efficiency of commercial buildings and cut greenhouse gas emissions.

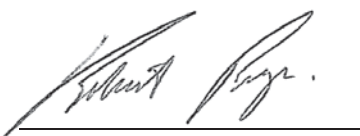
Over 2008 and the winter of 2009 the NRTEE conducted ground breaking research into the ways in which Canada can meet the government's goals on greenhouse gas (GHG) reduction targets, for 2020 and 2050. The results were published in April 2009, as *Achieving 2050: A Carbon Pricing Policy for Canada*, which recommended an economy-wide cap and trade system to meet our environmental targets at least economic cost.

We also fulfilled our obligations under the *Kyoto Protocol Implementation Act*, undertaking a review and assessment of the government's 2008 KPIA Action Plan. A companion report, *Greenhouse Gas Emissions Forecasting: Learning from International Best Practices* was also released to provide guidance to policy-makers.

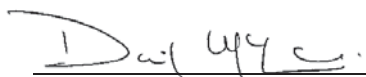
In 2008-2009, the NRTEE commenced work on two major policy research programs: Economic Risks and Opportunities of Climate Change for Canada, and Water Sustainability and Canada's Natural Resource Sectors.

Over two decades, the NRTEE has developed expertise that positions us well to provide a unique and substantial contribution to Canada's sustainable development. We look forward to continuing to provide you, the Government of Canada, and Parliament with useful, timely and relevant policy advice throughout 2009-2010.

Yours sincerely,



**Robert Page, Ph.D.**  
Chair



**David McLaughlin**  
President and CEO

## NRTEE MEMBERS (APRIL 1, 2008 TO MARCH 31, 2009)

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Winnipeg, Manitoba

*NRTEE President and CEO*  
David McLaughlin

## NRTEE SECRETARIAT (AS OF MARCH 31, 2009)

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*Acting Executive Assistant to  
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Research*  
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Alex Long

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Public Affairs (leave of  
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*Finance Officer*  
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Denise Edwards  
Isabella Kavafian  
Richard Pilon

# NATIONAL ROUND TABLE ON THE ENVIRONMENT AND THE ECONOMY: ABOUT US

Emerging from the famous Brundtland Report, *Our Common Future*, the National Round Table on the Environment and the Economy (NRTEE) has become a model for convening diverse and competing interests around one table to create consensus ideas and viable suggestions for sustainable development.

The NRTEE focuses on sustaining Canada's prosperity without borrowing resources from future generations or compromising their ability to live securely.

The NRTEE is in the unique position of being an independent policy advisory agency that advises the federal government on sustainable development solutions. We raise awareness among Canadians and their governments about the challenges of sustainable development. We advocate for positive change. We strive to promote credible and impartial policy solutions that are in the best interest of all Canadians based on research, stakeholder engagement, and consideration by Round Table members.

We accomplish that mission by fostering sound, well-researched reports on priority issues and by offering advice to governments on how best to reconcile and integrate the often divergent challenges of economic prosperity and environmental conservation.

The NRTEE brings together a group of distinguished sustainability leaders active in businesses, universities, environmentalism, labour, public policy, and community life from across Canada. Our members are appointed by the federal government for a mandate of up to three years. They meet in a round table format that offers a safe haven for discussion and encourages the unfettered exchange of ideas leading to consensus. This is how we reconcile positions that have traditionally been at odds.

We also reach out to expert organizations, industries, and individuals to assist us in conducting our work on behalf of Canadians. These partners help spark our creativity, challenge our thinking, and generate the momentum needed for success.

The *NRTEE Act* underlines the independent nature of the Round Table and its work. The NRTEE reports, at this time, to the Government of Canada and Parliament through the Minister of the Environment.

The NRTEE maintains a secretariat, which commissions and analyzes the research required by its members in their work. The secretariat furnishes research, administrative, promotional, and communications support for NRTEE activities and operations.

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## THE YEAR IN REVIEW

### POLICY AND RESEARCH PROGRAMS

The Round Table strives to ensure its policy and research activities are directly relevant to Canada's national interest.

The Round Table offers an opportunity for our stakeholders to gather and share in the development of effective insights and understanding. Through its research and analysis the Round Table is a catalyst for innovative, effective public policy in sustainability. The NRTEE offers independent advice to governments on how best to address the challenges and seize the opportunities associated with creating a sustainable, twenty-first century economy for Canadians.

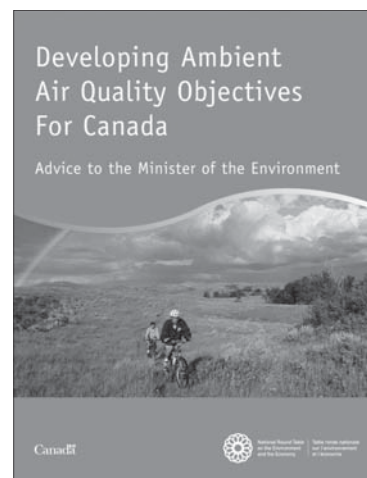
Over the 2008-2009 fiscal year, the NRTEE has focused its attention on a number of critical issues and research areas:

- Ambient air quality standards for Canada;
- Climate change;
- Energy efficiency;
- Northern infrastructure, and adaptation to our changing climate;
- Water sustainability and Canada's natural resource sectors; and,
- The NRTEE's role in reviewing the Government of Canada's implementation of the Kyoto Protocol.

We released five reports in 2008-2009 related to our work. We held nineteen consultation meetings across the country on various issues. We also held a major forum on climate change to mark the Round Table's 20<sup>th</sup> anniversary.

### *Developing Ambient Air Quality Objectives for Canada*

In the fall of 2006, the federal government asked the NRTEE to provide advice on national ambient air quality objectives for particulate matter (PM) and ozone for the medium- (2020-2025) and long-term (2050). This request for advice was part of a broader reference to the Round Table on climate change and clean air. The Round Table's climate change advice was delivered in 2008 with the publication of *Getting to 2050: Canada's Transition to a Low-emission Future*.



*Developing Ambient Air Quality Objectives for Canada*, released in July 2008.

From the outset of its research, the NRTEE concluded that providing advice on specific numerical air quality objectives would require a level of expertise and time commitment beyond the scope and timeline of the government's formal request. The NRTEE therefore concluded that its best value-added advice would be to focus on the purpose of ambient air quality objectives and the process of setting them. The NRTEE research focused not on recommending specific quantitative standards or objectives, but instead on providing advice with respect to the process of setting national objectives.

The NRTEE's report, *Developing Ambient Air Quality Objectives for Canada* laid out a framework in which governments might create an effective system to regulate ambient air quality. That framework included three key principles:

1. National long-term objectives need to be supported by the establishment of medium-term regulatory standards.
2. The Government of Canada should take the lead in developing national objectives.
3. An independent science-based process is required to develop national standards based on the best international data and experience. The process would involve the provinces, territories and municipalities.

A copy of *Developing Ambient Air Quality Objectives for Canada* can be found at: <http://www.nrtee-trnee.ca/eng/publications/ambient-air-report/ambient-air.pdf>

## Climate Change

Throughout the fiscal year the NRTEE conducted significant new research into how to address greenhouse gas emissions in Canada and meet the government's goals towards combating climate change. This work built on our successful 2008 report, *Getting to 2050: Canada's Transition to a Low-emission Future*.

The report concluded that an economy-wide price on carbon was the most cost-effective way to achieve deep, long-term emission reductions. Our next phase of research considered how best to establish a unified carbon pricing policy for Canada that would meet Canada's environmental goals at least economic cost. It was published in April, 2009, entitled *Achieving 2050: A Carbon Pricing Policy for Canada*, and consisted of an advisory report and a technical backgrounder. The NRTEE's research included wide consultation with stakeholders, on-going input from an Expert Advisory Committee, a review of global experiences, and the creation of new economic modelling and analysis.



*Achieving 2050: A Carbon Pricing Policy for Canada (Advisory Note)*, released in April 2009.



*Achieving 2050: A Carbon Pricing Policy for Canada (Technical Report)*, released in April 2009.

Our report concluded:

- An economy-wide carbon price signal is the most effective way to achieve the Government of Canada's medium- and long-term emission reduction targets.
- That price signal should take the form of an economy-wide cap-and-trade system that unifies carbon prices across all jurisdictions and emissions and prepares us for international linkages with our major trading partners.
- An effective carbon pricing policy needs to find a balance between certainty and adaptability – it should be certain enough to transmit a clear, long-term price signal to the economy to encourage technology and change behaviour, yet adaptable to circumstances and future learning.
- Technology development and deployment, along with the electrification of the energy system, is central to emission reductions and is stimulated through an economy-wide carbon price signal.
- Complementary regulatory and technology policies in the transportation, buildings, oil and gas, and agricultural sectors are required to ensure broad-based emission reductions.



- New federal/provincial/territorial governance mechanisms and processes should be put in place.

Copies of the report and information on the research process can be found at: <http://www.nrtee-trnee.ca/eng/publications/carbon-pricing/carbon-pricing-eng.php>

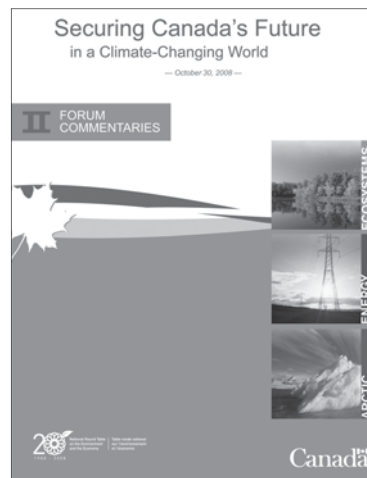
## NRTEE's 20<sup>th</sup> Anniversary Forum

On October 30, 2008, the NRTEE marked its 20<sup>th</sup> anniversary by hosting a unique roundtable forum with leading Canadian sustainability experts, advocates and practitioners entitled "Securing Canada's Future in a Climate-Changing World". The Forum format consisted of three moderated roundtable sessions focusing on how climate change was impacting Canada's economic and environmental security through the lenses of three themes: Canada's ecosystems, its energy economy, and our Arctic environment.

The Forum objectives included engaging the roundtable participants to identify:

- The priority climate change issues facing Canada for each round table theme;
- Current policy gaps and potential policy solutions for addressing these issues; and,
- Implications for policy development and governance.

To feed the discussion and outline the key issues, the NRTEE commissioned a number of commentaries by widely respected experts and key opinion leaders on each of the three themes.<sup>1</sup> The commentaries were published along with a Forum Guide, setting out the key issues, and were made widely available on the Round Table's website. A real-time audience survey was conducted over the course of the Forum's deliberations to get input from all attending.

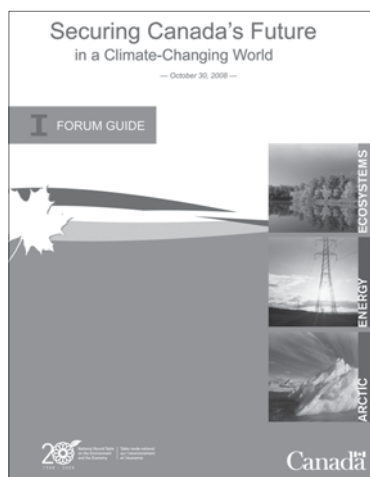


*Forum Commentaries for the NRTEE's 20<sup>th</sup> Anniversary Forum – "Securing Canada's Future in a Climate-Changing World", released in October 2008.*

The Forum served as an opportunity to convene Canada's leading thinkers on the environment and the economy and raise awareness of current and emerging challenges arising from the effect of climate change on Canada's environment, economy, and Arctic.

Discussions formed the groundwork for a forward climate policy research agenda for Canada which the Round Table released in the next fiscal year (June, 2009) called *Climate Forward*.

More information and all documents on the Forum can be found at: <http://www.nrtee-trnee.ca/eng/news-media/events/other/20th-anniversary/20th-anniversary.php>



*Forum Guide for the NRTEE's 20<sup>th</sup> Anniversary Forum – "Securing Canada's Future in a Climate-Changing World", released in October 2008.*

<sup>1</sup> The commentaries were provided by: Dr. Roger Gibbons, Preston Manning, Mel Cappe, Stephen Williams, Dr. David Keith, Peter Robinson, David Runnalls (and others at the International Institute for Sustainable Development), Thomas Homer-Dixon, and Ian Church.

## ***Geared for Change: Energy Efficiency in Canada's Commercial Building Sector***

In January 2009, the NRTEE released with Sustainable Development Technology Canada (SDTC) a joint report entitled *Geared for Change: Energy Efficiency in Canada's Commercial Building Sector*. This collaborative research linked the NRTEE's policy advisory role and convening power with SDTC's proven "clean tech" expertise and market knowledge. It proposes a policy pathway to promote energy efficiency within the commercial building sector, and recommends ways to overcome barriers to the deployment of technology that would reduce greenhouse gas emissions.

The NRTEE and SDTC outlined a suite of fifteen policy recommendations grouped in four broad categories:

- Implement an economy-wide price signal;
- Incorporate command and control regulations;
- Use a variety of subsidies to overcome financial risks; and,
- Promote voluntary actions and information resources.

Canada's commercial building sector is a significant energy user and producer of carbon emissions. It accounts for 14% of end-use energy consumption and 13% of the country's carbon emissions. Energy efficient technologies exist that could reduce costs to businesses and consumers while reducing the environmental impact of this major economic sector. But these technologies are not being taken up, with the result that energy use and carbon emissions continue to grow.

From January to March 2009, the NRTEE and SDTC held outreach sessions in Toronto, Halifax, Montreal, and Vancouver on the report. Each of these sessions were hosted by a partner local organization, with guest speakers invited to give a regional and local context



*Geared for Change: Energy Efficiency in Canada's Commercial Building Sector*, published in January 2009.

to the report recommendations. The purpose of the sessions was to communicate the research findings and build local networks to promote action for increasing energy efficiency in commercial buildings. Participants engaged with presenters, allowing for an opportunity to increase understanding of relevant issues and policy options. Invitees ranged from the public and private sectors, academia and non-government organizations.

The effectiveness of these outreach activities was clearly demonstrated by a significant increase in report downloads surrounding each event. This pattern of release followed by engagement has become the NRTEE's normal pattern of outreach. Over 2,064 downloads of the report (to March 31, 2009) occurred.

The *Geared for Change* report can be downloaded from the NRTEE website at: <http://www.nrtee-trnee.ca/eng/publications/commercial-buildings/commercial-buildings.php>

## ***Adaptation of Northern Infrastructure to Climate Change***

The impacts of climate change are already evident across Canada's North and could intensify over the next decades regardless of successes in reducing future global emissions of greenhouse gases (GHGs). Many of these changes will result in direct impacts to ecosystems, human infrastructure, and to our economies, safety and well-being.

Initiated in June 2006, the purpose of this NRTEE program is to examine the influence of Canadian public policy on how our communities and economic sectors plan for and manage the effects of climate change. The program focuses on exploring public policy options for improving the management of climate change risks in respect of northern physical infrastructure. This recognizes the unique vulnerability of Canada's North, to the impacts of climate change. Northern physical infrastructure is especially vulnerable, since it was often developed in the special context of an extreme climate, making it extremely vulnerable to change. This infrastructure must adapt effectively to the new reality to ensure sustainable regional development and to safeguard national security and safety.

Specifically, the program is evaluating how key mechanisms within existing policy areas might be adjusted, strengthened or restructured to recognize that the impacts of climate change are a serious risk. The NRTEE decided to examine disaster management; codes, standards and related instruments; and insurance as three areas in which public policy could play an enabling role in 'mainstreaming' climate change risks as part of the management of northern physical infrastructure.

Significant data, information, and stakeholder views were collected as part of the program. The research process included three study teams, each focused on one approach to risk management.

The NRTEE also commissioned research on the role of governments in adaptation, and legal liability as a barrier or driver of adaptation. Input from northern stakeholders and technical experts was a key part of

the research process, in some cases, involving travel to northern communities. Overall, the NRTEE involved close to 100 stakeholders in the research process.

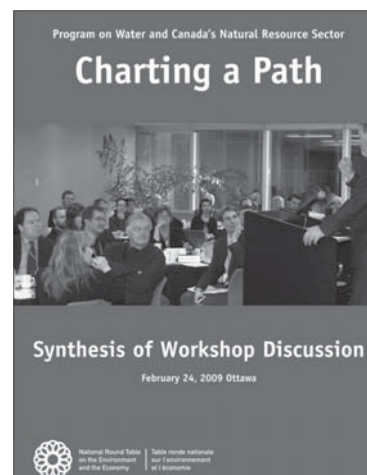
The NRTEE will make recommendations relating to the three policy areas examined, highlighting barriers and opportunities to proactively build the resilience of northern infrastructure and related services to a changing climate. The report will be released in the fall of 2009.

Information on the program and its activities can be found at: <http://www.nrtee-trnee.ca/eng/issues/programs/adaptation/adaptation.php>

## ***Water Sustainability and Canada's Natural Resource Sectors***

In Fall 2008, the NRTEE launched a program on Water Sustainability and Canada's Natural Resource Sectors. The program is designed to examine the relationship between the energy, mining, forestry and agriculture sectors and water sustainability, how water is used by these sectors, how it contributes to their economic livelihood, and how we can ensure the sustainability of this resource in the future. One key element in the program is the expected changes in supply, availability and distribution flowing from climate change.

Phase I (which ended in March 2009) developed clear objectives and a research framework for the program.



*Charting a Path –  
Synthesis of Workshop  
Discussion.*

In order to achieve this, the NRTEE held a multi-stakeholder workshop on February 24, 2009. Among the participants were industry sector leaders, representatives of governments, academics, leaders of non-government organizations, Aboriginal peoples, and civil society. Their input was vital in setting the direction of the program's work. A report on the conclusions and directions from this forum called "Charting a Path" is publicly available on our website.

In addition, a Sub-Committee on Water comprising members of the NRTEE was created to allow for additional involvement and guidance in the program. This group is complemented by an Expert Advisory Committee (EAC), made up of leading Canadian water experts. The EAC and the NRTEE Sub-Committee will be in place over the course of the Program to provide ongoing advice.

Information on the Water Sustainability and Canada's Natural Resource Sectors can be found at: <http://www.nrtee-trnee.ca/eng/issues/programs/water/water.php>

## Kyoto Protocol Implementation Act

The *Kyoto Protocol Implementation Act (KPIA)* was passed by Parliament in June 2007. It calls on Canada to meet its international commitment under the Kyoto Protocol by reducing greenhouse gas emissions to 6 per cent below 1990 levels by 2012.

Every year, the government must prepare a Climate Change Plan describing the measures and policies it

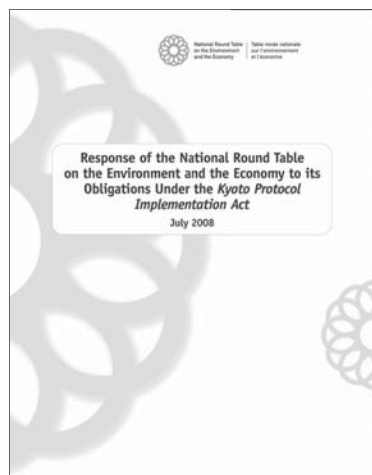
enacted to ensure that Canada meets its obligations under the Kyoto Protocol. This plan must also detail the expected emission reductions resulting from the government's measures and policies.

Subsection 10(1) of the *Act* requires the NRTEE to:

- a) Undertake research and gather information and analyses on the Plan or statement in the context of sustainable development; and
- b) Advise the Minister on issues that are within its purpose, including the following:
  - i) The likelihood that each of the proposed measures or regulations will achieve the emission reductions projected in the Plan or statement;
  - ii) The likelihood that the proposed measures or regulations will enable Canada to meet its obligations under Article 3, paragraph 1, of the Kyoto Protocol; and,
  - iii) Any other matters that the Round Table considers relevant.

The NRTEE undertook the required analysis to comply with our obligations under KPIA and our findings were provided in a report to the Minister of the Environment in July, 2008. The NRTEE offered the following conclusions in its report:

- Overall, the 2008 KPIA Plan was a more transparent and more accurate representation of projected emission reductions. In particular, the Plan was improved through use of integrated modelling approaches.
- While the 2008 Plan showed substantial improvement, some methodological issues may still contribute to an overestimation of emission reductions, particularly in the assessment of individual policies or programs.
- With respect to the realization of Canada's Kyoto commitments, we concluded that the Plan will likely not allow Canada to meet those commitments. However, we also suggested that including longer-term forecasts would allow for a more complete picture of the effectiveness of climate policy measures.



*Response of the National Round Table on the Environment and the Economy to its Obligations Under the Kyoto Protocol Implementation Act*, delivered to the Minister, Environment Canada, released in July 2008.

The 2008 NRTEE KPIA Response also recommended:

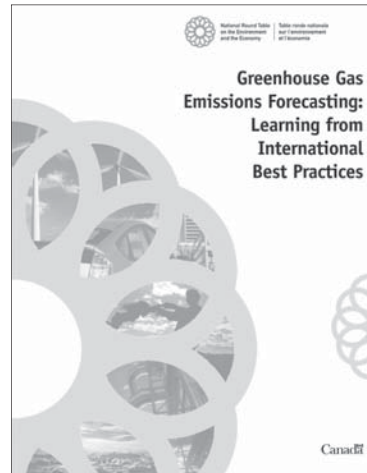
- That evaluation of policies also focus on the longer term and progress toward the government's targets;
- That the integrated modelling be extended to assess incremental effects of individual policies;
- That updates to the most current reference case be well documented and not be combined with reporting under the KPIA;
- That emission reductions attributed to the technology fund be accounted for in the year they are to occur rather than the year in which contributions to the fund are made;
- That future integrated modelling account for all potential offsets to minimize likely rebound and free-rider effects;
- That only the impacts of announced and reasonably expected provincial actions be included in the modelling for the KPIA plan; and,
- That forecasting techniques used continue to strive to meet international best practices in forecasting techniques and governance.

Copies of the report and information on the research process can be found at: <http://www.nrtee-trnee.ca/eng/issues/programs/KPIA/KPIA.php>

### ***GHG Emissions Forecasting: Learning from International Best Practices***

In July 2008, the NRTEE released a report entitled: *Greenhouse Gas Emissions Forecasting: Learning from International Best Practices*. This report was released in tandem with our 2008 Response to our obligations under the KPIA.

This report builds on key concerns highlighted by the Round Table in its 2007 Response to its obligations under the *Kyoto Protocol Implementation Act* (2007 KPIA Response). Chief among those concerns were differing and inconsistent forecasting methods used among various federal departments to describe the greenhouse gas (GHG) emission reductions accruing from a particular policy measure or initiative, leading



*Greenhouse Gas Emissions Forecasting, released July 2008, as a supplement to the NRTEE's obligations under the Kyoto Protocol Implementation Act, released in July 2008.*

to issues of additionality, free ridership, rebound effect, and policy interaction effects.

Based on these concerns, the NRTEE felt it would be useful for the federal government if international best practices could be identified and highlighted in the forecasting of emission reductions resulting from government policies, from both a methodological and a governance perspective.

Key findings and recommendations from the analysis contained in the report include the following:

#### ***From a methodological perspective:***

- Hybrid energy-economy models are more effective in producing accurate GHG emissions forecasts as they integrate the strengths of both the traditional bottom-up and top-down approaches to modelling emissions forecasts.
- The use of a consistent baseline from year-to-year (including baseline data), assumptions, and conditions across the board is fundamental to ensure emissions forecasts can be accurately compared from year to year.
- The use of consistent and agreed definitions of terms and concepts, such as for free ridership and additionality, across government departments involved in forecasting would ensure greater transparency of emissions forecasts and facilitate assessment of the forecasts' accuracy.



- There is need for an international perspective in the model so that it can respond appropriately to world events (since in most cases, Canada is a price taker for both commodities and energy, and a primary trader of goods and energy). Canada is acting in concert with other countries on climate policy and its forecasting approaches need to reflect this reality.
- Forecasting must be sufficiently resourced and financed by governments to ensure data is up to date and most recent improvements in forecasting methodologies are incorporated for the benefit of policy makers taking decisions based on these forecasts.

**From a *governance* perspective:**

- Use of an independent forecasting agency is preferable to provide more accurate and transparent emissions forecasts for consideration by government policy makers, external analysts, and Parliamentarians and to facilitate ongoing audit and evaluation.
- Multi-source emissions forecasting from a group of individual government departments can be accurate, but works best both when centrally coordinated and with independent authority by the central coordinating department or agency to question other departmental forecasts.
- Regular independent reviews, audits and evaluations of government forecasts and forecasting methods by a third-party agency or process helps ensure accuracy of forecasts and that forecasting methodologies are up-to-date and robust.
- Regular, ongoing evaluation of past forecasts for accuracy and effectiveness is necessary to ensure continuous improvement of government forecasting methodologies and approaches.
- Ensure transparency and clarity with respect to key assumptions and methods.

Copies of the report and information on the research process can be found at: <http://www.nrtee-trnee.ca/eng/issues/programs/KPIA/KPIA.php>

## COMMUNICATIONS AND PUBLICATIONS

Over 2008-2009 the NRTEE increased its overall communications profile and activities, supporting in the release of the Round Table's five reports, revamping our website with a new look and improved functionality and communicating advice regularly and directly with stakeholders.

A significant factor in this success and in the success of the other reports detailed below, was the focus NRTEE communications has placed on the Round Table's website. The site was re-designed to create a tool that would be more useful for stakeholders by taking into account new technological innovations and by focusing on delivering targeted, relevant and important information. The re-design also brought the NRTEE look much closer into line with the Government of Canada's Common Look and Feel. The website has continued to develop and improve in response to our stakeholders' needs. Website visits have jumped since then.

In conjunction with the re-design of the website the NRTEE moved to make electronic access to its reports easier. The Round Table has always sought to deliver its advice and conclusions to the widest possible number of interested Canadians. Electronic distribution of reports has many advantages over traditional printing, saving costs and using less paper. It also makes it possible for the

NRTEE to get its reports out to stakeholders immediately. As a strategic goal, e-distribution will become more and more a part of the Round Table's way of delivering its message. The Round Table saw a ratio of about eight to one between electronic and print versions of our reports.

The 20<sup>th</sup> anniversary forum was a major public event for the Round Table in the fall of 2008. The communications section brought both media and public attention to the proceedings. This included full video coverage from CPAC, allowing a wide audience across Canada to see the discussions which were also made available on our website. The report from the session, *Climate Forward: A Next Step Policy Agenda for Canada* was released, online only, in June 2009, but it did achieve significant downloads from the website. Within a week of release it had been downloaded more than 3,407 times.

Media relations are a key part of the work of the NRTEE communications team. In 2008-2009 the Round Table achieved significant presence both in the national and regional media in support of its various reports, especially the 20<sup>th</sup> Anniversary Forum and *Geared for Change*. In addition to earned media the NRTEE has also sought exposure through opinion items where appropriate, including the *Hill Times*, in support of our work on climate change, water and energy efficiency.

National Round Table  
on the Environment  
and the Economy

Table ronde nationale  
sur l'environnement  
et l'économie



[www.nrtee-trnee.ca](http://www.nrtee-trnee.ca)

## A LOOK AHEAD

### **WATER SUSTAINABILITY AND CANADA'S NATURAL RESOURCE SECTORS**

The Water Sustainability and Canada's Natural Resource Sectors Program has an ambitious set of goals for Phase II which runs from April 2009 to March 2010. During this time, the NRTEE will further engage with each of the sectors and other relevant stakeholders to learn, firsthand, about the issues, risks and barriers associated with water and sector sustainability. To that end, the NRTEE will initiate four sectoral roundtables (agriculture, forestry, energy and mining) in the Fall of 2009.

This will lead to a first report on implications and opportunities for the sectors and water sustainability. This will form the basis of a next step of research and consultations leading to formal advice and recommendations to governments and industry.

### **ECONOMIC RISKS AND OPPORTUNITIES OF CLIMATE CHANGE FOR CANADA**

This program is a two-year initiative to assess the economic risks and opportunities for Canada related to climate change. It will develop strategic policy recommendations to secure Canada's economic future in a changing climate. The program recognizes that climate change is not solely an environmental issue – it is an issue of long-term strategic importance for Canada's economy. The work will not only underscore the need for Canada to participate in global efforts to reduce greenhouse gas emissions and how best to do so, but will also highlight the importance of adapting to the changing climate.

Work on the program in 2009 will focus on two research streams, with a program-wide focus on stakeholder and citizen engagement.

The first research stream deals with the physical impacts of climate change. Climate change will bring risks to the economy, for example from sea-level rise and from extreme events such as storms and floods. There will also be some economic benefits for Canada from climate change, at least in the short-term, such as reduced heating bills as winters become less cold. Currently, there is insufficient knowledge about what the physical impacts of a changing climate will mean for Canada's economy and regions, and the costs of adaptation.

The second research stream addresses the risks and opportunities that are created by a global transition to a low-carbon economy. As the world enacts policies to reduce emissions, new industries and technologies will emerge. Research will need to identify sectors with greatest opportunities or risks, and to benchmark Canada's performance in terms of low-carbon innovation. This stream of work will explore how Canada can seize the opportunities that a global transition to a low-carbon economy will create.



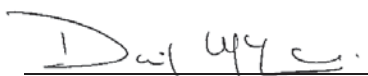
## MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS for the year ended March 31, 2009

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2009 and all information contained in this report rests with the NRTEE management. These financial statements have been prepared by management in accordance with accounting policies issued by the Treasury Board of Canada Secretariat which are consistent with Canadian generally accepted accounting principles for the public sector.

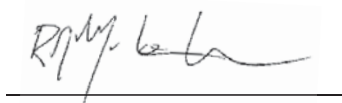
Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment and gives due consideration to materiality. To fulfil its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of the NRTEE's financial transactions. Financial information submitted to the *Public Accounts of Canada* and included in the NRTEE's *Departmental Performance Report* is consistent with these financial statements.

Management maintains a system of financial management and internal control designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are in accordance with the *Financial Administration Act*, are executed in accordance with prescribed regulations, within Parliamentary authorities, and are properly recorded to maintain accountability of Government funds. Management also seeks to ensure the objectivity and integrity of data in its financial statements by careful selection, training and development of qualified staff, by organizational arrangements that provide appropriate divisions of responsibility, and by communication programs aimed at ensuring that regulations, policies, standards and managerial authorities are understood throughout the NRTEE.

The financial statements of the NRTEE have been audited by the *Auditor General of Canada*, the independent auditor for the Government of Canada.



**David McLaughlin**  
*President and CEO*



**Jim McLachlan**  
*Director, Corporate Services*

Ottawa, Canada  
June 5, 2009

# AUDITOR'S REPORT



Office of the Auditor General of Canada  
Bureau du vérificateur général du Canada

## AUDITOR'S REPORT

To the National Round Table on the Environment and the Economy  
and the Minister of the Environment

I have audited the statement of financial position of the National Round Table on the Environment and the Economy as at March 31, 2009 and the statements of operations, equity of Canada and cash flow for the year then ended. These financial statements are the responsibility of the Round Table's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Round Table as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Mark G. Watters, CA  
Assistant Auditor General  
for the Auditor General of Canada

Ottawa, Canada  
June 5, 2009

## NATIONAL ROUND TABLE ON THE ENVIRONMENT AND THE ECONOMY

## STATEMENT OF FINANCIAL POSITION

At March 31

	2009	2008
	\$	\$
<b>ASSETS</b>		
<b>Financial Assets</b>		
Due from Consolidated Revenue Fund	431,901	533,369
Receivables (Note 4)	58,447	94,886
	<b>490,348</b>	<b>628,256</b>
<b>Non-Financial Assets</b>		
Prepaid expenses	16,415	32,614
Tangible capital assets (Note 5)	201,967	158,601
	<b>218,382</b>	<b>191,215</b>
<b>TOTAL ASSETS</b>	<b>708,730</b>	<b>819,471</b>

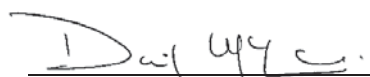
## LIABILITIES AND EQUITY OF CANADA

Accounts payable and accrued liabilities (Note 6)	589,662	705,145
Employee future benefits (Note 7)	532,206	427,731
	<b>1,121,868</b>	<b>1,132,876</b>
EQUITY OF CANADA	(413,138)	(313,404)
<b>TOTAL LIABILITIES AND EQUITY OF CANADA</b>	<b>708,730</b>	<b>819,471</b>

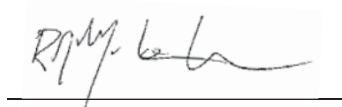
Contractual obligations (Note 8)

The accompanying notes form an integral part of these financial statements.

Approved by:



**David McLaughlin**  
President and CEO



**Jim McLachlan**  
Director, Corporate Services

# NATIONAL ROUND TABLE ON THE ENVIRONMENT AND THE ECONOMY

## STATEMENT OF OPERATIONS

For the year ended March 31

	2009	2008
	\$	\$
<b>EXPENSES</b>		
<b>Operating</b>		
Salaries and employee benefits	3,000,872	2,668,157
Professional and special services	1,342,926	1,442,184
Rentals	435,605	430,649
Publications	187,673	197,691
Travel	165,169	263,157
Communication	96,718	92,762
Furniture and equipment	81,021	77,862
Amortization of tangible capital assets	66,631	67,062
Repairs and maintenance	47,255	34,664
Utilities, materials and supplies	35,771	32,584
	<b>5,459,641</b>	<b>5,306,772</b>
<b>Executive Committee</b>		
Travel and living expenses	629	10,280
Honoraria	4,866	13,423
	<b>5,495</b>	<b>23,703</b>
<b>Other Committees</b>		
Travel and living expenses	100,751	139,499
Honoraria	133,868	154,095
	<b>234,619</b>	<b>293,594</b>
<b>TOTAL EXPENSES</b>	<b>5,699,755</b>	<b>5,624,069</b>
<b>REVENUES</b>		
Donations (Note 10)	105,000	-
Funding from other government departments	-	17,625
Sale of publications	-	988
Miscellaneous	885	663
<b>TOTAL REVENUES</b>	<b>105,885</b>	<b>19,276</b>
<b>NET COST OF OPERATIONS</b>	<b>5,593,870</b>	<b>5,604,793</b>

The accompanying notes form an integral part of these financial statements.

# NATIONAL ROUND TABLE ON THE ENVIRONMENT AND THE ECONOMY

## STATEMENT OF EQUITY OF CANADA

For the year ended March 31

	2009	2008
	\$	\$
Equity of Canada, beginning of year	(313,404)	18,884
Net cost of operations	(5,593,870)	(5,604,793)
Services provided without charge (Note 3)	433,976	417,511
Net change in due from Consolidated Revenue Fund	(101,471)	2,544
Net cash provided by government (Note 9)	5,161,630	4,852,448
<b>EQUITY OF CANADA, END OF YEAR</b>	<b>(413,138)</b>	<b>(313,404)</b>

The accompanying notes form an integral part of these financial statements.

# NATIONAL ROUND TABLE ON THE ENVIRONMENT AND THE ECONOMY

## STATEMENT OF CASH FLOW

For the year ended March 31

	2009	2008
	\$	\$
<b>Operating Activities</b>		
Net cost of operations	5,593,870	5,604,793
Non-cash items included in cost of operations:		
Less: Amortization of tangible capital assets	(66,631)	(67,062)
Services provided without charge	(433,976)	(417,511)
Statement of financial position adjustments:		
Decrease in receivables	(36,439)	(53,579)
Decrease in publication inventory for resale	-	(25,426)
Decrease in prepaid expenses	(16,199)	(16,869)
Decrease in accounts payable and accrued liabilities	115,483	41,287
Increase in employee future benefits	(104,475)	(235,422)
<b>Cash used by operating activities</b>	<b>5,051,632</b>	<b>4,830,211</b>
<b>Capital Investment Activities</b>		
Acquisition of tangible capital assets	109,998	22,237
<b>Cash used by capital investment activities</b>	<b>109,998</b>	<b>22,237</b>
<b>Net Cash Provided by Government of Canada</b>	<b>5,161,630</b>	<b>4,852,448</b>

The accompanying notes form an integral part of these financial statements.

# NATIONAL ROUND TABLE ON THE ENVIRONMENT AND THE ECONOMY

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31

### 1. AUTHORITY AND OBJECTIVES

The National Round Table on the Environment and the Economy (NRTEE) was established in 1994 under the *National Round Table on the Environment and the Economy Act* and is a departmental corporation named in Schedule II of the *Financial Administration Act*. The NRTEE fulfils its objective of promoting sustainable development, and the integration of the environment and economy in decision making in all sectors, by conducting studies, organizing stakeholder “dialogues” on specific issues and economic sectors, providing advice, carrying out educational and communication activities, and by acting as a catalyst for change. Its operating expenses are funded mainly by a budgetary lapsing authority and, to a lesser extent, from cost recovery and cost sharing for specific activities. The NRTEE is not subject to the provisions of the *Income Tax Act*.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the Treasury Board Secretariat accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector, and year-end instructions issued by the Office of the Comptroller General. Significant accounting policies are as follow:

#### a) Parliamentary Appropriations

The NRTEE is financed mainly by the Government of Canada through Parliamentary appropriations. Appropriations provided to the NRTEE do not parallel financial reporting according to Canadian generally accepted accounting policies for the public sector, as they are based in a large part on cash flow requirements. Consequently, items recognized in the Statement of Operations and the Statement of Financial Position are not necessarily the same as those provided through appropriations from Parliament. Note 9 provides a high-level reconciliation between the two basis of reporting.

#### b) Due from Consolidated Revenue Fund

The NRTEE operates within the Consolidated Revenue Fund (CRF). The CRF is administered by the Receiver General for Canada. All cash received by the NRTEE is deposited to the CRF and all cash disbursements made by the NRTEE are paid from the CRF. Due from the CRF represents the amount of cash that the NRTEE is entitled to draw from the Consolidated Revenue Fund, without further Parliamentary appropriations, in order to discharge its liabilities.

#### c) Revenues

Revenues are accounted for in the period in which the underlying transaction or event occurred that give rise to the revenues. Revenues that have been received but not yet earned are presented as deferred revenues. Funds received from external parties for specified purposes are recorded upon receipt as deferred revenues. These revenues are recognized in the period in which the related expenses are incurred.

#### d) Expenses

Expenses are recorded on the accrual basis:

- Employees severance benefits are accrued as earned and are calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole. Employee severance benefits on cessation of employment represent obligations of the NRTEE that are normally funded through future year appropriations.
- Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment.
- Contributions to the Public Service Pension Plan are charged to expenses in the year incurred and represent the total NRTEE obligation to the Plan. Current legislation does not require the NRTEE to make contributions for any actuarial deficiencies of the Public Service Pension Plan.
- Services provided without charge by other government departments are recorded as expenses at their estimated costs. A corresponding amount is credited directly to the Equity of Canada.

#### e) Receivables

Receivables are stated at amounts expected to be ultimately realized; a provision is made for receivables where recovery is considered uncertain.

#### f) Tangible Capital Assets

Tangible capital assets with an acquisition cost of \$2,000 or more are capitalized at cost and amortized over their estimated useful lives on a straight-line basis. The estimated useful life of each tangible capital asset class is as follows:

ASSET CLASS	USEFUL LIFE
Leasehold Improvements	lower of lease term and 10 years
Informatics Equipment and Purchased Software	3 years
Furniture and Equipment	10 years

#### g) Measurement Uncertainty

The preparation of these financial statements in accordance with Treasury Board of Canada Secretariat accounting policies, which are consistent with Canadian generally accepted accounting policies for the public sector, and year-end instructions issued by the Office of the Comptroller General, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable.

The most significant items where estimates are used are the useful life of tangible capital assets and assumptions underlying the employee severance liabilities. Actual results could differ significantly from those estimates. Management's estimates are reviewed periodically and, as adjustments becomes necessary, they are recorded in the financial statements in the year they become known.



### 3. RELATED PARTY TRANSACTIONS

The NRTEE is related in terms of common ownership to all Government of Canada entities. The NRTEE enters into transactions with these entities in the normal course of business and on normal trade terms, with the exception of services provided without charge.

The NRTEE incurred expenses with related parties of \$1,190,572 (2008 - \$1,108,896). From this amount, \$433,976 (2008 - \$417,511) represent services provided without charge which includes \$370,976 (2008 - \$367,511) for the rental of space. Revenues generated from related parties amounted to \$0 (2008 - \$17,625) for cost sharing events organized by the NRTEE.

### 4. RECEIVABLES

	2009	2008
	\$	\$
Other government departments	31,388	93,953
External parties	27,059	934
<b>Total Receivables</b>	<b>58,447</b>	<b>94,886</b>

### 5. TANGIBLE CAPITAL ASSETS

	Cost as at March 31, 2008	Acquisitions	Dispositions	Cost as at March 31, 2009
Leasehold improvements	\$282,315	\$63,587	\$192,477	\$153,425
Informatics equipments and purchased software	\$366,913	\$40,261	\$201,726	\$205,448
Furniture and equipment	\$180,191	\$6,150	\$13,850	\$172,491
	<b>\$829,419</b>	<b>\$109,998</b>	<b>\$408,053</b>	<b>\$531,364</b>
	Current Year Amortization	Accumulated Amortization	Net Book Value at March 31, 2009	Net Book Value at March 31, 2008
Leasehold improvements	\$12,724	\$52,252	\$101,173	\$50,310
Informatics equipments and purchased software	\$46,018	\$136,129	\$69,319	\$75,077
Furniture and equipment	\$7,889	\$141,015	\$31,475	\$33,215
	<b>\$66,631</b>	<b>\$329,396</b>	<b>\$201,967</b>	<b>\$158,601</b>

### 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2009	2008
	\$	\$
Trade	572,996	691,806
Other government departments	16,666	13,338
<b>Total Accounts Payable and Accrued Liabilities</b>	<b>589,662</b>	<b>705,145</b>

## 7. EMPLOYEE FUTURE BENEFITS

### i) Severance Benefit

The NRTEE calculates its estimate for the liability for employee severance benefit by using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole. The employee severance benefit liability, including the current portion, is determined to be \$532,206 (2008 - \$427,731). The amount expensed to salary and benefits in the period was \$210,759 (2008 - \$235,422), including the amount paid of \$106,284 (2008 - \$0).

### ii) Pension Benefits

The NRTEE's and employees contributions to the Public Service Pension Plan for the year were as follows:

	2009	2008
	\$	\$
NRTEE 's contributions	257,023	247,226
Employees contributions	129,420	117,275

## 8. CONTRACTUAL OBLIGATIONS

The nature of the NRTEE activities can result in some large multi-year contracts and obligations whereby the NRTEE will be obligated to make future payments when the services are rendered. Significant contractual obligations that can be reasonably established are summarized as follow:

	2010	2011	2012	2013 & thereafter	Total
Operating lease	\$27,948	\$12,080	\$1,259	-	\$41,287

## 9. PARLIAMENTARY APPROPRIATIONS

The NRTEE receives the majority of its funding through Parliamentary appropriations, which are based primarily on cash flow requirements. Items recognized in the Statement of Operations and Statement of Financial Position in one year may be funded through Parliamentary appropriations in prior and future years. Accordingly, the NRTEE has different net results of operations for the year on a government funding basis than on an accrual basis of accounting. These differences are reconciled on the following page.

## a) Reconciliation of net cost of operations to current year appropriations used:

	2009	2008
	\$	\$
Net cost of operations	5,593,870	5,604,793
Publication revenue in accordance with section 29.1(1) of <i>the Financial Administration Act</i>	-	988
Adjustments for items affecting net cost of operations but not affecting appropriations:		
Amortization of tangible capital assets	(66,631)	(67,062)
Services provided without charge	(433,976)	(417,511)
Funding from other government departments	-	17,625
Other revenues	105,885	663
	<b>(394,722)</b>	<b>(466,286)</b>
Changes in accounts affecting net cost of operations but not affecting appropriations:		
Increase in employee future benefits	(104,475)	(235,422)
	<b>(104,475)</b>	<b>(235,422)</b>
Adjustments for items not affecting net cost of operations but affecting appropriations:		
Acquisitions of tangible capital assets	109,998	22,237
Decrease in publication inventory for resale	-	(25,426)
Decrease in prepaid expenses	(16,199)	(16,869)
	<b>93,799</b>	<b>(20,058)</b>
<b>Current year appropriations used</b>	<b>5,188,471</b>	<b>4,884,016</b>

## b) Appropriations provided and used:

	2009	2008
	\$	\$
Vote 20 – Program expenditures	5,167,183	4,980,916
Statutory appropriation:		
Contributions to employee benefit plans	411,000	452,000
Expenses incurred for publications for resale	-	988
	<b>5,578,183</b>	<b>5,433,904</b>
Less: Lapsed appropriations – operations	(389,712)	(549,889)
<b>Total appropriations used</b>	<b>5,188,471</b>	<b>4,884,016</b>

c) Reconciliation of net cash provided by government to current year appropriations used:

	2009	2008
	\$	\$
Net cash provided by government	5,161,630	4,852,448
Publication revenue in accordance with section 29.1(1) of the <i>Financial Administration Act</i>	-	988
Adjustments for items affecting net cash provided by government but not affecting appropriations:		
Funding from other government departments	-	17,625
Other revenues	105,885	663
	<b>105,885</b>	<b>18,288</b>
Adjustments for items not affecting net cash provided by government but affecting appropriations:		
Variation in receivables	36,439	53,579
Variation in accounts payable and accrued liabilities	(115,483)	(41,287)
	<b>(79,044)</b>	<b>12,292</b>
<b>Current year appropriations used</b>	<b>5,188,471</b>	<b>4,884,016</b>

## 10. DONATIONS

Donations of \$105,000 (2008 - \$0) received in 2008-2009 from third parties were used towards the costs of an event hosted by the NRTEE to mark the 20<sup>th</sup> anniversary of its establishment. All funds were spent as of March 31, 2009.

## 11. COMPARATIVE FIGURES

Some of the previous year's comparative figures have been reclassified to conform to current year's presentation.





