

Evaluation of the Opportunities Envelope

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Acronyms used in the report

CCS	Climate Change Secretariat
EC	Environment Canada
ERAD	Economic and Regulatory Affairs Directorate
ERR	External Review Roster
GHG	Greenhouse Gas
MOU	Memoranda of Understanding
NCCP	National Climate Change Process
NAICC-CC	National Air Issues Coordinating Committee on Climate Change
NRCan	Natural Resources Canada
OE	Opportunities Envelope
OTC	One-Tonne Challenge
RBAF	Risk-Based Audit Framework
PERRL	Pilot Emissions Removals, Reductions and Learnings Initiative
RMAF	Results-based Management and Accountability Framework
TB	Treasury Board

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EXECUTIVE SUMMARY

As identified in the Departmental Audit and Evaluation Plan 2005/6 to 2007/8, an evaluation of the Opportunities Envelope (OE) program was conducted.¹ The primary objective of the summative evaluation of the OE was to examine the lessons that could be learned from the OE program in the area of federal, provincial and territorial climate change collaboration. Effort was also made to address broader challenges facing the department in the area of environmental-related multi-jurisdictional collaboration.

This report presents the findings and lessons learned of the summative evaluation of the OE. Note that on April 13, 2006, the Minister of Natural Resources Canada (NRCan), in a public news release entitled "First Steps Taken Towards Made-in-Canada Approach" confirmed the Government of Canada decision to take a different approach with the OE program.² In light of this, no recommendations are made with respect to the OE program other than to note the lessons learned that would apply to the design of any relevant future program.

Through the provision of federal financial contributions to provincial and territorial governments, the OE program was intended to support measurable and cost-effective greenhouse gas (GHG) emission reduction projects/programs proposed by provinces and territories. The emission reductions achieved were to contribute to the achievement of Canada's Kyoto target for the first commitment period of 2008-2012. While the main criterion for funding decisions was the cost-effectiveness of the proposed GHG reduction initiatives, consideration was also given to other factors, including the degree of leveraging, prospective co-benefits and regional balance.

The evaluation examined the following four evaluation issues:

- a. **Relevance** assessed whether the OE addressed actual needs.
- b. **Success** focussed on whether the OE was on track to meeting its intended outcomes regarding federal-provincial-territorial collaboration in the area of climate change and "cost-effective" GHG emission reductions.
- c. **Design and delivery** investigated the extent to which the OE was designed and delivered in the best possible way.
- d. **Cost-effectiveness** investigated whether the most appropriate and efficient means were used to achieve OE outcomes.

In accordance with best practices, the approach for the evaluation involved the use of multiple lines of enquiry including document review, key informant interviews and an analysis of the linkages between the OE project/program proposals and relevant provincial and territorial action plans/strategies.

¹ Evaluations of two other climate change programs, namely the Pilot Emission Removals, Reductions and Learnings (PERRL) Initiative and the One-Tonne Challenge (OTC) were also conducted. The three climate change programs were selected for evaluation given the central role played by Environment Canada (EC) in regard to their shaping and implementation, their contribution to helping EC address its broader priorities by way of fostering multi-jurisdictional collaboration, enabling sound decision-making, and empowering citizens to make informed decisions, and the need to respond to program specific risks and issues.

² The news release indicated that no new OE-related activities will be funded, but that existing obligations will be met. The news release also indicated that the OE program is to be wound down in 2006-2007.

The following represents the summary findings from this report by evaluation issue.

Relevance

The evaluation found that a program like the OE was relevant as it offered provinces and territories the opportunity to play a role in the area of climate change. In particular, the OE was designed in recognition of provincial and territorial jurisdictions over relevant sectors that are key contributors to climate change and of their sole responsibility in key regulatory areas. The consideration given by the OE to the potential use of alternative policy instruments, such as the adoption of new standards or regulations, encouraged provinces and territories to make use of their jurisdictional powers in addition to being a promising area for federal, provincial and territorial collaboration in the area of climate change. Almost half of the OE projects/programs induced some regulatory and legislative activity (e.g., regulatory amendments to increase energy efficiency, pricing and incentive measures).

The OE was also found to be flexible in accommodating provincial and territorial needs and circumstances in the area of climate change (e.g., distinct approaches used to address climate change, third-party funding and engagement) and with respect to their respective capacities and opportunities (e.g., economic structure, size of jurisdictions, fiscal constraints). The evidence indicated that the scope and size of OE proposals did vary widely across jurisdictions.

Success

The OE has been fairly successful in promoting federal, provincial and territorial climate change collaboration. Provinces and territories showed a strong interest in the OE. The general consensus was that it was a good idea and that it was compatible with their ongoing and planned climate change related activities. Provinces and territories invested time and effort to help shape and deliver the OE. The uptake of the OE, in terms of the number of projects/programs proposed and accepted, was fairly good and well represented regionally. There were, however, concerns, attributable in part to the changes in climate change policy, regarding the nature and scope of future multi-jurisdictional collaboration on climate change.

There was also some concern regarding the achievement of the OE's GHG emission reduction objective. In terms of its measurability, the evaluation found it difficult to determine whether or not the annual emission reduction estimate during the 2008-12 period (about 2 Mt) resulting from the OE initiatives is realistic (i.e., assessments conducted prior to implementation, absence of emission reduction/removal quantification and verification guidelines). The evaluation noted, however, that given the differences in scope and size of OE proposals, more extensive measurement would have encountered a number of challenges. Finally, despite the emphasis on low cost per tonne emission reductions, a fairly wide cost per tonne range was obtained. The challenges in applying the "low cost per tonne" criterion, the differences in projects/programs as well as the additional funding provided by third parties were key factors in explaining the fairly wide cost per tonne range obtained.

Design and Delivery

The OE provided flexibility on proposal eligibility and initiative delivery to address provincial and territorial needs and circumstances. This flexibility, however, sometimes obfuscated the selection process. While there were usually good reasons for not approving initiatives (i.e., those that were clearly not cost-effective), it was not always clear why one project was approved and another was rejected (e.g., absence of a clear definition of the low cost per tonne criterion, balancing the need to address other considerations such as regional balance).

A number of timing and coordination issues were also impeding the OE from achieving its outcomes (e.g., tight timeframes between OE rounds, extensive proposal review and Treasury Board submission processes, changes in climate change policy, absence of clear guidelines on the ownership of the emission reductions, only two OE rounds occurred).

Cost-effectiveness

The OE pursued appropriate and efficient means to reach its outcomes. The financial participation (i.e., degree of leveraging) of third parties, including the private sector, was well received and instrumental in the implementation of a number of projects. In addition, the initiatives involving important regulatory and consumer incentives are expected to have enduring and widespread economic consequences. The evaluation also found that while the use of a competitive bidding process, as an alternative to the OE call for proposal approach, may have generated a lower cost per tonne range, provincial and territorial participation may have been lower as there is generally no guarantee that funds would be attributed to initiatives in respective jurisdictions under such a process.

Conclusions and Lessons Learned

Based on the findings above, this evaluation concluded that an approach to further engage provinces and territories in the area of climate change should be developed. While the OE experience suggests that there is no “one-size-fits-all” approach that is suitable, it is not clear that a ‘non-targeted’ call for proposals approach, as used in the OE, is the best way to address the need to enhance the effectiveness of, and nurture future, multi-jurisdictional collaboration in the area of climate change. Options regarding a more targeted and coordinated ‘national’ approach, for example, by working to develop a more consistent set of Canada-wide climate change-related regulations or incentives and/or by focusing on project areas of common interest could be explored. The latter focus may also help in simplifying certain emission reduction measurement challenges.

The evaluation also concluded that while it has been widely recognised that provinces and territories may contribute to help Canada meet its emission reduction objectives, more clarity is needed in regard to how responsibilities would be shared. In particular, closer scrutiny should be given to the fact that provinces and territories have taken different approaches to climate change and that the link between the resulting emission reduction activities undertaken and the national emission reduction objective for the Kyoto period of 2008-2012 has not been clear. Moreover, given the role played by third parties, including the private sector, in a number of provincial and territorial OE initiatives, more attention should be given to emission reduction ownership issues. This will be important if provinces and territories as well as third parties continue to be provided with, and jointly participate in, federal opportunities that involve funding for GHG emission reduction projects (e.g., OE type programs) and options that allow them to gain a financial return resulting from their emission reductions (e.g., emission trading).

Management Response

Learnings of this evaluation will be taken into account in the development of any future and relevant programs.

1.0 INTRODUCTION

Environment Canada's (EC) Audit and Evaluation Branch conducted evaluations of three climate change programs, namely the One-Tonne Challenge (OTC), the Pilot Emission Removals, Reductions and Learnings (PERRL) Initiative and the Opportunities Envelope (OE).³ These programs are part of a broader set of programs and initiatives on climate change that the Government of Canada established ranging from technology development to emissions trading. The three climate change programs were selected for evaluation given the central role that EC has played in regard to their shaping and overall implementation. Furthermore, in order for the department to undertake an appropriate balance of evaluation work and that the latter be strategically focused, the three programs were also selected given their contribution to helping the department address its broader priorities by way of fostering multi-jurisdictional collaboration, enabling sound decision-making, and empowering citizens to make informed decisions. These priorities are key in helping the department implement the Competitiveness and Environmental Sustainability Framework (CESF).⁴

While all three programs aim to address the issue of climate change, the evaluations were conducted separately given their differences in terms of goals and requirements, design and delivery aspects and targeted audiences. Close attention, however, was given to the overall design of the evaluations as is reflected in the choice of evaluation issues and questions. This has facilitated the roll-up of the evaluations' findings and lessons learned under common broad themes, including the following: greenhouse gas (GHG) measurement is a young and complex area of activity; there is a need for clearer alignment between tools/approaches used and desired outcomes and overall certainty and coordination is needed when implementing initiatives. It is important to note that the conclusions of these evaluations are by no means meant to directly apply to other climate change programs, policies and initiatives.

This document presents the findings and lessons learned of the summative evaluation of the OE. The evaluation of the OE provides some lessons on climate change collaboration between the federal, provincial and territorial governments. Note that on April 13, 2006, the Minister of NRCan, in a public news release entitled "First Steps Taken Towards Made-in-Canada Approach" confirmed the Government of Canada decision to take a different approach with the OE program. In light of this, no recommendations are made with respect to the OE program other than to note lessons learned drawn from the evidence from the evaluation that would apply to the design of any relevant future program.

An evaluation committee was created to support the evaluation process from start to finish. This committee was comprised of EC and Natural Resources Canada (NRCan) officials from the Evaluation Divisions as well as the OE program.

³ All three evaluations are included in the EC 2005-06 Audit and Evaluation Plan which was approved by EC's Departmental Audit and Evaluation Committee (DAEC) on June 15, 2005.

⁴ The CESF aims to attain the highest level of environmental quality as a means to enhance the well-being of Canadians, preserve our natural environment, and advance our long-term competitiveness. The five pillars supporting this framework are decision-making, information, science and technology, compliance and enforcement, and education.

2.0 PROGRAM SUMMARY

2.1 Brief History

In December 2002, following approximately five years of consultations with other levels of government and stakeholders, and the release of the *Climate Change Plan for Canada*, the Government of Canada ratified the Kyoto Protocol.⁵ During the five year run-up to the ratification decision, a National Climate Change Process (NCCP) was established which brought all levels of government and stakeholders together to address the issue of climate change in a coordinated and collaborative fashion. A key goal of the NCCP was to have the provincial and territorial governments fully participate with the federal government in the Protocol's implementation and management.⁶

In October 2000, *Canada's National Implementation Strategy on Climate Change* was released. This marked the first time that the federal, provincial, and territorial governments had formally articulated a common approach for addressing the cross-cutting issue of climate change. It was developed as a shared risk-management strategy centered on five key themes: enhancing awareness and understanding; promoting technology development and innovation; governments leading by example; investing in knowledge and building the foundation; and encouraging action.

By December 2000, a total of approximately 665 policies and measures directly related to climate change had been implemented or planned by federal, provincial, and territorial governments.⁷ These efforts as well as many others culminated in the development of the November 2002 *Plan*.⁸

The Budget of February 2003 allocated \$2 billion to support the implementation of the 2002 *Plan*. Several of its measures were announced in August 2003. This included the OE investment of \$160 million over a three-year period (2004/05 to 2006/07). The OE was the first climate change initiative of its kind whereby the federal government offered direct financial contributions to provinces and territories that wished to collaborate with the federal

⁵ The Kyoto Protocol to the United Nations Framework Convention on Climate Change requires that Canada reduce its GHG emissions by an average of 6% below 1990 levels during the first commitment period (2008-2012).

⁶ The NCCP, established immediately following the negotiation of the Kyoto Protocol in December 1997, brought a number of technical experts from across Canada and representatives from all levels of government to a series of issue tables to learn about potential options to reduce Canadian GHG emissions and about the implications of these emissions, including their socio-economic and environmental impacts. In total, 16 issue tables/working groups were established from industry, academia, non-governmental organizations, and governments. The process, completed in 2000, resulted in the development of over 200 recommendations designed to reduce GHG emissions and increase Canada's knowledge base. Two other coordinating bodies, namely the Climate Change Secretariat (CCS), formed in 1998, and the National Air Issues Coordinating Committee on Climate Change (NAICC-CC) were also key undertakings during this period. Among other things, they emphasized the need for coordination and coherency in federal/provincial/territorial approaches to climate change.

⁷ These were outlined in *A Compendium of Canadian Initiatives: Taking Action on Climate Change*.

⁸ Examples of other investments include the federal Budget of February 1997 which provided \$60 million over three years for new initiatives to improve energy efficiency in buildings and to promote renewable energy systems. The 1998 federal Budget provided \$150 million over three years for the Climate Change Action Fund (CCAF) to support early actions to reduce GHG emissions, to reach out to the public, and to increase understanding of the impacts, costs and benefits of implementing the Kyoto Protocol and the options open to Canada. The 2000 federal Budget provided \$625 million for climate change activities, including the CCAF renewal, the Green Municipal Enabling and Investment Fund, Sustainable Development Technology Canada, and others. In October 2000, building on the results of the issue tables/working groups, the Government of Canada announced *Action Plan 2000*, a \$500 million investment over five years focusing primarily on measures to reduce GHG emissions.

government on new and cost-effective GHG emission reduction projects or programs to help Canada achieve its Kyoto target.

Initiatives under the OE could complement, but should not duplicate, related components of the *2002 Plan*, such as the Early Action Targeted Measures, Technology and Innovation Initiatives, negotiations with large final emitters, and other federal, provincial/territorial, or third party activities.⁹ Moreover, recognising the circumstances particular to each province and territory, the OE was also designed to respond to their respective priorities and needs by providing a degree of flexibility on the types of proposals that would be eligible for funding and their delivery.

At the time, several provinces and territories had developed climate change action plans or were in the process of developing strategies related to climate change and GHG emission reductions.¹⁰ In late spring 2003, the federal government invited provinces and territories to develop bilateral Memoranda of Understanding (MOU) for cooperation on climate change. The purpose of these MOUs was to engage provincial and territorial governments in identifying priority areas of cooperation between the Government of Canada and individual provinces and territories.¹¹ These were high-level agreements with no financial implications. Specific programs involving funding arrangements were to be negotiated at a later date, in the form of annexes to the MOU. However, it was understood that these MOUs were not a prerequisite to accessing federal climate change funding including the OE, nor were they to replace other current or future cooperative arrangements.¹²

In April 2005, the Government of Canada launched a new climate change plan. "*Project Green: Moving Forward on Climate Change*" provided for a more substantial Partnership Fund to be established. The Partnership Fund was intended to support government-to-government agreements through cost-sharing in technologies and infrastructure development that are important to both orders of government. The Fund was focussing its investments in major GHG emission reduction projects that were likely to deliver the greater part of their emission reductions after 2012.¹³ However, some funding was also to be given to projects that would deliver reductions in the Kyoto Protocol's first commitment period of 2008-2012. The

⁹ This was captured in the OE requirement that projects and programs be incremental, namely that they generate emission reductions beyond those that: 1) are attributable to existing (and aforementioned) activities; or 2) would have occurred anyway, in the absence of the proposed initiative.

¹⁰ **Annex 1** provides a list of relevant provincial and territorial actions plans/strategies that were developed or under development. This list also includes the climate change initiative undertaken under the lead of New England Governors and Eastern Canadian Premiers.

¹¹ The Government of Canada's commitment in the February 2004 Speech from the Throne provided a clear signal of its intent to work in partnerships with provinces and territories to develop an equitable national plan. The MOUs were viewed as contributing to this goal. Potential areas of cooperation listed in the generic MOU included energy efficiency and energy management, transportation and fuels, renewable energy, impacts and adaptation, public education and outreach, sinks/sequestration, CO2 capture and storage, landfills and waste management, technology deployment, research and development, inter-jurisdictional cooperation, government standards and regulation and community planning.

¹² Nunavut and Prince Edward Island signed an MOU in October and November of 2003, respectively. Manitoba and Ontario signed their MOUs in March and May of 2004, respectively. Newfoundland signed its MOU in the fall of 2004. These MOUs were signed by the Ministers of Environment and Natural Resources for the federal government. *Project Green* indicates that further MOUs will be developed and that those that already exist will be enhanced.

¹³ Examples of such projects that were presented in *Project Green* include clean coal technology, carbon dioxide capture and storage pipeline, cellulosic ethanol plants, east-west electricity transmission grids and other options related to the phase out of coal-fired power plants. *Project Green* also indicated that the Fund would also explore options for more efficient integration of intermodal freight transportation.

Partnership Fund subsumed the OE, precluding funding of future OE-type projects and programs. About two-thirds of the OE funding has since been transferred to the Partnership Fund.

Finally, although the *2002 Plan* and *Project Green* did not explicitly quantify the reductions achieved through provincial and territorial initiatives, both plans recognized that provinces and territories provide significant potential to help Canada meet its national emissions reduction objective for the Kyoto period of 2008-2012.

2.2 OE Objectives

The main OE objective was to support measurable and cost-effective GHG emission reduction projects or programs that responded to the priorities and circumstances particular to each provincial or territorial jurisdiction. This was achieved by providing financial contributions and federal program support and expertise, when required, to climate change initiatives proposed by the provinces and territories. The emission reductions achieved were to contribute to the achievement of Canada's Kyoto target for the first commitment period of 2008-2012. Total GHG emission reductions from OE-funded proposals were expected to reach 4 to 8 megatonnes (Mt) per year during this period.

The OE was also put in place to advance provincial and territorial climate change actions and plans as well as foster synergies and coordination between provincial, territorial and federal initiatives. In this respect, the consideration given by the OE to innovative solutions, in particular the potential use of alternative policy instruments, such as the adoption of new provincial standards or regulations, was seen as a promising area for collaborations and for achieving the OE's cost-effective objective.¹⁴

While the main criterion for funding decisions was the cost-effectiveness of the proposed GHG reduction initiatives, consideration was also given to the degree of leveraging from other sources, including provincial, territorial and third-party contributions; prospective environmental, economic and other co-benefits (e.g., clean air improvements, innovation, economic development); a reasonable regional balance in funding allocation; and the portion of GHG emission reductions occurring during the 2008-2012 first Kyoto commitment period. Indeed, these considerations permitted the OE to better address the priorities or circumstances particular to each jurisdiction.

2.3 OE Approach and Audience

The OE issued calls for proposals or "rounds" whereby the provinces and territories were invited to submit proposals by certain dates. The proposals that best met the OE criteria in each round were selected for funding.

The OE process involved the following steps:

1. Receiving project/program proposals from provinces and territories for each "round" – the OE conducted two rounds.¹⁵

¹⁴ For example, the adoption of standards or regulations would lessen the need for ongoing program funding.

¹⁵ As mentioned previously, the Partnership Fund subsumed the OE precluding future OE Treasury Board submissions.

2. Having an expert member of a third-party External Review Roster (ERR) assess the cost-effectiveness of each proposal.¹⁶
3. Assessing the proposals against other considerations. This was performed by the joint NRCan/EC Policy Team (outlined in section 2.4). While proposals were being assessed, details on individual proposals remained confidential.¹⁷
4. Preparing a funding package comprising the proposals recommended (by the Ministers of NRCan and EC) for presentation to the federal government's Treasury Board (TB) for final approval, after which contribution agreements that detail the terms and conditions for the delivery of funded initiatives would be drafted with the chosen proponents. Any environmental impact statements required under the Canadian Environmental Assessment Act (CEAA) needed to be completed before proposals could be presented to the TB for approval.
5. Informing provincial/territorial OE liaison contacts of which projects/programs had been selected for funding.

Provincial and territorial governments were nominally the lead proponents for the proposals. However, they could choose to involve a third-party partner to deliver the initiative. In such cases, OE funds could be provided directly to the third-party partner, if requested by the provincial or territorial proponent. Third parties could include private sector firms, non-governmental organizations, crown corporations, or any other partner formally endorsed by the provincial or territorial government.

It was expected that the OE funding would cover only a share of eligible costs incurred in delivering the initiative. These were to be the cost of goods and services directly attributable to the project or program and could include a reasonable share of administrative and overhead expenses (e.g., salaries and benefits for staff); fees for professional, scientific and contracting services; and the purchase and installation of qualifying equipment and products.

Provinces and territories were expected to co-fund their proposals although this was not necessary. Contributions from third-party partners to a program's or project's incremental costs were to be considered as equivalent to contributions from a provincial and territorial government. The total OE contribution was not to exceed 50% of incremental costs though some flexibility could be provided in light of the aforementioned considerations for project/program eligibility. Provincial and territorial government support under the OE could include financial, in-kind and complementary or quid pro quo action such as enhanced regulations or more stringent codes.

The annual funding per initiative was expected to be between \$1 million and \$5 million. However, here too the OE was flexible to accommodate the variance in the scope and size of initiatives across jurisdictions. Only initiative costs incurred on or before March 31st, 2007 were eligible for OE funding.

2.4 OE Management Structure

The OE was conceived as a joint NRCan and EC program. A small OE Secretariat served as a single window of contact and handled all administrative functions for the OE, including

¹⁶ The cost-effectiveness of the proposed GHG reductions was calculated using the Cost-effectiveness Guidelines that were prepared by the OE program.

¹⁷ Federal Access to Information rules would only apply once funding allocation decisions were made.

coordination of proposal review and approval processes, and aggregate tracking and reporting on OE performance. The Secretariat is housed in NRCan's Domestic Policy Branch and was staffed with three officials paid from the OE operating budget.

An independent External Review Roster (ERR) was established to provide third-party assessments of the cost-effectiveness of each qualifying proposal. ERR members (e.g., consultants, retired professionals, and academics) had to have recognized expertise in the specific subject area, a general knowledge of climate change policy and GHG reduction activities, and experience in cost-per-tonne estimation.¹⁸ ERR members were remunerated for each proposal assessment they conducted, and reported to the joint Policy Team. Finally, they did not make funding recommendations, and the results of their reviews were only one element used in the overall ranking and selection of proposals.

A joint NRCan/EC Policy Team was also established to provide policy direction for the OE and complete the overall assessment of the proposals, taking into account cost-effectiveness and other considerations. The Team was also responsible for recommending those initiatives that merited OE funding. These functions required two additional officials, one each at NRCan and EC, who were also paid for from the OE operating budget. EC officials working on the OE came from the Economic and Regulatory Affairs Directorate (under EC's old structure).¹⁹

The recommended initiatives were presented to both the Ministers of Environment and Natural Resources for consideration and decision. Once Treasury Board had approved funding for these initiatives, the OE Secretariat advised the provinces and territories of which projects and programs were successful. The terms and conditions for the delivery of federal funds were to be detailed in the contribution agreements, which would describe the roles and responsibilities of all parties involved in implementing the proposed initiative.²⁰

Federal government departments other than NRCan or EC could draft and administer the contribution agreements with selected proponents in cases where the approved project or program fell under their area of expertise or authority. Contribution agreements are currently being managed by OE project/program delivery leads in NRCan, EC and Agriculture and Agri-Foods Canada. NRCan is currently managing 23 initiatives, while EC and Agriculture and Agri-Foods Canada are respectively managing 4 and 2 initiatives. Initiatives are divided between departments according to their respective areas of expertise.

The project or program-specific requirements for verification and reporting of GHG reductions and other objectives are to be determined during the drafting of the contribution agreements. The OE Guidelines for Proposals recognized the difficulties in firmly establishing the legal ownership of the emission reductions resulting from the funded projects or programs. It nevertheless proposed a basic operating principle whereby emission reduction ownership for a particular party would be commensurate with its share of total funding. The OE Guidelines for

¹⁸ ERR members would not be eligible to assess proposals if they appeared to have a conflict of interest (e.g., they could not be employed or contracted by the provincial and territorial governments or by a business that could potentially have an interest in any submission).

¹⁹ An interdepartmental Director General review committee was intended to provide interdepartmental feedback on the collective project/program assessments and funding recommendations. While this committee was never formally created, Director General level involvement was solicited on an ad hoc basis.

²⁰ As per TB rules on grants and contributions, federal funding by the OE required that recipients establish an acceptable financial and reporting plan. The federal government reserved the right to require independent financial audits of the projects or programs that receive OE funding.

Proposals suggested that efforts to formalize this principle could be made in the contribution agreements.

3.0 EVALUATION DESIGN

3.1 Purpose and Scope

The summative evaluation of the OE examined the lessons that could be learned from the OE program in terms of federal, provincial and territorial climate change collaboration. Effort was also made to address broader challenges facing the department in the area of environmental-related collaborations with provinces and territories.

The following four evaluation issues were examined:

- e. **Relevance** assessed whether the OE addressed actual needs.
- f. **Success** focussed on whether the OE is on track to meeting its intended outcomes regarding federal-provincial-territorial relations/collaboration in the area of climate change and “cost-effective” GHG emission reductions. These outcomes are in the OE logic model that may be found in **Annex 2**.
- g. **Design and delivery** investigated the extent to which the OE is designed and delivered in the best possible way.
- h. **Cost-effectiveness** investigated whether the most appropriate and efficient means were used to achieve OE outcomes.

The evidence for this evaluation was collected between July 2005 and February 2006. The specific questions pertaining to each evaluation issue are presented in the OE Evaluation Plan. The details of these are found in **Annex 3**.

3.2 Approach and Methodology

In accordance with best practices, the evaluation involved the use of multiple lines of enquiry, including:

Document and File Review

Policy and planning documents were reviewed. This included a review of all climate change action plans or strategies that were developed at the provincial and territorial levels. A literature review was also conducted regarding intergovernmental relations. A full list of these documents and files can be found in **Annex 4**.

Key Informant Interviews

Key informant interviews were conducted with federal government officials working on the OE at both EC and NRCan. All interviews were conducted between October 26, 2005 and January 27, 2006. **Annex 5** provides a list of federal government officials interviewed. **Annex 6** presents the interview questions and themes that were employed to facilitate interviewees' input.

Key informant interviews with provinces and territories were also conducted. These interviews, conducted between December 8 and December 16, 2005, assessed the degree to which the OE is fulfilling its intent and the provinces and territories are satisfied with the program. **Annex**

7 presents the interview questions that were employed to facilitate interviewees' input.

In total, officials from 5 provinces were interviewed, which had either participated or not participated in the OE.²¹ Those interviewed were mainly at the director level. The interviews involved open-ended questions to allow respondents to elaborate on their reasons for being satisfied or dissatisfied with the program and to comment on specific issues of direct concern to them.

EC's Evaluation Division contacted all potential interviewees in advance to notify them of the purpose of the interviews and request their participation. This was carried out by e-mail. The interview questions were also included in this notification to provide an overview of what would be covered in the interview. When needed, interview participants were then contacted by telephone by a representative of the Evaluation Division to schedule an interview.²²

4.0 EVALUATION ISSUES AND ASSOCIATED FINDINGS

The following are the findings from the questions developed to assess respective evaluation issues.²³

4.1 Relevance

The evaluation found that the OE was relevant as it offered provinces and territories the opportunity to play a key role in the area of climate change. The OE was flexible enough to be able to accommodate provincial and territorial needs and circumstances in this area. The OE also addressed the need to spur on more activity in the area of climate change regulatory activity.

Climate change is a global and thus a trans-boundary environmental problem. There is a need for the federal government to play a leadership role by involving all Canadian players, including the provinces and territories. Their participation is key given that they have jurisdiction over sectors that are largely responsible for the increase in GHG emissions in Canada since 1990.²⁴ Moreover, they have sole responsibility in regulatory areas such as building codes, which are crucial to improving the energy efficiency of Canada's residential and commercial building sectors. Finally, they have jurisdiction over Canada's municipalities. A large portion of GHG emissions as well as the opportunities to reduce them are directly or indirectly associated with urban areas.²⁵ In this respect, the consideration given by the OE to new and innovative solutions, in particular the potential use of alternative policy instruments, such as the adoption of new standards or regulations, permitted provinces and territories to make use of their

²¹ All provinces and territories were contacted multiple times to schedule an interview.

²² The provincial interviewees were assured of the confidentiality of their comments, that is, all information collected through the interviews would be treated as strictly confidential, and would not be identified by client or location.

²³ See **Annexes 3, 6, and 7.**

²⁴ Provinces are directly responsible for managing almost all of Canada's natural resources, including oil, natural gas, and coal. They also have jurisdiction over electricity management.

²⁵ According to *Project Green*, as of 1990, municipalities directly controlled about 38 Mt of GHG emissions.

jurisdiction in addition to being a promising area for federal, provincial and territorial collaboration in the area of climate change.²⁶

At the time the OE was being developed and implemented, there were ongoing discussions on the need to transform the Canadian regulatory system. In particular, in addressing the challenges facing the Canadian regulatory system, namely that it needed to be more effective, responsive, cost-efficient, transparent and accountable to Canadians, the External Advisory Committee on Smart Regulation Report (September 2004) recommended major shifts in regulatory perspectives and practices in Canada. It stressed, among other things, the importance of getting our national house in order. One criticism was aimed at the lack of cooperation and coordination between federal government departments themselves, and between federal, provincial and territorial governments. The OE offered a process, albeit informal, which could help shape more comprehensive regulatory designs and activity on climate change in different jurisdictions across Canada. Indeed, those OE initiatives that involved the implementation of new provincial energy efficient building codes and the promotion of energy efficient consumer products through incentives are illustrative of this point. Moreover, there is overall consensus among the interviewees of this evaluation of the importance and need to spur on more activity in this area.

The OE was also able to accommodate provincial and territorial needs and circumstances in regard to the climate change issue. First, climate change involves a fundamental shift in the way we produce and use energy. To be successful, a variety of players need to be engaged, including the businesses and investors from the private sector. Such players were invited to participate in the OE. While provinces and territories were nominally the lead proponents of the proposals, they were given the flexibility to involve third-party partners in the delivery of the proposals. Their important role was reflected in the OE rules governing the cost-sharing arrangements and delivery of OE funding. Such flexibility was also needed in light of the difficult fiscal circumstances that many provinces and territories are facing.

Furthermore, the OE was able to respond to the different provincial and territorial capacities and opportunities within these respective jurisdictions. For example, differences in economic structure and composition between jurisdictions imply differences in emission reduction opportunities. For example, provinces that generate a lot of hydroelectricity will be less inclined to propose projects that bring about GHG emission reductions in their electricity sector than those that rely mainly on coal-fired power. The OE also needed to accommodate differences in the size of jurisdictions. Indeed, the scope and size of OE proposals varied widely across jurisdictions. The OE project/program proposals recommended by the OE Secretariat for approval by the Treasury Board, for example, did present a wide range of sizes in terms of the delivery of their GHG emission reductions. More precisely, yearly estimates of GHG emission reductions ranged from 2,200 tonnes to 798,300 tonnes.²⁷

A second example lies in the different plans and strategies that provinces and territories have put in place in regard to addressing climate change. These have ranged from setting of GHG emission reduction targets and timelines to emphasizing the co-benefits of climate change initiatives such as technological development and improvements to air quality. Provinces and

²⁶ This is discussed in more detail under the evaluation issue of success.

²⁷ As will be discussed in more details under the evaluation issue of success, the scope of OE proposals also varied across jurisdictions.

territories have shown that climate change may be addressed through a wide variety of alternative measures.²⁸

4.2 Success

The OE has been fairly successful in promoting federal, provincial and territorial climate change collaboration. There is however some concern regarding the achievement of OE's cost-effective GHG emission reduction objective.

OE Uptake

Provinces and territories were aware of the OE as indicated by a number of interviewees' responses and by the fact that intergovernmental conference calls, organized by the OE Secretariat, were well-participated. Indeed, the evaluation's review of the various approaches used to inform provinces and territories of the OE program and their ongoing involvement in its implementation also demonstrate that they were aware of the OE. Other approaches used to inform provinces and territories, in addition to the intergovernmental conference calls, included high level announcements, meetings with OE Secretariat staff, ongoing email correspondence and the creation of an OE website.²⁹

Provinces and territories also showed a strong interest in the OE. They actively participated in shaping the general OE approach, and provided input into the drafting of the guidelines for the OE.³⁰ As per the numerous exchanges of correspondence and corroborated by responses from the key informant interviews with provincial officials, provinces and territories contributed considerable time and effort to assist in the delivery of the OE. For example, they held various interdepartmental consultations to discuss the OE, administered their own calls for proposals and investigated the possibility for third parties to participate in the program.

The uptake of the OE was fairly good in both the first and second rounds of the OE. In total, 96 project proposals were submitted and these were well represented regionally (10 out of 13 provinces and territories submitted proposals).³¹ Of the 96 proposals, 29 projects and programs were approved by Treasury Board Ministers.³² Two projects have since had to withdraw from the OE, which leaves the total number of approved projects and programs at 27.³³ **Annex 8** provides a summary table containing the regional distribution and the

²⁸ For example, the Alberta plan focused, among other things, on technological development; the Manitoba plan set an emission reduction target; the Ontario plan emphasised the links between climate change and air quality.

²⁹ The OE website was accessible through the Government of Canada climate change website.

³⁰ This was achieved through a number of conference calls. Feedback in email correspondence after the calls was also integrated into the guidelines.

³¹ The first round of OE (OE1) received 38 proposals of which 10 were approved for funding totalling about \$24 million. The second round (OE2) received 71 proposals and 19 of these were approved for funding totalling about \$30 million. Note that the total of 96 projects reflects the exclusion of the 13 projects that were resubmitted from OE1 to OE2. The OE Secretariat allowed project/programs that were not approved in OE1 to be reconsidered in OE2. In some cases, the OE offered assistance to help determine how these projects/programs might be improved to better meet the OE criteria.

³² The 29 projects and programs were those that the OE Secretariat recommended for funding to both the Ministers of Environment and Natural Resources.

³³ In one case, the province was not able to match the funding originally expected. In the other case, technical issues arose with the project.

percentage share of funding by province and territory for the 27 OE projects/programs. Finally, as will be discussed under the evaluation issue of design and delivery, some concerns were raised regarding the actual implementation of projects. In particular, just under half of the contribution agreements that need to be completed for the approved projects to receive funding have not been signed to date (10 out of the 27, as of April 5, 2006).

OE Program and Project Areas

The differences in capacity and opportunities between jurisdictions are reflected in the scope of the projects and programs in terms of their costs and areas of activity.³⁴ OE project/program areas included construction of bio-diesel plants and landfill gas facilities, energy conversion programs, market transformation programs, energy efficiency consumer incentive programs and regulatory amendments. Many initiatives reflected provincial and territorial priorities and helped implement their respective plans and/or strategies.³⁵ In one province, for example, OE funding has spurred on a province-wide program encouraging energy efficiency.

Three program areas (energy conversion; regulations; and energy efficiency consumer incentives) were fairly well represented and fit well within the jurisdiction of the provinces and territories. Almost half of the 27 projects/programs induced some regulatory and legislative activity (e.g., regulatory amendments to increase energy efficiency, pricing and incentive measures). This was motivated, in many cases, by the need to facilitate the public's acceptance of future regulations to reduce GHG emission reductions. Moreover, in addition to stimulating a number of transformational changes (e.g., creating consumer demand for more energy-efficient products, gradual adoption of more stringent building codes), a number of these programs were also tied to their respective climate change action plans and strategies.

Role of Provincial and Territorial Governments

Overall, provinces and territories are satisfied with the OE. The general consensus is that it was a good idea and that it was compatible with their ongoing and planned climate change activities. There are, however, some mixed feelings about whether the OE improved multi-jurisdictional collaboration. As mentioned previously, provinces and territories did invest time and effort to help shape and deliver the OE. On the other hand, many contribution agreements will be negotiated and signed by third parties, including the private sector, which leaves the whole issue of the role of provinces and territories in the national effort to reduce GHG emission reductions unclear. Furthermore, the decision to discontinue the OE and transfer its remaining funding to the Partnership Fund has created some uncertainty among provinces and territories as to the nature and scope of future collaboration on climate change between the two orders of government.

This uncertainty revolves around what role smaller and medium-scale projects and programs will play in moving forward on climate change. Indeed, *Project Green's* Partnership Fund was focused on the implementation of larger-scale projects. Moreover, the exact role that provinces and territories may play in *Project Green's* Climate Fund, a Fund intended to address the smaller and medium-scale project niche, was not made clear. The Climate Fund was one of the primary tools proposed in *Project Green*. It is a market-based mechanism which is

³⁴ The issue of costs of the projects/programs will be discussed in more detail under the evaluation issues of design and delivery and cost-effectiveness.

³⁵ These climate change plans and/or strategies generally pre-dated the OE.

intended to purchase, pursuant to a competitive process, credits that have been issued for qualifying small and medium-scale emission reduction projects.³⁶ The evaluation of the PERRL Initiative, which also selected projects through a competitive bidding process, found that there was little incentive for provinces and territories to formally participate in the initiative (e.g., by providing funding) as there was no guarantee that selected projects would end up in their own jurisdiction.³⁷

Finally, there is also some uncertainty regarding the future governance of federal, provincial and territorial collaborations in the area of climate change. While the OE approach involved a considerable amount of bilateral and multilateral discussions at the working level between governments, the approach that the Partnership Fund was undertaking appeared to involve more senior level participation and bilateral negotiations with key players from both the private and public sector of respective jurisdictions. Moreover, while *Project Green* alluded to the potential policy and regulatory synergies across different levels of government, it did not propose a specific mechanism to explore them.

GHG Emission Reductions

The current estimate of annual GHG emission reductions expected from the 27 projects during the 2008-2012 period is about 2 Mt. This is the only estimate currently available and reflects the external review roster (ERR) assessments. It is difficult to determine whether or not this estimate is realistic, given that the ERR assessments were conducted prior to the actual implementation of the initiatives and because only 17 of the 27 approved initiatives have signed contribution agreements at this point in time.

The lack of emphasis on the verification of the emission reductions measurement (roles and responsibilities) and/or the ownership of the GHG emission reductions add to the uncertainty. NRCan's contribution agreements, for example, require that recipients provide an estimate of annual GHG emission reductions in the final report that they must provide at the end of the project. This report has to be submitted before the OE will release a 10% holdback. In the contribution agreements developed for the projects managed by EC, proponents are explicitly required to provide GHG emission reduction estimates. Unlike other projects, the proponents of projects managed by EC have shown interest in selling the emission reductions achieved to other sources. If this were to occur, proponents would be expected to repay the funding received under the OE. Clearly the changes in the climate change policy landscape over the past few years have influenced the negotiations of contribution agreements. It is estimated that many of the projects that have yet to be signed are being delayed by uncertainties surrounding emission ownership issues.

Finally, achieving the OE's "cost-effective" GHG emission reduction objective is problematic if it is unclear what constitutes cost-effectiveness. This issue is discussed in more detail in sections 4.3 and 4.4.

³⁶ *Project Green* mentioned that the Climate Fund is also intended to engage in advance purchase of emission reductions from large strategic projects in partnership with the private sector (i.e., for projects that have the potential of generating significant GHG emissions in which the cost per tonne is initially high but is expected to fall over time).

³⁷ This will be discussed in more detail under the evaluation issue of cost-effectiveness.

4.3 Design and Delivery

Consistent with the delivery objectives set out in the OE planning documents, the OE provided flexibility on proposal eligibility and initiative delivery to address the circumstances, priorities and needs particular to each province and territory. However, there is some concern regarding the implications of this flexibility, particularly in terms of the transparency of the selection process. A number of timing and coordination issues are also impeding the OE from achieving its objectives.

Flexibility

The program demonstrated flexibility mainly in terms of the wide variety of projects and programs that were eligible, the cost-sharing arrangements and the way cost-effectiveness of the GHG emission reductions was calculated. As mentioned above, eligible projects ranged from projects that will increase the supply of alternative fuel sources to regulatory and incentives-based programs in the area of energy efficiency. The cost-sharing arrangements were tailored to accommodate the unique circumstances of each initiative including the nature of the project/program, provincial and territorial capacity, and third-party investment.

However, this flexibility sometimes obfuscated the selection process. There were usually good reasons for not approving initiatives (e.g., they clearly had a high cost per tonne and/or were not directly linked to emissions reduction and/or administrative costs were an unreasonably large element of the overall cost, and/or there were insufficient non-federal contributions). Nevertheless, it was not always clear to the proponents why one project was approved and another was rejected. Some argued that the OE definition of cost-effectiveness was arbitrary and that there exist a diversity of ways that one can define this concept. This has contributed to the confusion surrounding the selection process. However, the absence of a clear definition that can be applied to all cases is understandable and the calculation of cost-effectiveness was only intended to screen out initiatives that were clearly not cost-effective even though they might have done well on the basis of the other aforementioned considerations (e.g., potential co-benefits, portion of the GHG emission reductions occurring during the 2008-2012 Kyoto first commitment period).

Funding provided by other parties involved in the OE projects/programs added to the complexity of assessing cost-effectiveness. In particular, the cost to the OE per tonne of emission reductions ranged from \$0.04 to \$34.40 for the approved initiatives. The evaluation has found that the cost/tonne range when including the funding provided by other funding partners was \$0.08 - \$130.00 for the same initiatives.³⁸ The fact that the cost-sharing arrangements varied considerably from one initiative to another had implications for the 'real' cost-effectiveness of individual projects/programs. As Annex 8 indicates, the share of funding provided by other parties was considerable for some initiatives.

Timing and Coordination

A number of timing and coordination issues were also identified. The original OE plan was to involve a series of "rounds", whereby the provinces and territories could submit proposals by certain dates. The timing of the rounds was intended to accommodate provincial and territorial

³⁸ These figures were taken from the annexes that were attached to the relevant Treasury Board submissions.

capacity to develop new proposals. However, in the end, the two OE rounds occurred only 3 months apart.³⁹ Departmental interviewees have indicated that the quality of the proposals has suffered as a result of these tight timeframes. The evidence indicates that had there been a third OE round, the quality of the proposals would likely have been improved in terms of strategic focus and cost criteria. Indeed, departmental interviewees mentioned that further bilateral and multilateral consultations and communications after OE1 did improve the quality of the OE2 proposals.

Another important timing issue involved the announcement of successful initiatives. Proponents were not advised of whether their proposals had been approved for funding until about 6 months after the OE1 and OE2 submission deadlines.⁴⁰ To a large extent this reflected the sheer volume of proposals that were submitted and the time needed to review and assess each one both internally (through the joint NRCan/EC Policy Team) and externally (through the External Review Roster). Another factor was that the recommended proposals had to be approved by Treasury Board Ministers through the TB submission process. In addition, new developments in federal climate change policy also delayed the approval process. Interestingly, despite these delays, most OE proponents remained interested in negotiating the contribution agreement for their proposals.⁴¹

4.4 Cost-effectiveness

In light of the circumstances, OE pursued appropriate and efficient means to reach its outcomes

First, third parties are providing more funding than provinces and territories. More than half of the contribution agreements were signed or will be signed by a third party rather than a province or territory. Such financial participation was well received in light of the tight fiscal situations of many provincial and territorial governments. Moreover, those initiatives that have no third-party participation are programs that involve important regulatory and consumer incentives (for buildings and equipment) that are expected to have enduring and widespread economic consequences (e.g., facilitating consumer and producers' acceptance of environmental regulations, stimulating both the demand and supply of more energy efficient products, etc.). There has been overall consensus among federal governmental officials and provincial representatives of the importance of these consequences.

Second, the number of rounds was originally to depend on how quickly OE funds were depleted, which in turn depended on the number and size of funding requirements of the proposals submitted in each round. In total, 29 proposals were accepted representing a funding commitment of almost \$54 million out of the \$160 million envelope.⁴² As per the

³⁹ The first round (OE1) was conducted in July 2004 and the second round (OE2) was conducted in October 2004. The OE Secretariat extended the deadline for OE1 submissions from May 31 to July 31 to address the concerns raised by many jurisdictions of having proposals ready in time to receive funding for the 2004-05 fiscal year.

⁴⁰ OE1 and OE2 successful projects were respectively announced (after the federal Treasury Board approval of funding for each round) in February and May 2005.

⁴¹ Aside from the changing climate change policy context, factors put forward to explain other delays such as the completion of the contribution agreements include, for example, defining the appropriate roles of respective parties involved in the projects, waiting for the results of the required environmental assessments, etc.

⁴² With two projects having withdrawn from the OE, the remaining 27 projects represent a funding level of about \$49 million.

interviews with departmental officials and provincial OE representatives, had more OE rounds occurred, it is likely that there would have been greater provincial and territorial effort in helping with the OE delivery (e.g., administering calls for proposals, inter-departmental meetings). In addition, the lessons learned from OE1 and OE2 could have been used to further enhance the quality, strategic direction and cost-effectiveness of project/programs proposed.

Third, despite the emphasis on low cost per tonne GHG emission reduction projects and programs, the aforementioned challenges in applying the OE “cost-effectiveness” criteria combined with the need to address other considerations such as regional balance help explain the fairly wide cost per tonne range (\$0.04 - \$34.40 for federal funding only and \$0.08 - \$130.00 for total project/program funding) obtained. This also reflects the differences in provincial and territorial capacities and opportunities in regard to GHG emission reduction. Indeed, some of the less cost-effective projects/programs were chosen to satisfy the OE program’s objective of regional balance. In contrast, the cost per tonne range resulting from the market-based learning initiative PERRL is \$1.70 - \$18.71.⁴³ The evaluation of the PERRL Initiative found that the use of a competitive bidding process, despite the challenges in implementing such a process (i.e., PERRL also had to address its technical learning objectives in the area of GHG emission reduction measurement) helps to explain why PERRL was comparatively more cost-effective than other alternatives undertaken at that time, including the OE.⁴⁴ The comparison serves to explain that the chances of generating lower cost per tonne projects through a competitive bidding process is, by definition, more likely given that it is not challenged by the existence of other selection criteria such as regional balance as was the case for OE.

Finally, the comparison between the PERRL Initiative and the OE program should however recognise that unlike the OE, PERRL was not successful in generating third-party funding, including the funding from provinces and territories. As the selection of successful projects were judged on the lower cost per tonne basis, through competitive bidding, the evaluation of the PERRL Initiative found that there was very little incentive for provinces and territories to provide funding as there was no guarantee that the funds would be spent on projects in their own jurisdiction. Hence, a market-based approach would not have been a sensible alternative, particularly in view of the need to foster improved federal, provincial and territorial collaboration in the area of climate change.

5.0 CONCLUSION

The present evaluation found that the OE program was relevant as it offered provinces and territories the opportunity to play a role in the area of climate change. The consideration given by the OE to new and innovative solutions, in particular the potential use of alternative policy

⁴³ The PERRL Initiative, among other objectives, aimed at encouraging immediate action to achieve GHG emission reductions in selected strategic areas (i.e., landfill gas capture and combustion, renewable energy, biological carbon sequestration, and CO₂ capture and geological storage). To achieve this, the federal government purchased, through an auction mechanism, verified GHG emission reductions from eligible projects on a fixed-price-per-tonne basis and for the period of 2003-2007. Pursuant to the competitive bidding process, the range of \$1.70 - \$18.71 represents the successful bids submitted by individual project proponents.

⁴⁴ While the amount spent by PERRL Initiative, namely about \$12 million to achieve a total of about 2 Mt by 2007, is comparable to what was achieved by the OE, the comparison between the OE and PERRL focuses on the resulting real cost per tonne of projects. As PERRL did not have an emission reduction target per se, it would not be reasonable to compare the latter with the OE whom was accountable for an emission reduction target. Many of the projects from both initiatives were similar in scope (in terms of individual project emission reduction potential).

instruments, such as the adoption of new standards or regulations, permitted provinces and territories to make use of their jurisdiction in addition to being a promising area for federal, provincial and territorial collaboration in the area of climate change. Almost half of the projects/programs induced some regulatory and legislative activity (e.g., regulatory amendments to increase energy efficiency, pricing and incentive measures).

The OE was also flexible enough to be able to accommodate provincial and territorial needs and circumstances in the area of climate change. Specifically, the OE provided flexibility on proposal eligibility and initiative delivery. This flexibility, however, was at the expense of the transparency of the selection process (i.e., ambiguity in the OE definition of cost-effective GHG emission reductions) and the achievement of OE's cost-effective GHG emission reduction objective. In the end, the 'real' cost per tonne range, that is, the one accounting for all sources of funding, was quite wide.

Provinces and territories showed a strong interest in the OE. They invested time and effort to help shape and deliver of the OE. On one hand, they actively participated in shaping the general OE approach, and provided input into the drafting of the guidelines for the OE. To assist in the delivery of the OE, they also held, within respective jurisdictions, various interdepartmental consultations to discuss the OE, administered their own calls for proposals and investigated the possibility for third parties to participate in the program.

A number of timing and coordination issues, however, did impede the OE from achieving its objectives. The key timing issues included the time needed to review proposals, the tight timeframes between the two OE rounds, and the Treasury Board submission process. The evaluation found that had there been a third OE round, which did not occur as a result of the transfer of the remaining OE funds to *Project Green's* Partnership Fund, the quality of the proposals would likely have been improved in terms of strategic focus and cost criteria.

It is difficult to determine whether or not the GHG emission reduction estimate resulting from the implementation of the OE initiatives is realistic, given that the associated assessments were conducted prior to the actual implementation of the initiatives and because only 17 of the 27 approved initiatives have signed contribution agreements at this point in time. The lack of emphasis in the OE guidelines on the verification of the emission reductions measurement (roles and responsibilities) and/or the ownership of the GHG emission reductions, however, add to the uncertainty. Here again, the changes in the climate change policy landscape over the past few years have influenced the negotiations of contribution agreements. It is estimated that many of the projects that have yet to be signed are being delayed by uncertainties surrounding emission ownership issues.

Finally, in light of the circumstances, the OE pursued appropriate and efficient means to reach its objectives. The financial participation of third parties was well received in light of the tight fiscal situations of many provincial and territorial governments. Moreover, those initiatives that have no third-party participation are programs that involve important regulatory and consumer incentives that are expected to have enduring and widespread economic consequences. Despite the emphasis on low cost per tonne GHG emission reductions, challenges in applying the OE "cost-effectiveness" criteria combined with the need to address other considerations such as regional balance help explain the fairly wide cost per tonne range obtained. Indeed, the wide range also reflects the differences in provincial and territorial capacities, opportunities and needs in regard to GHG emission reductions. The evaluation's cost per tonne range comparison between the market-based PERRL Initiative and the OE serves to illustrate that

the chances of generating lower cost per tonne projects through a competitive bidding process is more likely given that, typically, it is not challenged by other selection criteria such as regional balance.

6.0 LESSONS LEARNED

As mentioned in the introduction of this report, the Minister of NRCan confirmed, in a public news release entitled “First Steps Taken Towards Made-in-Canada Approach” (April 13, 2006), the Government of Canada decision to take a different approach with the OE program.⁴⁵ In light of this, no recommendations are made with respect to the OE program other than to note lessons learned drawn from the evidence from the evaluation that would apply to the design of any relevant future program.

Lesson 1 – An approach to further engage provinces and territories in the area of climate change should be developed. In particular, this approach should exploit the potential for Canada-wide actions in the area of regulatory measures and incentives as well as projects that reflect provincial and territorial circumstances and opportunities. This would enhance the effectiveness of, and nurture future multi-jurisdictional collaboration.

The OE experience suggests that there is no “one-size-fits-all” approach that is suitable, given the diversity of provincial and territorial needs and circumstances. Not all provinces and territories have equal capacities and opportunities to reduce GHG emissions. This was reflected in the types of projects and programs that were submitted by the individual jurisdictions to the OE Secretariat. This evaluation has found that they did vary in size, nature and scope. This evaluation also found that the OE did spur regulatory and incentive-based activity in the different provinces and territories. Indeed, the OE was designed in recognition of provincial and territorial jurisdictions over sectors that are key contributors to climate change and their sole responsibility in regulatory areas that can play a key role in improving energy efficiency.

The current climate change policy landscape however does not appear to acknowledge this. Little attention is being given to the role that provinces and territories may play in encouraging small and medium scale GHG emission reduction projects. In particular, it is not clear how the reliance on the proposed market-based Climate Fund, intended to capture such projects, may meet the specific needs of the individual provinces and territories. There is no guarantee that funds would be spent on projects in their own jurisdiction through a competitive process. Finally, while Project Green alluded to the potential policy and regulatory synergies across different levels of government, there is currently no concerted attempt to explore this.

It is not clear that the OE’s ‘non-targeted’ call for proposals approach is the best way to address the need for more collaboration between federal, provincial and territorial governments in developing a consistent set of climate change-related regulations and policies. Indeed, while almost half of the 27 projects/programs induced some regulatory and legislative activity, the focus of the remaining OE initiatives was not in this area. Moreover, the evaluation found that while the OE was fairly flexible in accommodating provincial and territorial needs

⁴⁵ Once again, the news release indicated that no new OE activities will be funded, but that existing obligations will be met. The news release also indicated that the OE program is to be wound down in 2006-2007.

and circumstances, this flexibility was at the expense of achieving cost-effectiveness insofar as other considerations were factored into the funding decisions.

Multi-jurisdictional collaboration could be greatly enhanced if a more targeted 'national' approach was considered. As per the examples of OE initiatives, more specific program areas could be considered (e.g., energy efficiency regulations for equipment and buildings) using a formal call for proposal approach or an inter-governmental discussion body.

Lesson 2 - While it has been widely recognised that there is significant potential for provincial and territorial initiatives to help Canada meet its national emissions reduction objective for the Kyoto period of 2008-2012 and beyond, more clarity is needed on how responsibilities will be shared when it involves multi-jurisdictional collaboration.

Although the *2002 Plan* and *Project Green* did not explicitly quantify the reductions that may be achieved through provincial and territorial initiatives, both plans recognised that provinces and territories provide significant potential to help Canada meet its national emissions reduction objective for the Kyoto period of 2008-2012. Provinces and territories however have different views, as indicated in their respective climate change actions plans and other strategies, on their role regarding climate change in general and in meeting the Kyoto emission reduction objective specifically. While some emphasize GHG emission reductions, others emphasize the market transformation aspect that may be associated with GHG-reducing actions. But the link between these activities and the national emission reduction objective for the Kyoto period of 2008-2012 was not clear.

The evaluation has found that the quantification and verification of the emission reductions as well as the determination of their ownership and implications in terms of the OE funding received, was not a key consideration in the original design and delivery of the program. The OE Guidelines on this matter remain quite basic. The OE approach with provinces and territories was, in the end, more focussed on the means to reduce emissions (i.e., ensuring that these were cost-effective). In addition, the fact that projects and programs could vary in size, nature and scope would have made it difficult to address the numerous measurement challenges. In this regard, the evaluation of the PERRL Initiative indicated that project-based quantification and verification of emission reductions is a complex area and at a very early stage in terms of the development of appropriate methodologies. While some of the OE initiatives may lend themselves more easily to such practices, they are not straightforward in other cases (regulatory or incentive-based programs).

Finally, the evaluation found that the development of other climate change initiatives announced in *Project Green* has influenced the question of "ownership" of reductions. In this light, the clarification of the sharing of responsibilities in achieving any emission reduction target should pay close attention to the respective roles of both the provincial and territorial governments and the private sector. This will be particularly important if both entities continue to be provided with federal opportunities that involve federal funding to reduce their GHG emissions (e.g., OE type programs) and mechanisms that allow them to gain a financial return resulting from their emission reductions (e.g., proposed initiatives such as the Canadian Offset System and Climate Fund, emission trading).

7.0 MANAGEMENT RESPONSE

Learnings of this evaluation will be taken into account in the development of any future and relevant programs.

ANNEXES

Annex 1 - Provincial and Territorial Climate Change Plans⁴⁶

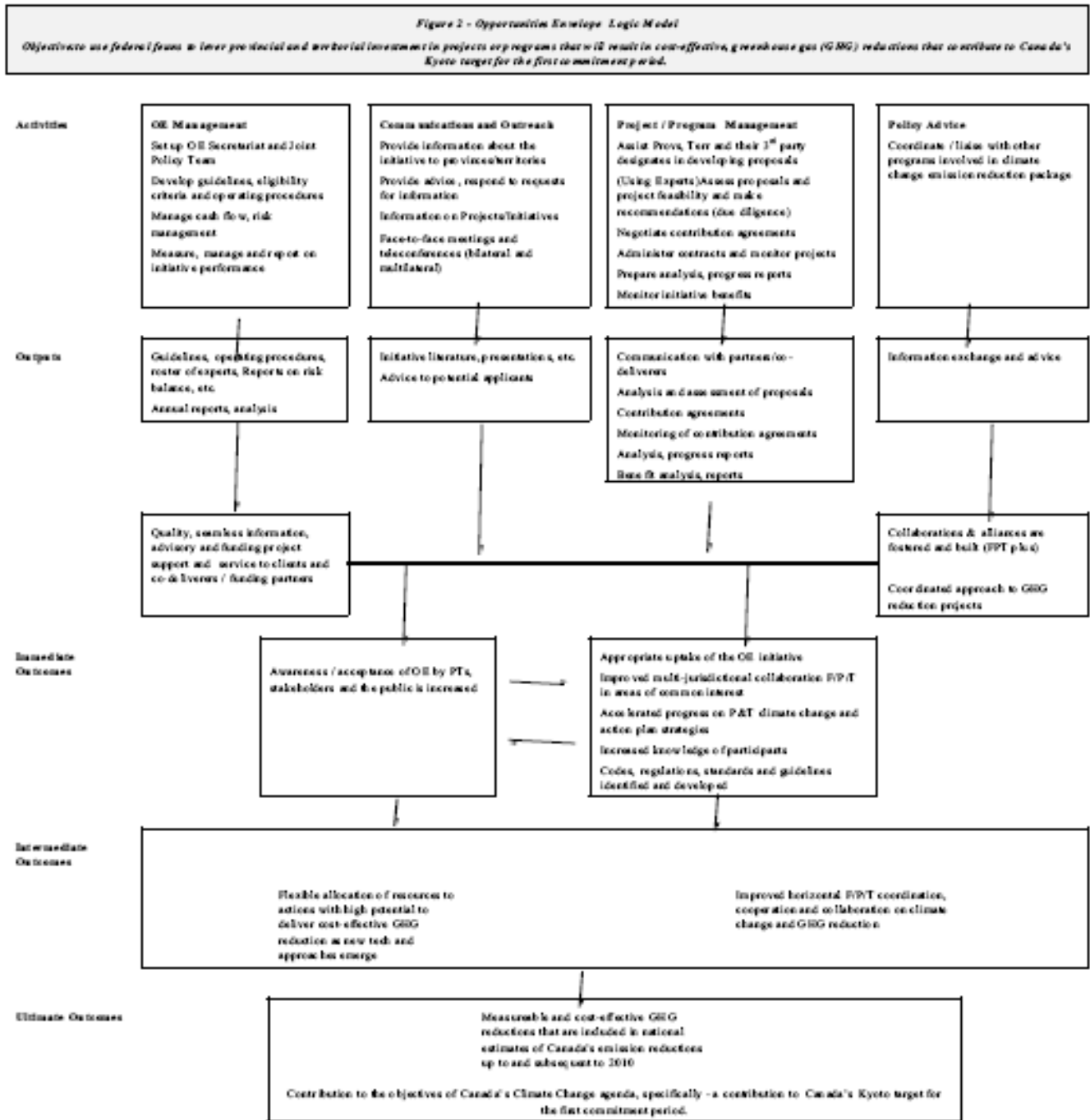
PROVINCE/ TERRITORY	CC PLAN	YEAR	EFFECTIVE DATE	MINISTRY - LEAD	WEBSITE LINK
ALBERTA	- Taking Action – Albertans and Climate Change	Oct. 2002	2002 – PRESENT	Alberta Environment	http://www3.gov.ab.ca/env/climate/index.html
BRITISH COLUMBIA	- B.C. Climate Change Business Plan - Weather, Climate and the Future: B.C.'s Plan	2000/1 – 2002/3 Dec. 2004	2004 – PRESENT	Ministry of Environment	http://wlapwww.gov.bc.ca/air/climate/index.html
MANITOBA	- Kyoto and Beyond: Manitoba's Climate Change Action Plan	2002	2002 – PRESENT	Manitoba Energy, Science and Technology	http://www.gov.mb.ca/est/climatechange/index.html
NEW BRUNSWICK	- NONE - Discussion Paper: New Brunswick and Climate Change	Jan. 2003	NONE	Energy	http://www.gnb.ca/0085/Climate_Change/Climate-e.asp
NEWFOUNDLAND	- Climate Change Action Plan 2005	2005	2005 – PRESENT	Environment and Conservation	http://www.env.gov.nl.ca/env/
NORTHWEST TERRITORIES	- NWT Greenhouse Gas Strategy - NWT Framework for Action 2005-2008	March 2001 June 2005	2005 – PRESENT	Environment and Natural Resources	http://www.enr.gov.nt.ca/
NOVA SCOTIA	- NONE - Nova Scotia's Energy Strategy: Part VI – Climate Change	2001	NONE	Energy	http://www.gov.ns.ca/energy/AbsPage.aspx?siteid=1&lang=1&id=6
NUNAVUT	- NONE		NONE		
ONTARIO	- Air Quality and Climate Change: Moving Forward	Sept. 2001	PLAN EXPIRED	Environment and Energy	http://www.gov.on.ca/ont/portal/!ut/p.cmd/cs/.ce/7_0_A/s/7_0_252/_s.7_0_A/7_0_252/_l/en?docid=EC001016
PEI	- Curbing Climate Change: PEI Climate Change First Business Plan: Years 2000/1, 2001/2, 2002/3 - Energy Framework and Renewable Energy Strategy	Sept. 2001 June 2004	PLAN EXPIRED	Fisheries, Aquaculture and Environment Environment, Energy and Forestry Legislative	http://www.gov.pe.ca/infopei/index.php3?number=13761 http://www.gov.pe.ca/enveng/index.php3

⁴⁶ The Québec Government's release, on June 15, 2006, of its 2006-2012 climate change action plan entitled Québec and Climate Change – A Challenge for the Future, was not included in the present annex as its release came after the period for which the evidence was collected for this evaluation, namely between July 2005 and February 2006.

PROVINCE/ TERRITORY	CC PLAN	YEAR	EFFECTIVE DATE	MINISTRY - LEAD	WEBSITE LINK
	- Report: A Climate Change Strategy for PEI	April 2005		Assembly of PEI	http://www.assembly.pe.ca/reports/2-2-62climate.pdf
QUEBEC	- Quebec Action Plan on Climate Change: 2000-2002	2000	PLAN EXPIRED	Développement durable, Environnement et Parcs	http://www.mddep.gouv.qc.ca/changements/agir_ensemble/index-en.htm
SASKATCHEWAN	- NONE - Making it Work: A Saskatchewan Perspective on Climate Change Policy	October 2002	NONE	Saskatchewan Environment	http://www.se.gov.sk.ca/environment/climatechange/
YUKON	- NONE - An Inventory of Climate Change Initiatives	2001	NONE	Environment	http://www.environmentyukon.gov.yk.ca/epa/climate.html

OTHER	CC PLAN	YEAR	EFFECTIVE DATE	LEAD	WEBSITE LINK
New England Governors and Eastern Canadian Premiers	- CC Action Plan 2001	Aug. 2001	2001 - PRESENT	Conference of New England Governors and Eastern Canadian Premiers	http://www.negc.org/documents/NEG-ECP%20CCAP.PDF

Annex 2 - OE Logic Model⁴⁷



⁴⁷ This logic model was taken from the OE RMAF.

Annex 3 - Evaluation Issues and Questions⁴⁸

Evaluation Issue: Relevance

Evaluation Question	Indicator(s)	Data Source(s)
Evaluation Issue: RELEVANCE		
Has the program addressed actual needs?		
1. Is there a legitimate and necessary role for federal government in this program area/activity?	<ul style="list-style-type: none"> ▪ Presence of other GHG emission reduction incentives at the federal level ▪ Presence of other GHG emission reduction incentives at the provincial and territorial (P/T) level ▪ Presence of other collaborative arrangements in other environmental arenas (between EC and P/Ts) ▪ <i>Responses from Interviews</i> 	<ul style="list-style-type: none"> ▪ Document review of federal Climate Change Plans ▪ <u>Interview with Climate Change Board (I3)</u> ▪ Document review of P/T Climate Change Plans ▪ <u>Document review of federal documentation of other collaborative arrangements in other environmental arenas</u> ▪ Literature Review (Intergovernmental Relations – F/P/T) ▪ <u>Interview with Climate Change Board (I3)</u> ▪ <i>Internal Interviews</i> ▪ <i>External Interviews</i>

Evaluation Issue: Success

Evaluation Question	Indicator(s)	Data Source(s)
Evaluation Issue: SUCCESS		
Has OE met its outcomes?		
2a. Increased awareness/acceptance of OE by target clients, stakeholders and the public	<ul style="list-style-type: none"> ▪ Approaches used to reach potential P/Ts ▪ # of contacts 	<ul style="list-style-type: none"> ▪ Document review of record of enquiries ▪ Interview with OE program management, CC Bureau management and ERAD

⁴⁸ The evaluation issues and questions were taken from Table 1 in the Opportunities Envelope Evaluation Plan, September 2005. Required modifications to this table that were included over the course of the evaluation (e.g., to better reflect appropriate information sources, availabilities, program realities) are identified as follows:

- *Italic font style* indicates that the evaluation question and/or indicator and/or data source was added.
- Underline font style indicates that the evaluation question and/or indicator and/or data source was not be posed and/or used.

	<ul style="list-style-type: none"> ▪ <i>Reponses from Interviews</i> 	<p>management</p> <ul style="list-style-type: none"> ▪ Interview P/T representatives
2b. Appropriate uptake (participation) of the program	<ul style="list-style-type: none"> ▪ # of proposals by P/T ▪ # of accepted proposals ▪ # of accepted proposal per P/T ▪ # CAs signed/unsigned ▪ <i>Reponses from Interviews</i> 	<ul style="list-style-type: none"> ▪ Document review of proposals and Contribution Agreements signed/unsigned ▪ <i>Internal Interviews</i>
2c. Improved multi-jurisdictional collaboration (federal/provincial/territorial) in areas of common interest	<ul style="list-style-type: none"> ▪ # of climate change partnerships/ collaborative arrangements before OE vs. # of climate change partnerships/ collaborative arrangements as a result of OE ▪ <i>Reponses from Interviews</i> 	<ul style="list-style-type: none"> ▪ Interview with OE program management, CC Bureau management and ERAD management ▪ <u>Document review of collaborative arrangements and program files before and after OE</u> ▪ <i>External Interviews</i>
2d. Accelerated progress on provincial and territorial climate change and action plan strategies	<ul style="list-style-type: none"> ▪ Impact of OE on P/T climate change plans (# of changes and implementation) ▪ <i>Reponses from Interviews</i> 	<ul style="list-style-type: none"> ▪ Document review of P/T climate change plans ▪ Interview with OE program management, CC Bureau management and ERAD management ▪ Interview P/T representatives
3. Is there evidence of early achievement of measurable GHG reductions?	<ul style="list-style-type: none"> ▪ Presence of measurement strategies and data ▪ <i>Reponses from Interviews</i> 	<ul style="list-style-type: none"> ▪ Document review of measurement strategies and data ▪ Interview with OE program management, CC Bureau management and ERAD management ▪ <i>Contribution Agreements</i> ▪ <i>External Interviews</i>
4. Were there any unintended outcomes? If so, how were they addressed? <i>I1Q: Differences between OE and Partnership Fund</i>	<ul style="list-style-type: none"> ▪ Presence of unintended outcomes ▪ <i>Reponses from Interviews</i> ▪ Management actions 	<ul style="list-style-type: none"> ▪ Interview with OE program management, CC Bureau management and ERAD management ▪ Review of planning meeting minutes, correspondence ▪ <i>External Interviews</i> ▪ <i>Project Green: Moving Forward on Climate Change</i>

Evaluation Issue: Cost-Effectiveness

Evaluation Question	Indicator(s)	Data Source(s)
Evaluation Issue: Cost-Effectiveness		
Are the most appropriate and efficient means being used to achieve outcomes?		
5. Is the cost-sharing mechanism used by the OE effective (in terms of creation of collaborative arrangements)? <i>11Q10. Do you think that the OE is being implemented in a cost-effective manner?</i>	<ul style="list-style-type: none"> ▪ Expected vs. realized collaborative arrangements ▪ <i>Reponses from Interviews</i> 	<ul style="list-style-type: none"> ▪ Document review of CCAF TB Submission ▪ Interview with OE program management, CC Bureau management and ERAD management ▪ <i>External Interviews</i>
6. Is the cost-sharing mechanism used in OE effective compared to those used in other partnerships between EC and P/Ts (to achieve environmental results)?	<ul style="list-style-type: none"> ▪ <u>Relative effectiveness of the OE cost-sharing mechanism</u> ▪ <i>Reponses from Interviews</i> 	<ul style="list-style-type: none"> ▪ <u>Case study</u> ▪ <u>Document review of federal documentation of other collaborative arrangements in other environmental arenas</u> ▪ <u>Document review of estimated cost/tonne for each project</u> ▪ <u>Document Review of ERR reports for each proposal</u> ▪ <u>Interview with OE program management, CC Bureau management and ERAD management</u> ▪ <u>Interview P/T representatives</u>

Evaluation Issue: Design and Delivery

Evaluation Question	Indicator(s)	Data Source(s)
Evaluation Issue: Design and Delivery		
Is the program being designed and delivered in the best possible way?		
7. To what extent has the program been implemented as designed? <i>11Q: Do you think that OE is being implemented effectively?</i>	<ul style="list-style-type: none"> ▪ Actions implemented against planned program design ▪ <i>Reponses from Interviews</i> 	<ul style="list-style-type: none"> ▪ Document review of RMAF, RBAF, CCAF TB Submission, status reports, etc. ▪ Interview with OE program management, CC Bureau management and ERAD management ▪ <i>External Interviews</i> ▪ <u>Interview with Climate Change Board</u>

<p>8.How were P/Ts approached by OE?</p>	<ul style="list-style-type: none"> ▪ Approaches used by OE ▪ <i>Reponses from Interviews</i> 	<ul style="list-style-type: none"> ▪ Document review of proposals, bids ▪ Document review of the documentation of approaches ▪ Interview with OE program management, CC Bureau management and ERAD management ▪ <i>External Interviews</i>
<p>9.How flexible was the program process (timing issues, requirements, eligibility criteria, etc.)?</p>	<ul style="list-style-type: none"> ▪ Level of stringency of program process ▪ <i>Reponses from Interviews</i> 	<ul style="list-style-type: none"> ▪ Mapping of OE program process ▪ Interview with OE program management, CC Bureau management and ERAD management ▪ Review of correspondence records (feedback from applicants) ▪ <u>Interview with Climate Change Board</u> ▪ <i>External Interviews</i>

<p>Evaluation Question</p>	<p>Indicator(s)</p>	<p>Data Source(s)</p>
<p>10. Are provinces and territories satisfied with the program?</p>	<ul style="list-style-type: none"> ▪ Level of satisfaction ▪ <i>Responses from Interviews</i> 	<ul style="list-style-type: none"> ▪ Interview with OE program management, CC Bureau management and ERAD management ▪ Interview with P/T representatives ▪ Review of correspondence records (feedback from P/Ts)
<p>11. What are the program's anticipated impacts on third parties (i.e. private and/or voluntary sector)?</p>	<ul style="list-style-type: none"> ▪ Anticipated impacts on third parties (job creations, additional collaborations, economic benefits, financial participation, GHG reduction potential) ▪ <i>Reponses from Interviews</i> 	<ul style="list-style-type: none"> ▪ Interview P/T representatives ▪ Data review of impacts on third parties ▪ Document review of proposals ▪ <i>Contribution Agreements</i>
<p>12. Are accountabilities of the OE and the co-deliverers/partners clearly stated?</p>	<ul style="list-style-type: none"> ▪ Presence of terms and conditions in contribution agreements ▪ Presence of roles and responsibilities of each partner (at the reach stage) ▪ <i>Reponses from Interviews</i> 	<ul style="list-style-type: none"> ▪ Document review of terms and conditions in contribution agreements and/or contribution agreement template ▪ Document review of OE Guidelines for proposals ▪ Interview with OE program management, CC Bureau management and ERAD management ▪ Interview P/T representatives

Annex 4 - Documentation Reviewed

EQ#	Document Title	Date (if known)	Classification (e.g. secret)	Format (e.g. hard copy, electronic)
1	Federal Climate Change Plans and other			
	Moving Forward on Climate Change: A Plan for Honouring our Kyoto Commitment	April 13, 2005	Public	Available online at http://climatechange.gc.ca/kyoto_commitments/
	Climate Change Impacts and Adaptation: A Canadian Perspective	2004	Public	Available online at http://adaptation.nrcan.gc.ca/perspective/toc_e.asp
	Climate Change Plan for Canada	November 21, 2002	Public	Available online at http://www.climatechange.gc.ca/english/publications/plan_for_canada/plan/index.html
	A Discussion Paper on Canada's Contribution to Addressing Climate Change	2002	Public	Available online at: http://www.climatechange.gc.ca/english/publications/canadascontribution/Report051402/englishbook.pdf
	Government of Canada Action Plan 2000 on Climate Change	N/A	Public	Available online at: http://www.climatechange.gc.ca/english/publications/ap2000/Action_Plan_2000_en.pdf
1,2	P/T Climate Change Plans and other			
	Alberta - Albertans and Climate Change: Taking Action	October 2002	Public	Available online at: http://www3.gov.ab.ca/env/climate/docs/takingaction.pdf
	B.C. – Weather, Climate and the Future: B.C.'s Plan	December 2004	Public	Available online at: http://www.env.gov.bc.ca/air/climate/cc_plan/pdfs/bc_climatechange_plan.pdf
	Manitoba – Kyoto and Beyond: A Plan of Action to Meet and Exceed Manitoba's Kyoto Targets	2002	Public	Available online at: http://www.gov.mb.ca/est/climatechange/pdfs/final-mccap-sep-16-02.pdf
	New Brunswick – Discussion Paper: New Brunswick and Climate Change	January 2003	Public	Available online at: http://www.gnb.ca/0085/Climate_Change/ClimateChange(Eng).pdf
	Newfoundland and Labrador – Climate Change Action Plan 2005	July 2005	Public	Available online at: http://www.env.gov.nl.ca/env/Env/policy%20and%20planning/climatechangereport/climatechangeplanfinal.pdf
	NWT – Greenhouse Gas Strategy	March 2001	Public	Available online at: http://www.enr.gov.nt.ca/eps/pdf/nwt_greenhouse_gas_strategy.pdf

	Nova Scotia – Energy Strategy Part VI – Seizing the Opportunity	2001	Public	Available online at: http://www.gov.ns.ca/energy/AbsPage.aspx?id=1391&siteid=1&lang=1 (link)
	Ontario – Air Quality and Climate Change: Moving Forward	September 2001	Public	Available online at: http://www.ene.gov.on.ca/programs/4143e.pdf
	PEI – Curbing Climate Change: PEI Climate Change First Business Plan – Years 2000/01, 2001/02, 2002/03	September 2001	Public	Available online at: http://www.gov.pe.ca/photos/original/fae_climatepei.pdf
	PEI - Special Committee on Climate Change: A Climate Change Strategy for Prince Edward Island	April 2005	Public	Available online at: http://www.assembly.pe.ca/reports/2-2-62climate.pdf
	Quebec – Quebec Action Plan on Climate Change 2000-2002	2000	Public	Available online at: http://www.mddep.gouv.qc.ca/changements/plan_action/action-plan.pdf
	Saskatchewan – Making it Work: A Saskatchewan Perspective on Climate Change Policy	October 2002	Public	Available online at: http://www.se.gov.sk.ca/environment/climatechange/KyotoPositionPaper.pdf
	Yukon – An Inventory of Yukon Climate Change Initiatives	February 2001	Public	Available online at: http://www.environmentyukon.gov.yk.ca/pdf/initiatives.pdf
	New England Governors/Eastern Canadian Premiers – Climate Change Action Plan 2001	August 2001	Public	Available online at: http://www.negc.org/documents/NEG-ECP%20CCAP.PDF
1	Literature Review			
	David Suzuki Foundation – All Over the Map	October 2005	Public	Available online at: http://www.davidsuzuki.org/files/climate/Ontario/All_Over_the_Map.pdf
	Mackay, William – Canadian Federalism and the Environment: The Literature	Fall 2004	Public	Available online at: http://www.findarticles.com/p/articles/mi_qa3970/is_200410/ai_n9461233/print
	Paehlke, Robert – Spatial Proportionality: Right-Sizing Environmental Decision-Making.	2001	Public	Parson, Edward A. <u>Governing the Environment: Persistent Challenges, Uncertain Innovations.</u> Toronto, University of Toronto Press, 2001: pp. 73-123.
	Smith, Heather A. – Canadian Federalism and International Environmental Policy Making: The Case of Climate Change [Working Paper 1998(5)].	1998	Public	Smith, Heather A. <u>Canadian Federalism and International Environmental Policy Making: The Case of Climate Change [Working Paper 1998(5)].</u> Kingston: Institute of Intergovernmental Relations (Queen’s University), 1998.
	OE Program Documents			
2	Record of Enquiries		Internal	Electronic Copy
2,8,11	Proposals (96)		Internal	Electronic Copy

3	Measurement Strategies and Data		Internal	Electronic Copy
5,7	CCAF TB Submissions (3)		Secret	Electronic Copy
6	Estimated cost/tonne for each project		Internal	Electronic Copy
6	ERR Reports for each proposal (80)		Internal	Electronic Copy
7	OE RMAF	January 2005	Internal	Electronic Copy
7	OE RBAF	January 2005	Internal	Electronic Copy
7	Status Reports		Internal	Electronic Copy
8	Documentation of Approaches used by OE		Internal	Electronic Copy
12	Contribution Agreements		Internal	Electronic Copy
12	Contribution Agreement Template		Internal	Electronic Copy
12	OE Guidelines for Proposals		Internal	Electronic Copy

Annex 5 - List of Interviewees

Interviewee	Position
<i>EC – ERAD Staff</i>	
1. Peter Sol	Director, ERA, ERAD
2. Steve Blight	Previous PERRL Program Manager for ERAD's P&C
<i>EC Partnership Fund / Climate Change Bureau Staff</i>	
3. Robert Arnot	Senior Policy Advisor, Policy&Coordination, CCB – Partnership Fund (western region)
4. Dean Stinson O’Gorman	Manager Offset System
5. Alex Manson	General Director, Domestic CC Policy, Strategic Policy Branch, EC
<i>NRCan – OE Secretariat Staff</i>	
6. Louise Métivier	Previous OE Manager at NRCan’s OE Secretariat
7. Don Cunningham and	Policy advisor, OE Secretariat
8. Linda Bradley	Officer, OE Secretariat
<i>External Partners/Stakeholders – Provinces/Territories [5 Key Informant Interviews Conducted]</i>	

Annex 6 - Interview Questions and Themes for Federal Government Officials

Interview Questions for EC/NRCan Program Staff

OVERVIEW QUESTIONS:

1. What is your experience with OE? Which areas of OE are you most familiar or concerned with?
2. What is your experience with other partnership arrangements between EC and P/Ts in achieving emission reductions and/or in other areas?
3. What is your understanding of the intent of OE (i.e., what is it trying to accomplish)?

SPECIFIC QUESTIONS:

Evaluation Issue - Success

4. Overall, in your opinion, has progress been made in meeting the intent of OE?
5. What was the level of collaboration on climate change between the two levels of government prior to the inception of OE?
6. Has there been improved multi-jurisdictional collaboration between the federal and provincial/territorial governments since the inception of OE?
7. Has there been progress on provincial and territorial climate change and action plan strategies, as a result of OE?
8. Is there evidence of early achievement of measurable GHG reductions?
 - a. What measurement strategies are in place to calculate and monitor GHG reductions?
 - b. What data has been captured thus far?
9. Were there any unintended outcomes? If so, how were they addressed?

Evaluation Issue - Cost-Effectiveness

10. Do you think that OE is being implemented in a cost-effective manner?
11. How was the sharing of costs between the two levels of government arrived at (i.e. the 50/50 co-funding split)?
12. Did other collaborative arrangements between the two levels of government have any influence on the OE financing arrangements?

Evaluation Issue - Design and Delivery

13. What approaches were used to reach potential partners?
 14. To what extent has the program been implemented as designed?
 15. Do you think the implementation of OE is being managed effectively?
 16. How flexible was the program process (i.e. timing issues, requirements, eligibility criteria)?
 17. Has there been any feedback on the part of P/Ts or with regards to the overall process?
Do you feel that P/Ts are satisfied with the OE program?
 18. How were accountabilities between the partners arrived at?
 19. Overall, how successful do you think the delivery of OE has been?
-

Themes for Senior Management Strategic Interview⁴⁹

- Lessons learned from the OE in the area of partnership/collaborative arrangements between the federal government and P/Ts on climate change;
- The role of the OTC Program in supporting Project Green; and
- Key lessons learned/best practices in the overall management of the climate change file

⁴⁹ Note that this interview also covered themes covered under the One-Tonne Challenge (OTC) given the familiarity of the interviewee with both programs.

Annex 7 - Interview Questions for Provincial and Territorial Representatives

Conducted by EC Audit and Evaluation

OVERVIEW QUESTIONS:

20. What is your experience with OE?
21. What is your experience with other partnership arrangements between the federal government and provinces/territories in achieving GHG emission reductions and/or in other areas?
22. What is your understanding of the intent of OE (i.e., what is it trying to accomplish)?

SPECIFIC QUESTIONS:

23. Has there been improved multi-jurisdictional collaboration between the federal and provincial/territorial governments since the inception of OE?
24. Has there been progress on provincial and territorial climate change and action plan strategies, as a result of OE?
25. What measurement strategies are in place to calculate and monitor GHG emission reductions resulting from OE?
26. Were there any unintended outcomes? If so, what were the implications?
27. How was the sharing of costs between the two levels of government arrived at (i.e. the 50/50 co-funding split)?
28. How were you made aware of the OE? How were other provincial/territorial stakeholders/potential project proponents made aware of the OE?
29. How flexible was the program process (i.e. timing issues, requirements, eligibility criteria)?
30. What has been the role of third parties (i.e. private and/or voluntary sector)?
31. How were accountabilities between federal and provincial/territorial counterparts arrived at?
32. Overall, do you feel satisfied with the OE program?

Annex 8 - Summary of Projects and Funding by Province/Territory

Province/ Territory	Projects		Total Funding [% of OE Funds]	Total Funding of Projects		
	Proposed	Accepted		Federal	Provincial	Third Party
Alberta	10	2	3.84%	50.00%	23.22%	26.78%
British Columbia	14	3	32.04%	10.73%	15.32%	73.95%
Manitoba	5	3	9.15%	42.70%	19.37%	37.93%
New Brunswick	15	6	11.83%	49.98%	15.01%	35.02%
Newfoundland	0	0	0.00%	0.00%	0.00%	0.00%
Northwest Territories	0	0	0.00%	0.00%	0.00%	0.00%
Nova Scotia	8	3	7.90%	49.90%	49.90%	0.19%
Nunavut	1	1	3.07%	50.00%	0.00%	50.00%
Ontario	18	4	9.51%	15.02%	4.94%	80.05%
Prince Edward Island	0	0	0.00%	0.00%	0.00%	0.00%
Quebec	15	3	17.25%	37.99%	3.27%	58.73%
Saskatchewan	9	2	5.41%	47.02%	0.00%	52.98%
Yukon	1	0	0.00%	0.00%	0.00%	0.00%
Total	96	27	100.00%			

Source: Treasury Board Submissions for OE1 and OE2 - Annexes 4: *OE Proposals recommended for approval*