



the gandalf group

C-Suite Survey: Carbon Tax and Environmental Measures

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- ❑ Telephone interviews among 152 C-Suite executives from the top 1000 corporations in Canada
- ❑ Conducted between May 27th and June 11th, 2008
- ❑ This sample yields a margin of error of +/-7.32%
- ❑ We did not represent the Atlantic region on the regional breakdowns because the sample size was small, thus yielding a much higher margin of error
 - Atlantic (n=8)



- ❑ Concerns about the economy have stabilized, and most are confident of growth in Canada
- ❑ The environment is not a top tier concern for Canadian C Suite executives
- ❑ The price of oil is seen as a problem for most Canadian businesses
- ❑ There is more concern about energy supply than there is about climate change
- ❑ Economic uncertainty has eroded support for tough environmental measures and a carbon tax will not be well received by the C Suite

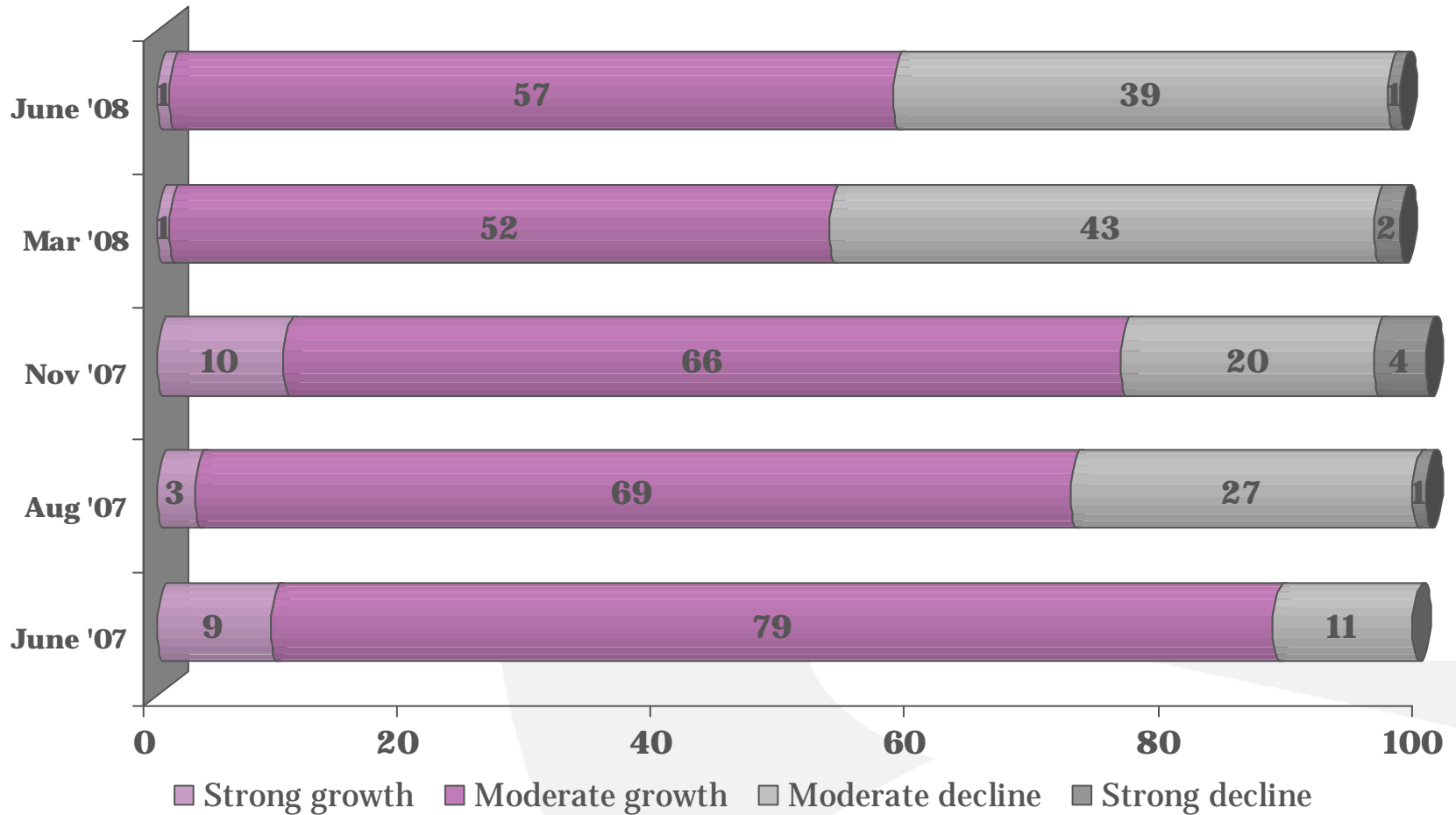


- ❑ Pessimism about both the Canadian and US economy has eased somewhat from last quarter
- ❑ A majority of executives continue to express confidence that the Canadian economy will grow rather than contract over the coming year
 - Ontario and service sector executives are markedly more pessimistic than others
- ❑ Eight out of ten Canadian executives foresee American recession over the next twelve months
- ❑ Currency exchange and global competitiveness were reported to be the most important issues facing Canada.
- ❑ The environment is at par with the importance of the declining U.S. economy as issues facing Canada.



Expectations: Canadian Economy

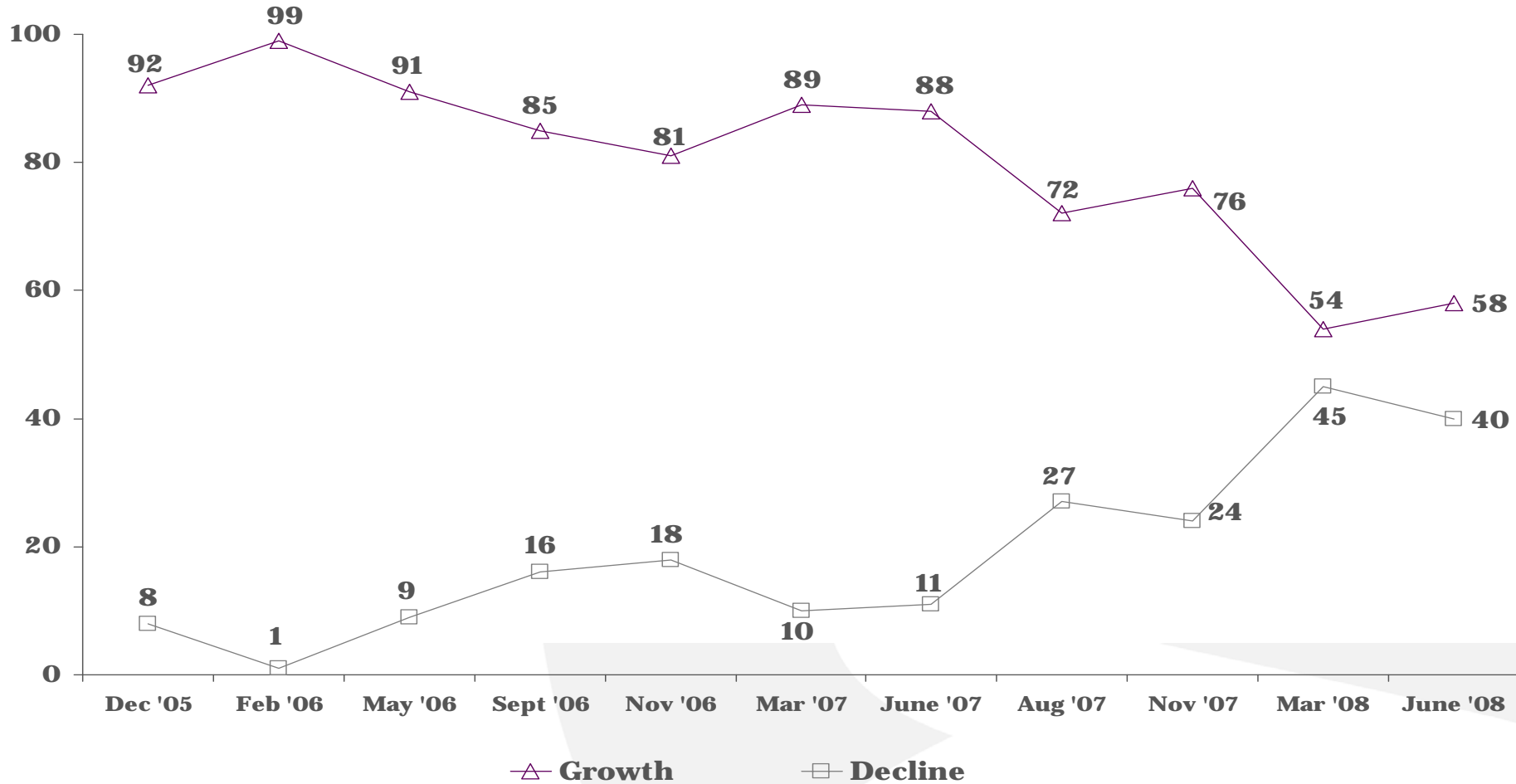
What are your expectations for the Canadian economy over the next 12 months, strong growth, moderate growth, moderate decline, strong decline?





Expectations: Canadian Economy

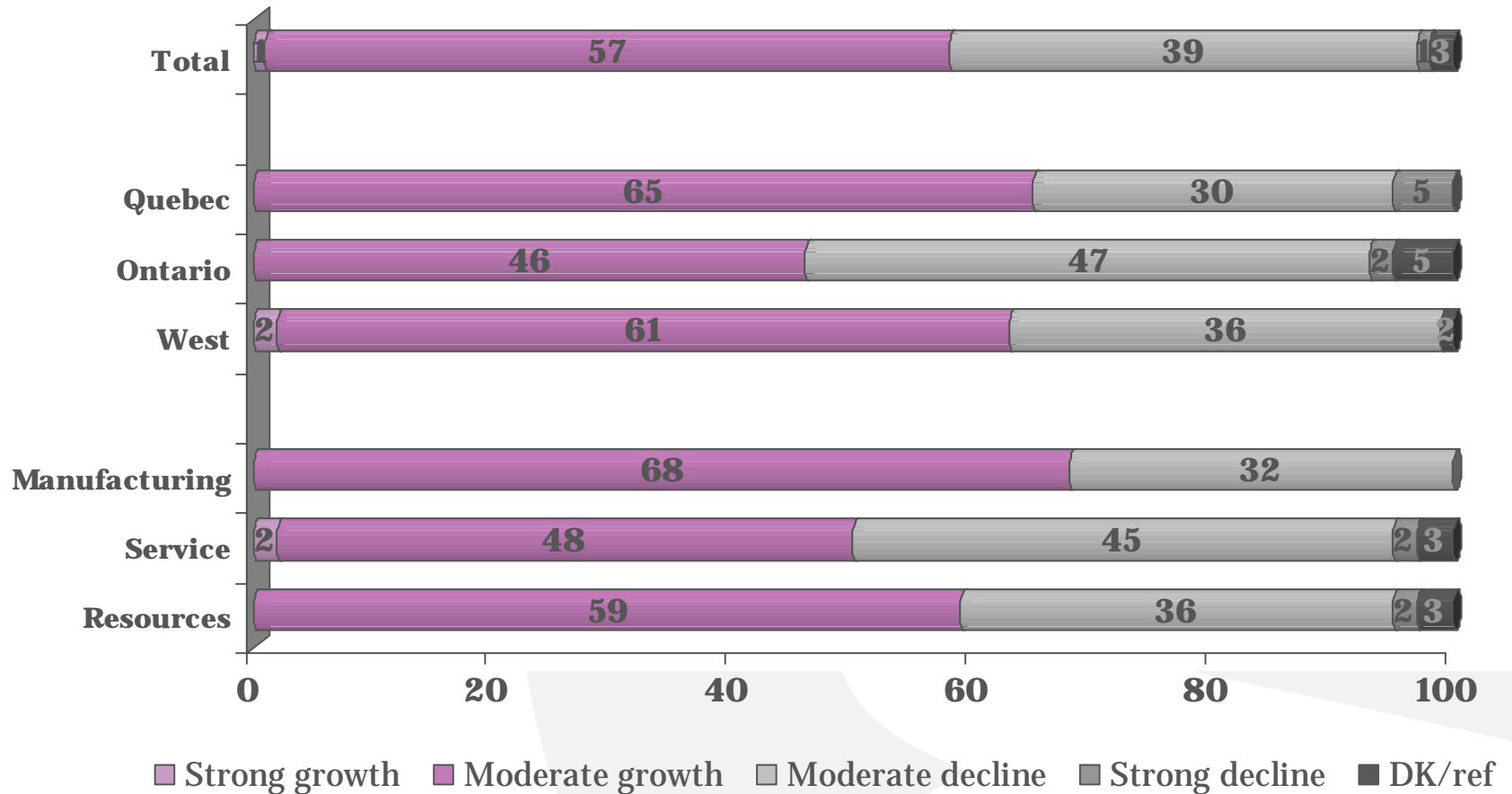
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Expectations: Canadian Economy

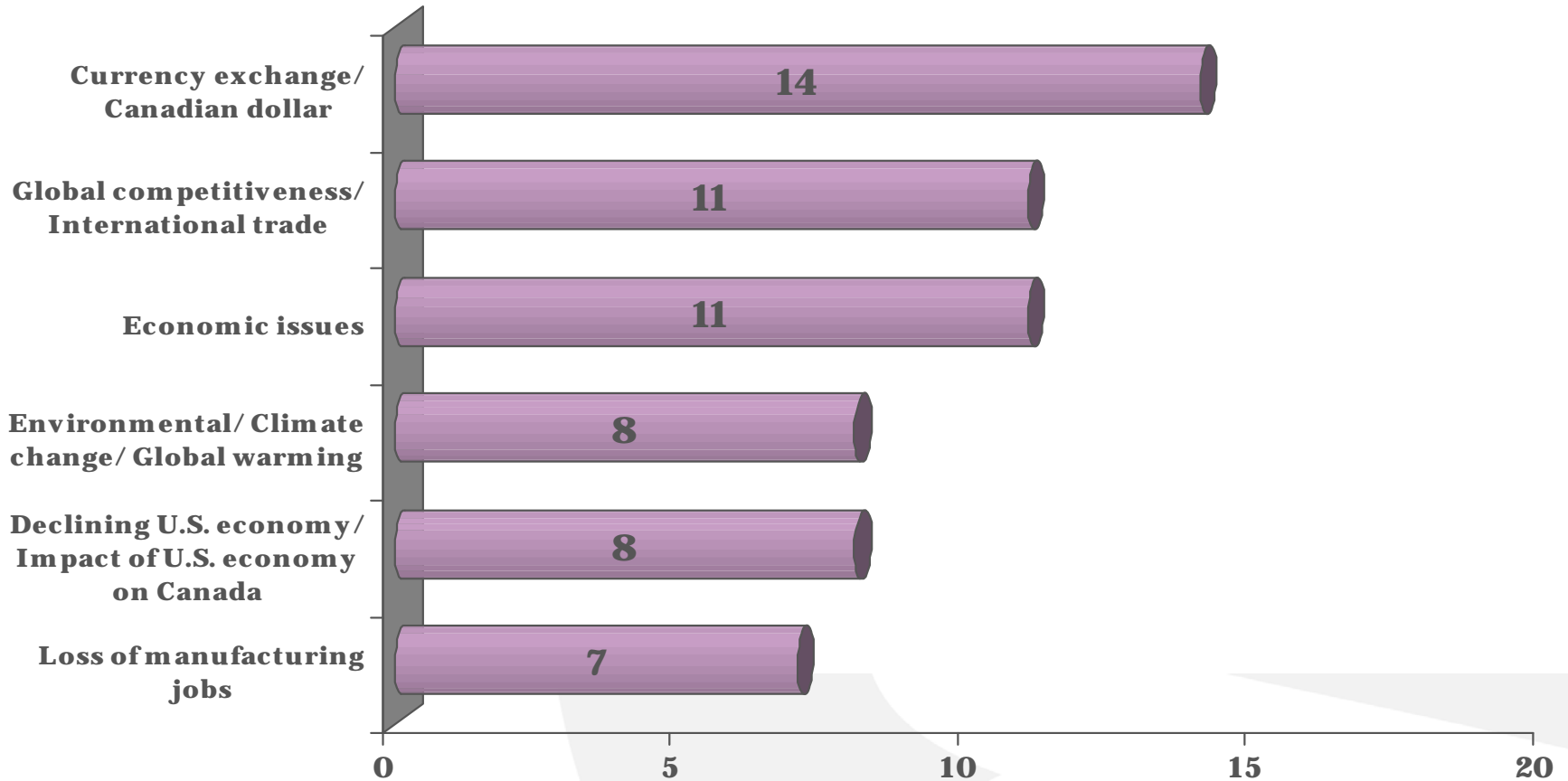
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Most Important Issue Facing Canada

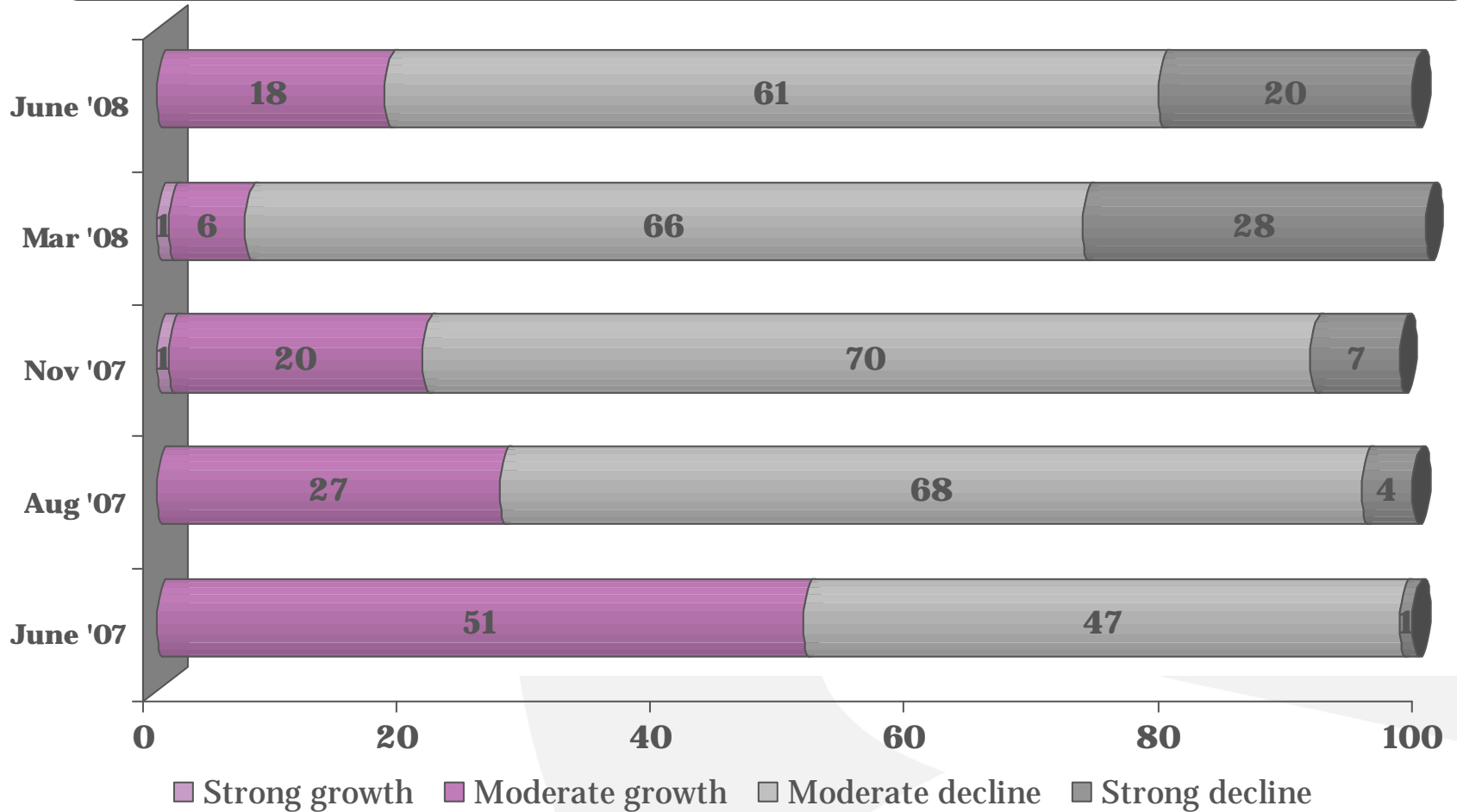
What would you say is the most important challenge facing Canada right now?





Expectations: U.S. Economy

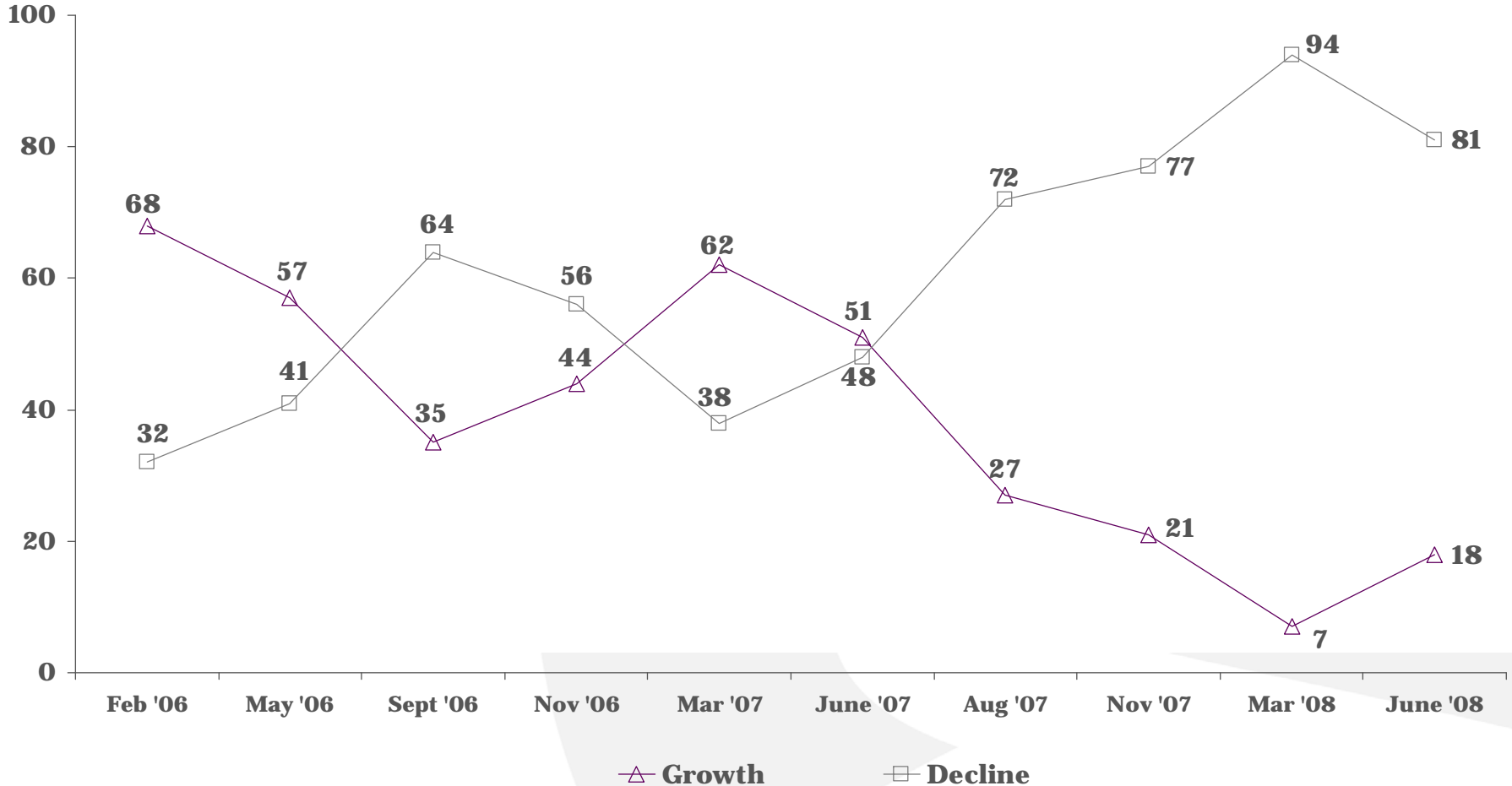
What are your expectations for the U.S. economy over the next 12 months, strong growth, moderate growth, moderate decline, strong decline?





Expectations: U.S. Economy

What are your expectations for the U.S. economy over the next 12 months, strong growth, moderate growth, moderate decline, strong decline?





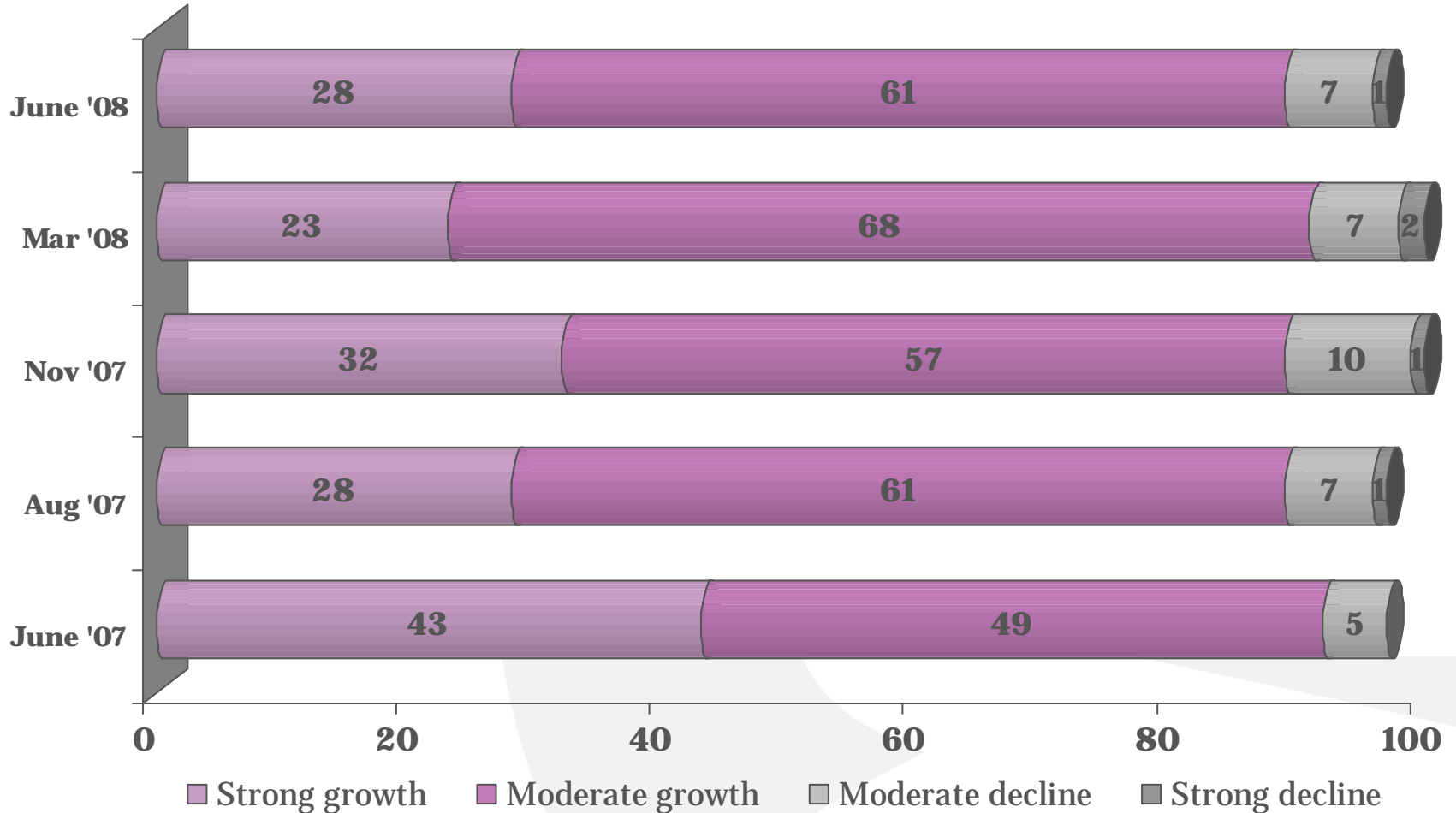
Business Expectations

- ❑ Executives remain confident in expectations for their companies.
- ❑ Human resources is the reported biggest challenge facing their companies.
- ❑ The C-Suite is hiring, not reducing the number of employees.
- ❑ Those that are laying off employees are more likely to be in central Canada than western Canada, and much more likely to be large employers



Expectations: Company

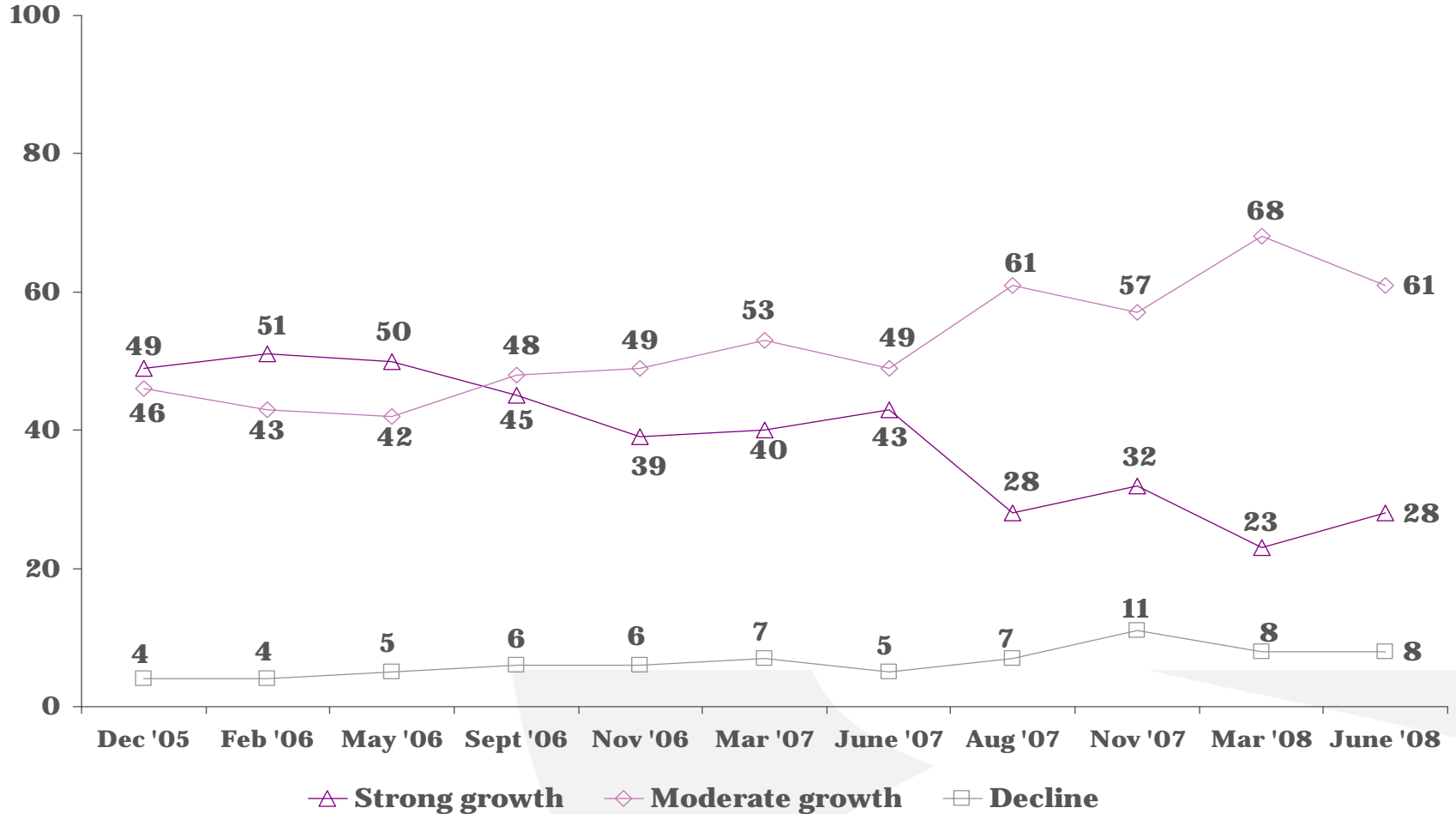
What are your expectations for your company over the next 12 months, strong growth, moderate growth, moderate decline, strong decline?





Expectations: Company

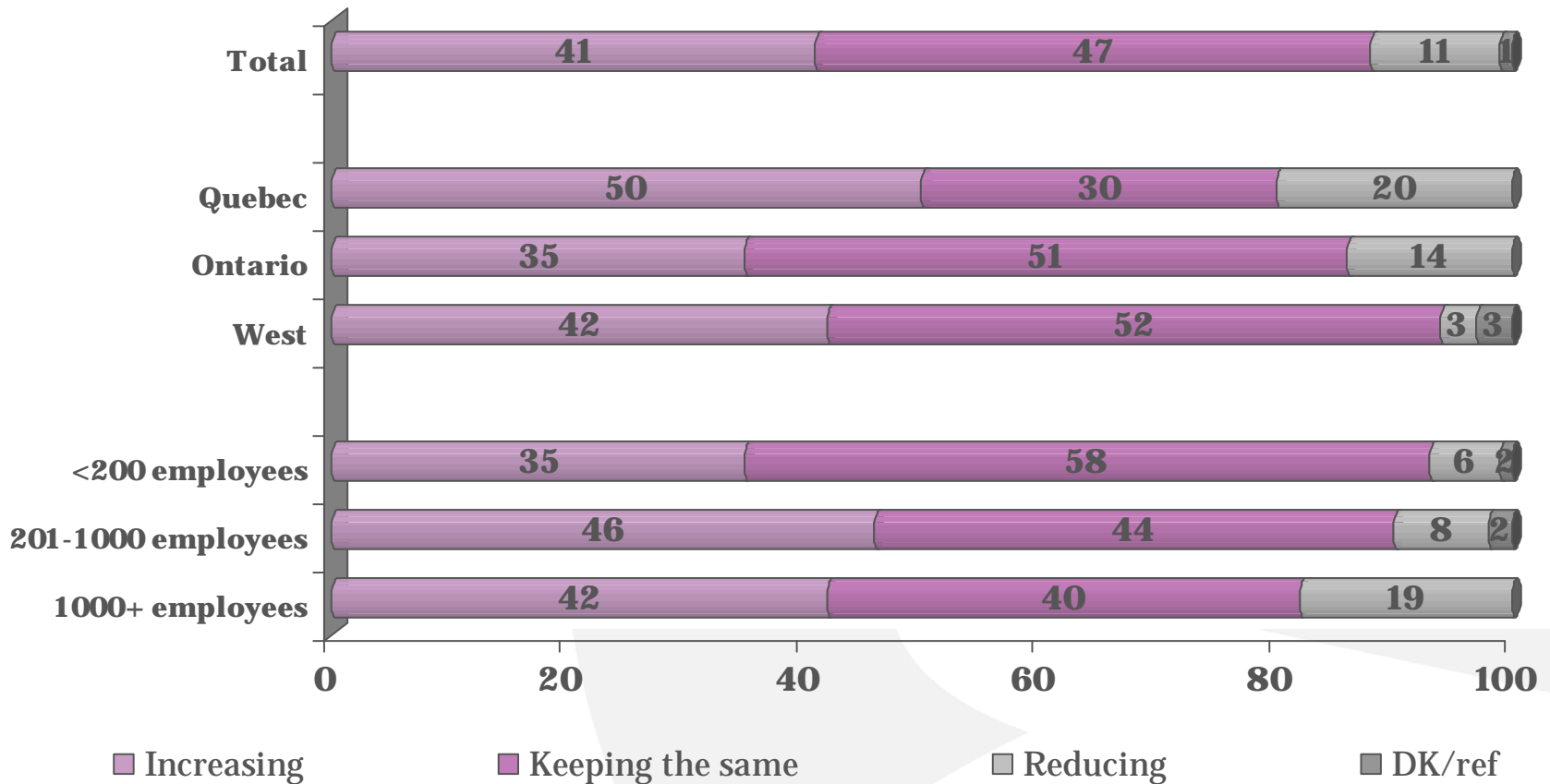
What are your expectations for your company over the next 12 months, strong growth, moderate growth, moderate decline, strong decline?





Expected Change in Number of Employees

Over the next three months, do you expect that your company will, on a net basis, be increasing the number of employees, reducing the number of employees or keeping the number of people you employ at about the same level?





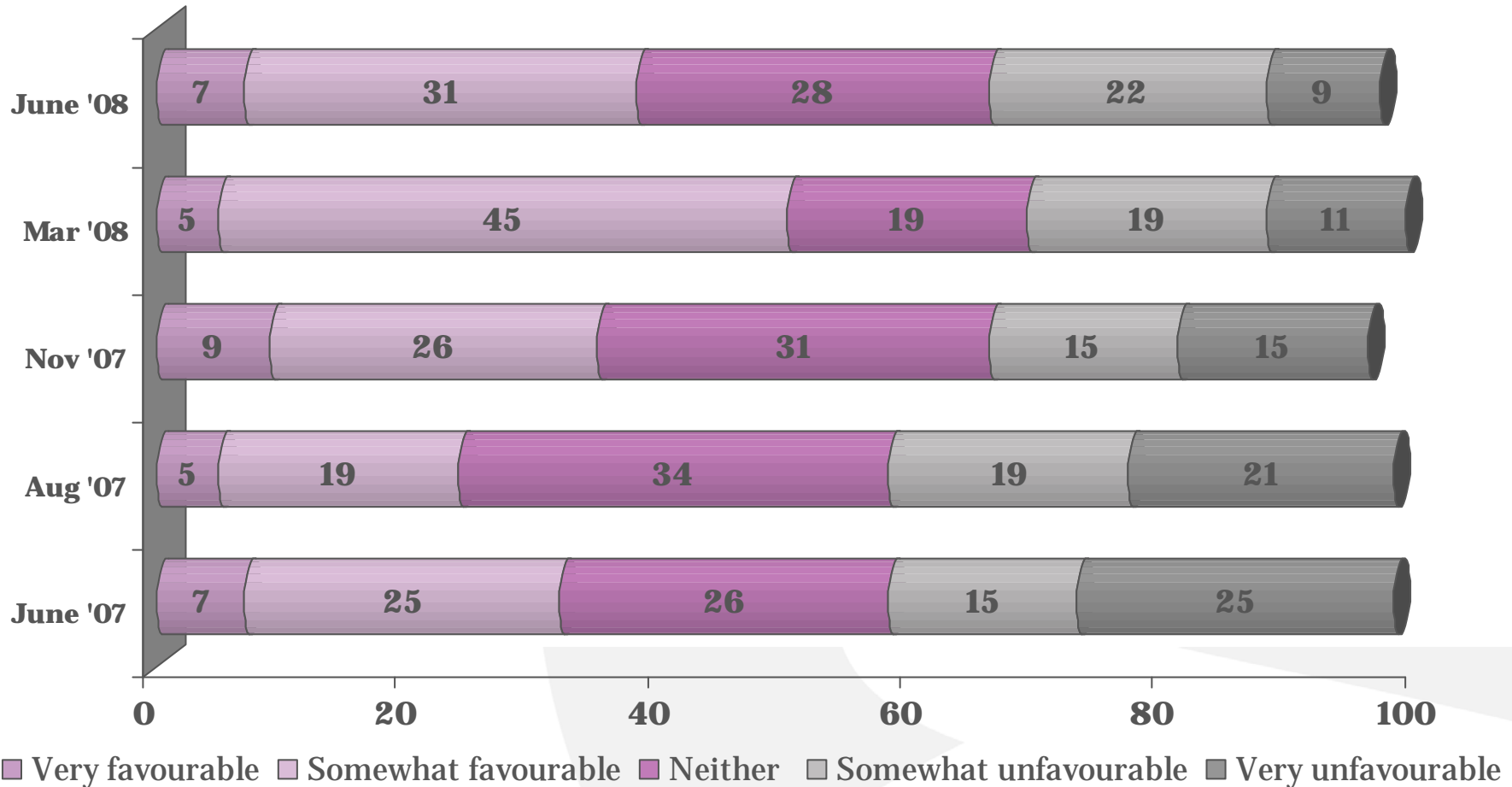
- ❑ Impressions of Minister Flaherty's have worsened since last quarter. The C-Suite has shifted from having a positive view of him into more neutral territory largely as a result of declining impressions in Ontario
 - Last quarter executives were more likely by 20 points to hold a favourable view of Flaherty than a negative view. This time, executives are only 6 points more likely to hold a positive view than a negative one.
 - Impressions among Quebec executives remain very positive, while Ontario executives are evenly divided between favourable and unfavourable impressions

- ❑ Confidence in Flaherty's economic management has stayed fairly constant from last quarter, indicating that the less favourable impressions of the Minister are driven by factors other than economic management



Impression of Minister Flaherty

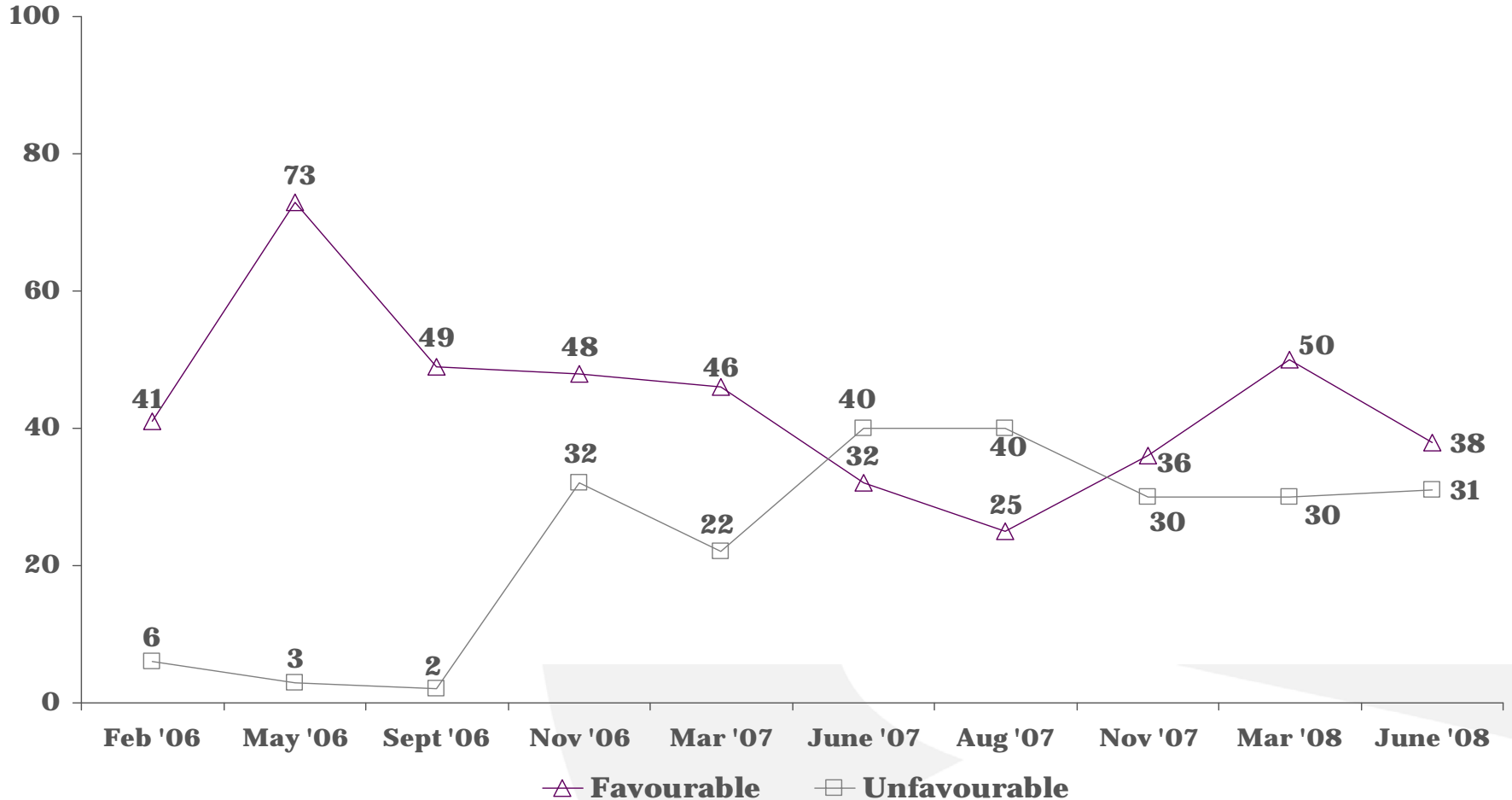
How favourable or unfavourable is your impression of Jim Flaherty in his role as Minister of Finance?





Impression of Minister Flaherty

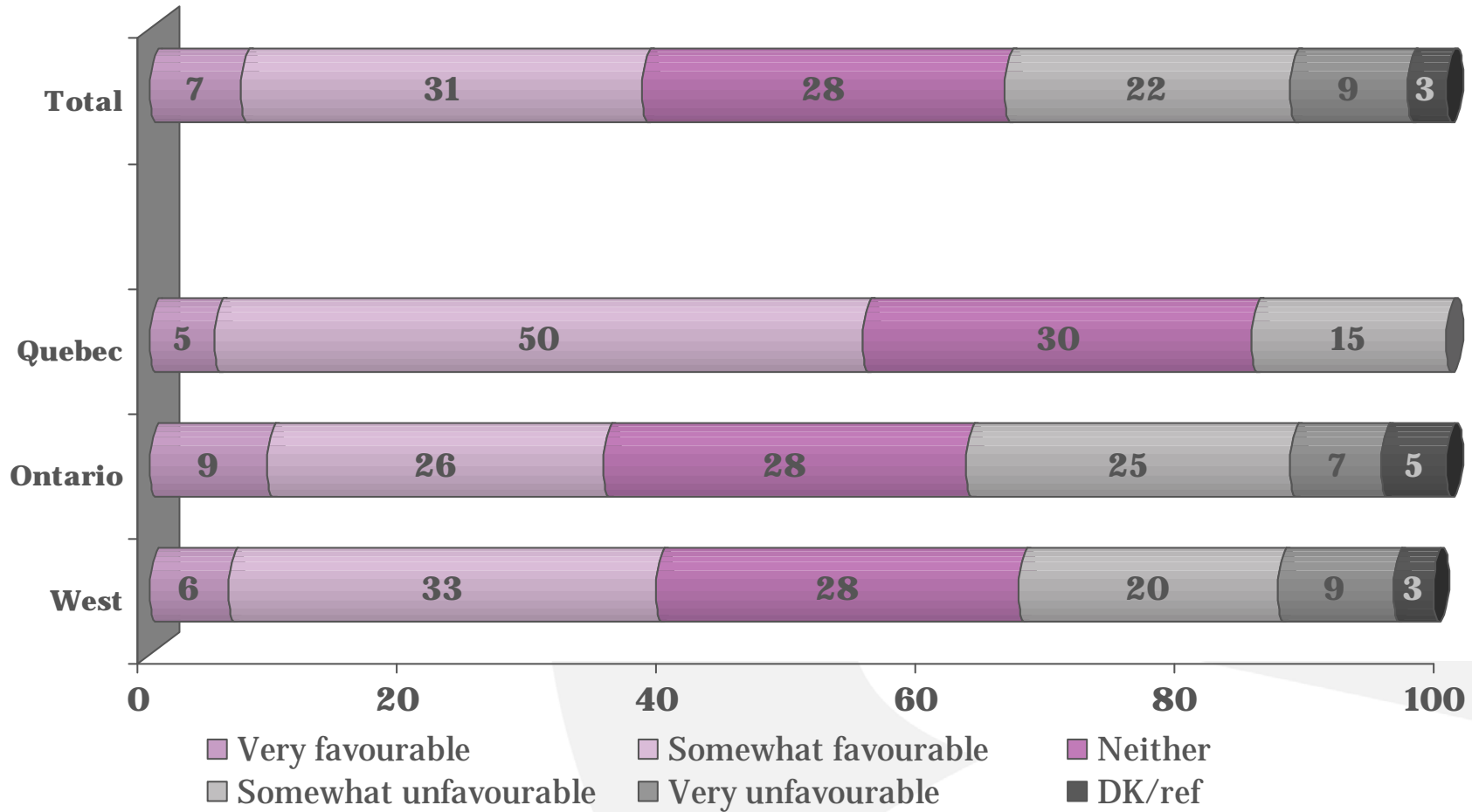
How favourable or unfavourable is your impression of Jim Flaherty in his role as Minister of Finance?





Impression of Minister Flaherty: Region

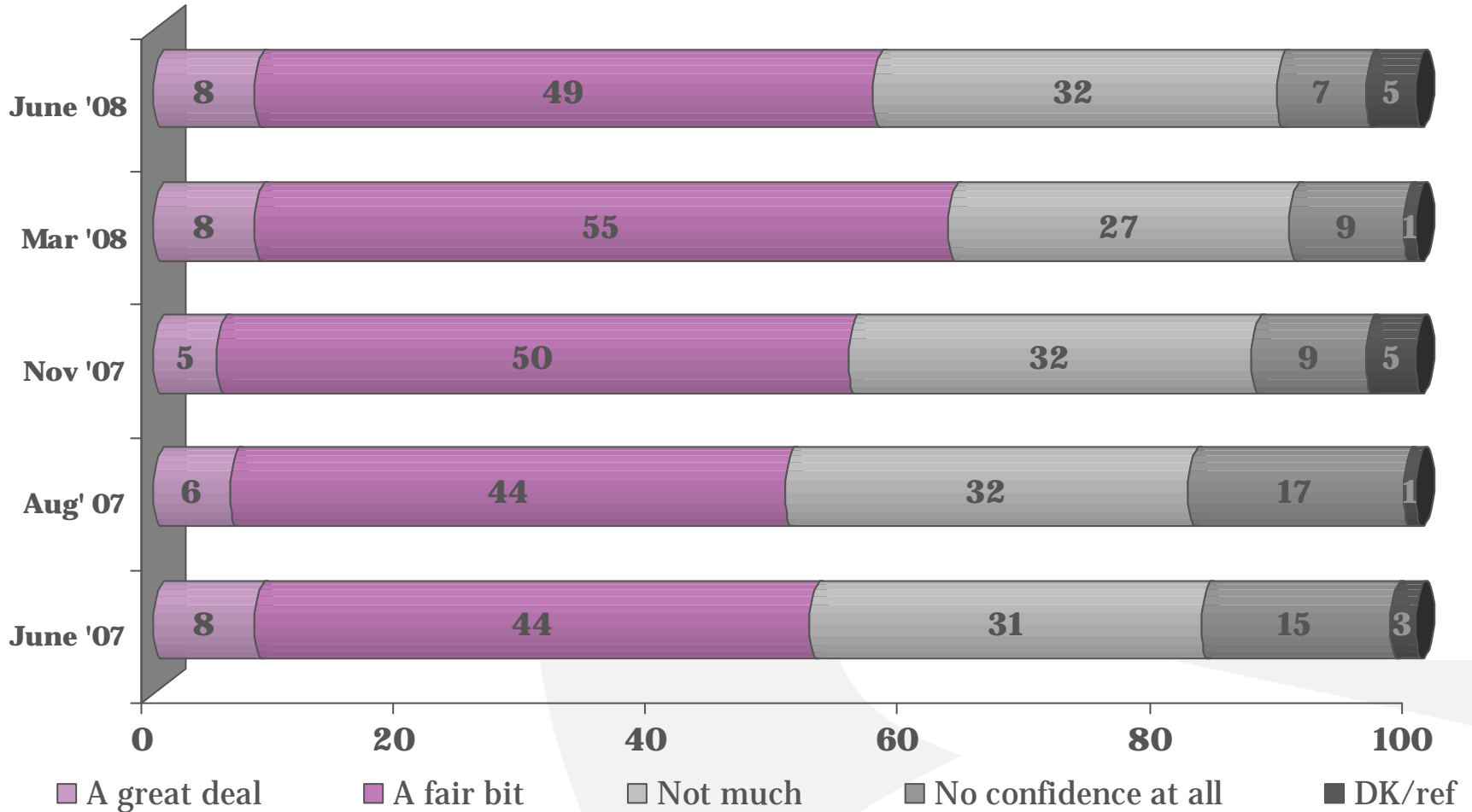
How favourable or unfavourable is your impression of Jim Flaherty in his role as Minister of Finance?





Confidence in Minister Flaherty

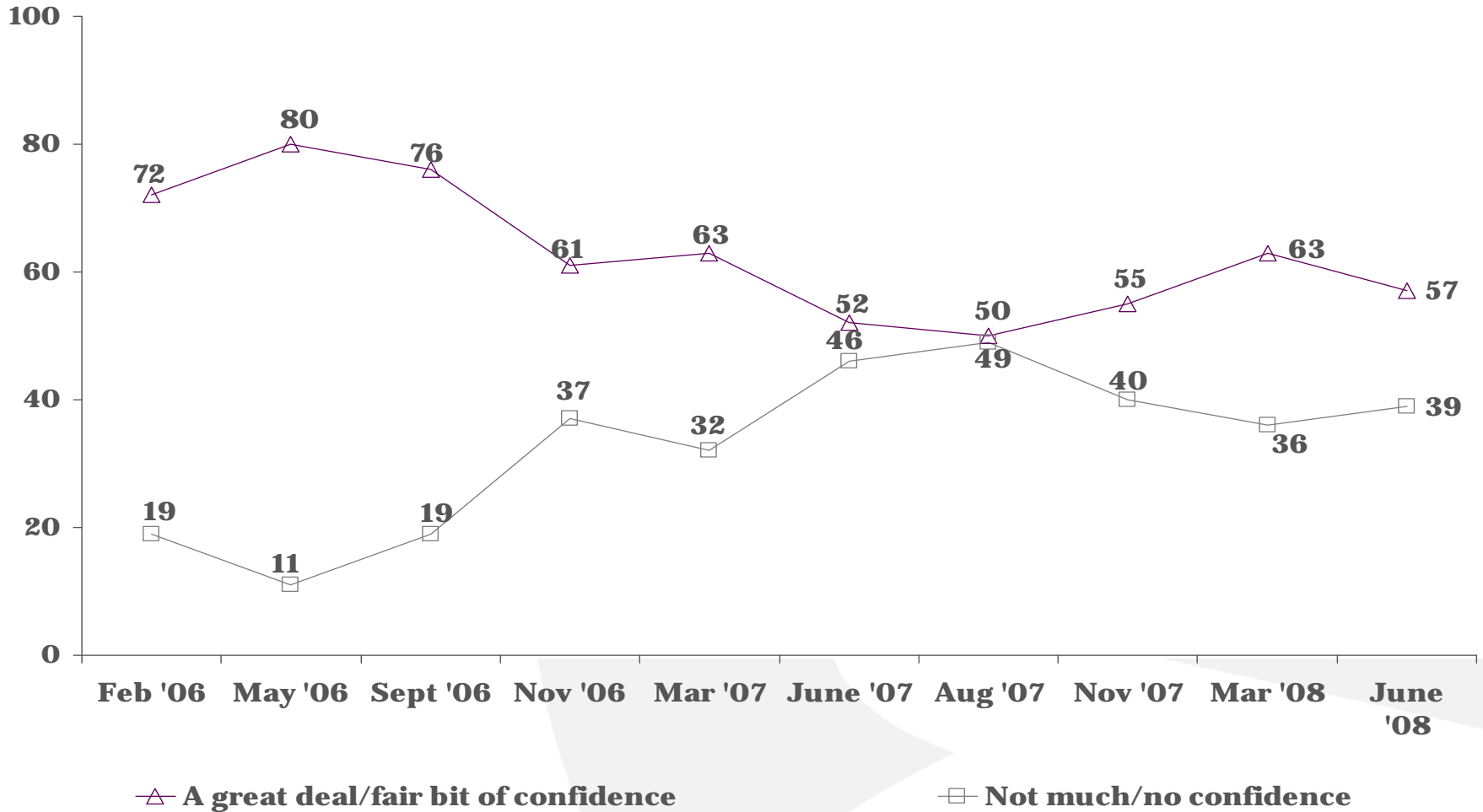
How much confidence do you have in Finance Minister Flaherty's management of the economy?





Confidence in Minister Flaherty

How much confidence do you have in Finance Minister Flaherty's management of the economy?





- ❑ No federal policy rivals balancing the budget in importance to the C Suite
 - Nine out of ten executives say it is very or somewhat important

- ❑ Other high priorities include:
 - Easing constraints on the movement of people and goods across the US border
 - Reducing health care wait times
 - Enabling the Canadian labour force to be more educated

- ❑ Interesting, given the budget debate in Ottawa, almost three quarters of executives think it is important to increase the number of skilled immigrants to Canada

- ❑ While most executives are indifferent to aboriginal land claims, it is important to many resource sector executives

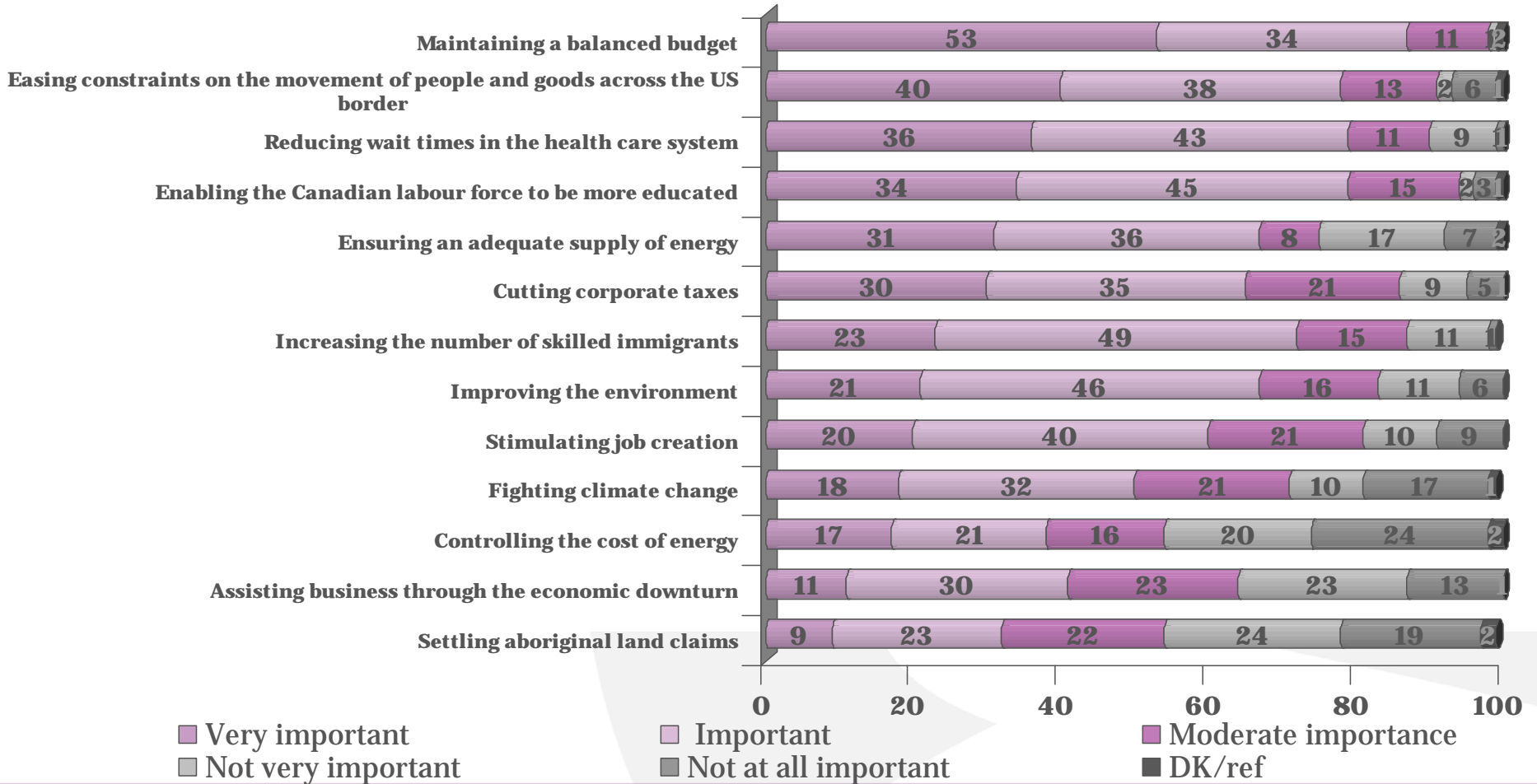


- ❑ Ensuring an adequate supply of energy is much more important to executives than fighting climate change or controlling energy prices are
 - Improving the environment is considered a noticeably higher priority than fighting climate change, indicating that executives, like other Canadians, have higher environmental priorities than climate change
 - Echoes of the NEP, as controlling the cost of energy is strongly opposed in western Canada but largely supported in central Canada



Importance of Priorities for the Federal Government

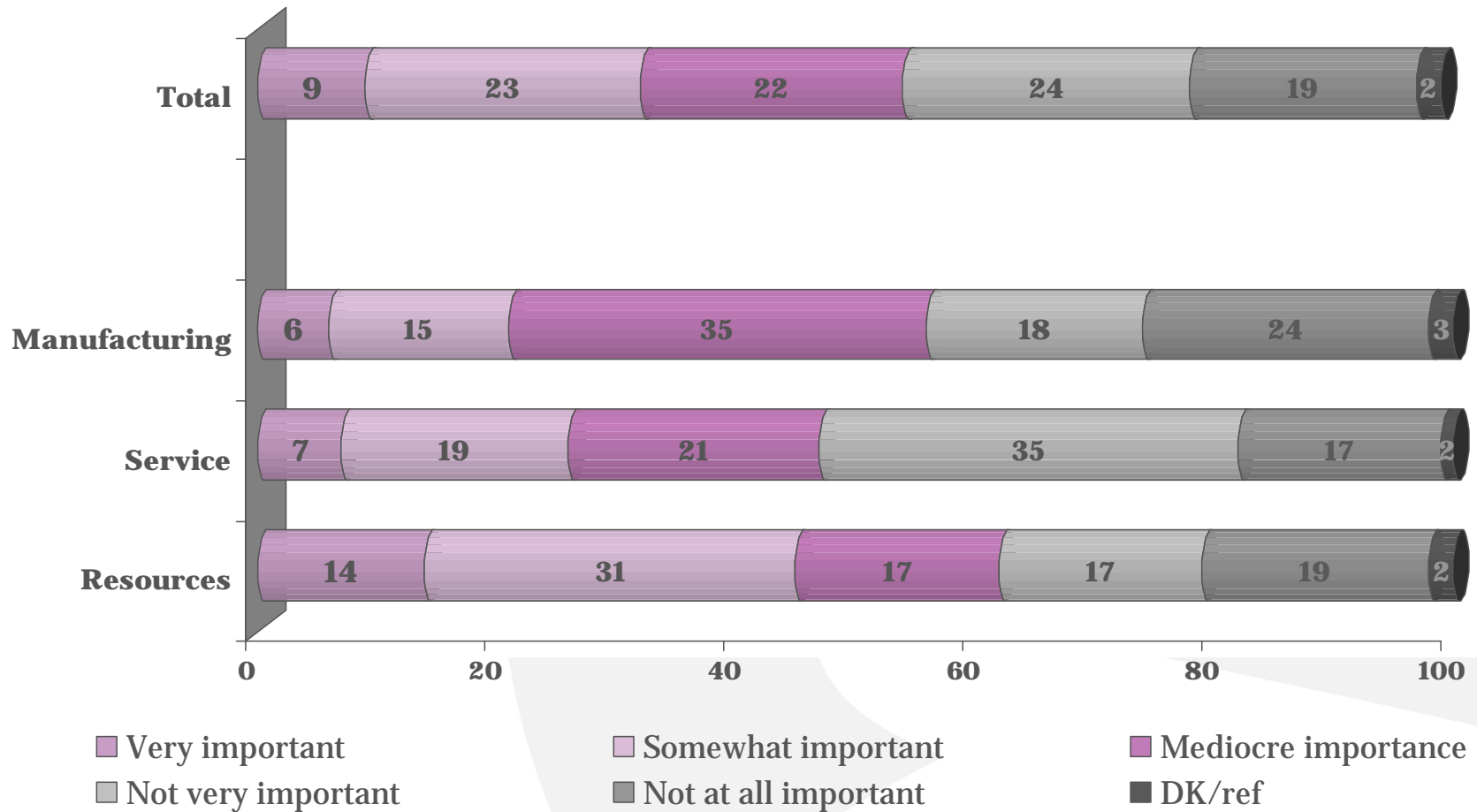
How important would you say the following priorities should be for the federal government at the current time?





Importance of Priorities: Settling Aboriginal Land Claims: Sector

How important would you say “settling aboriginal land claims” should be for the federal government at the current time?





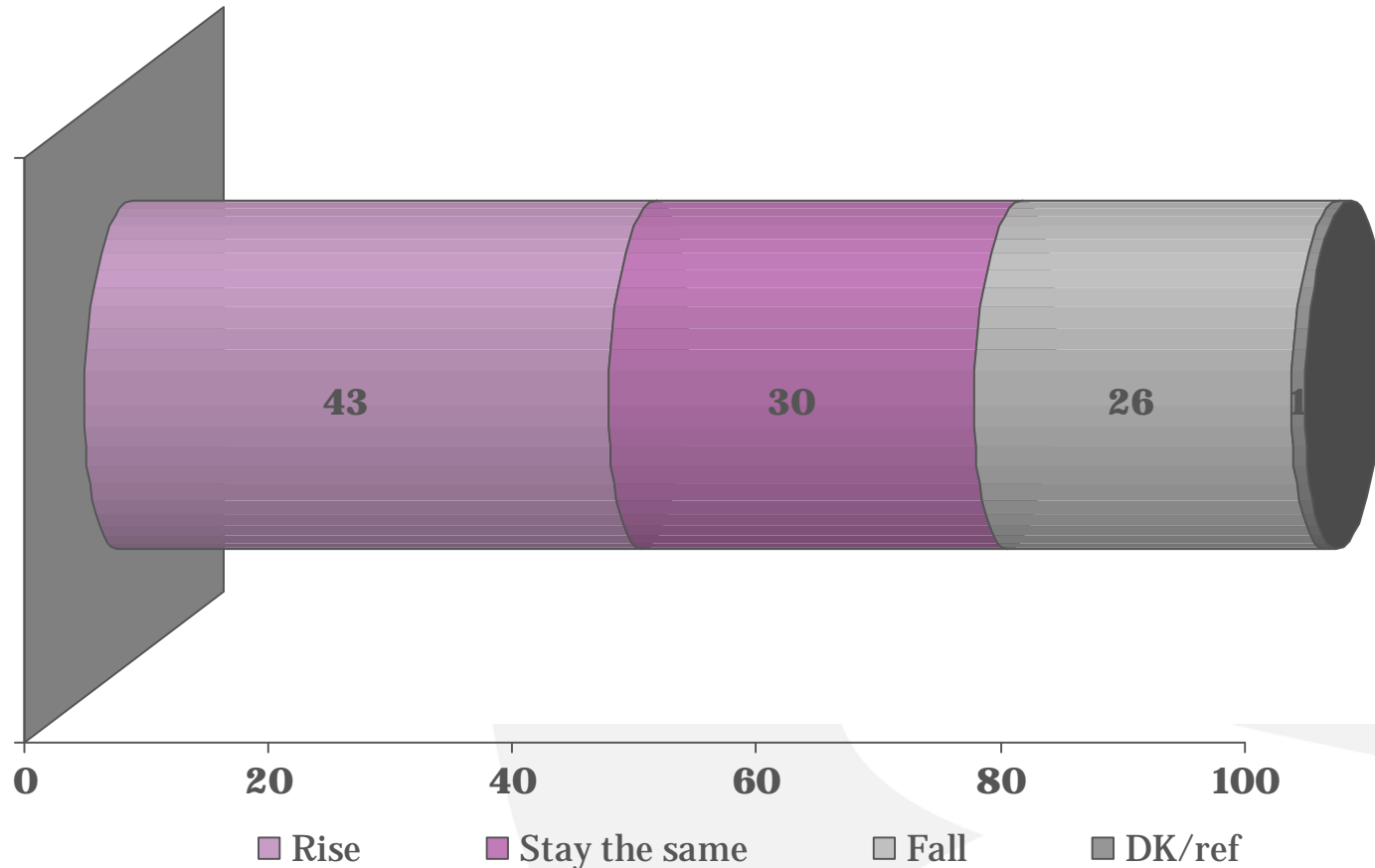
- ❑ Forty three percent of the C-suite expect the price of oil to continue to rise over the coming year from the “current level of \$120-130 a barrel”.
 - Those expecting it to rise generally see it rising to a range of \$135 to \$175 a barrel. Very few think it will exceed \$175 over the coming year.

- ❑ Less than a third expect it to stay the same, and only a quarter think that the price of oil will drop.
 - Those expecting the price to drop, think that it will drop to between \$100 and \$115 a barrel.



Expectations for the Price of Oil

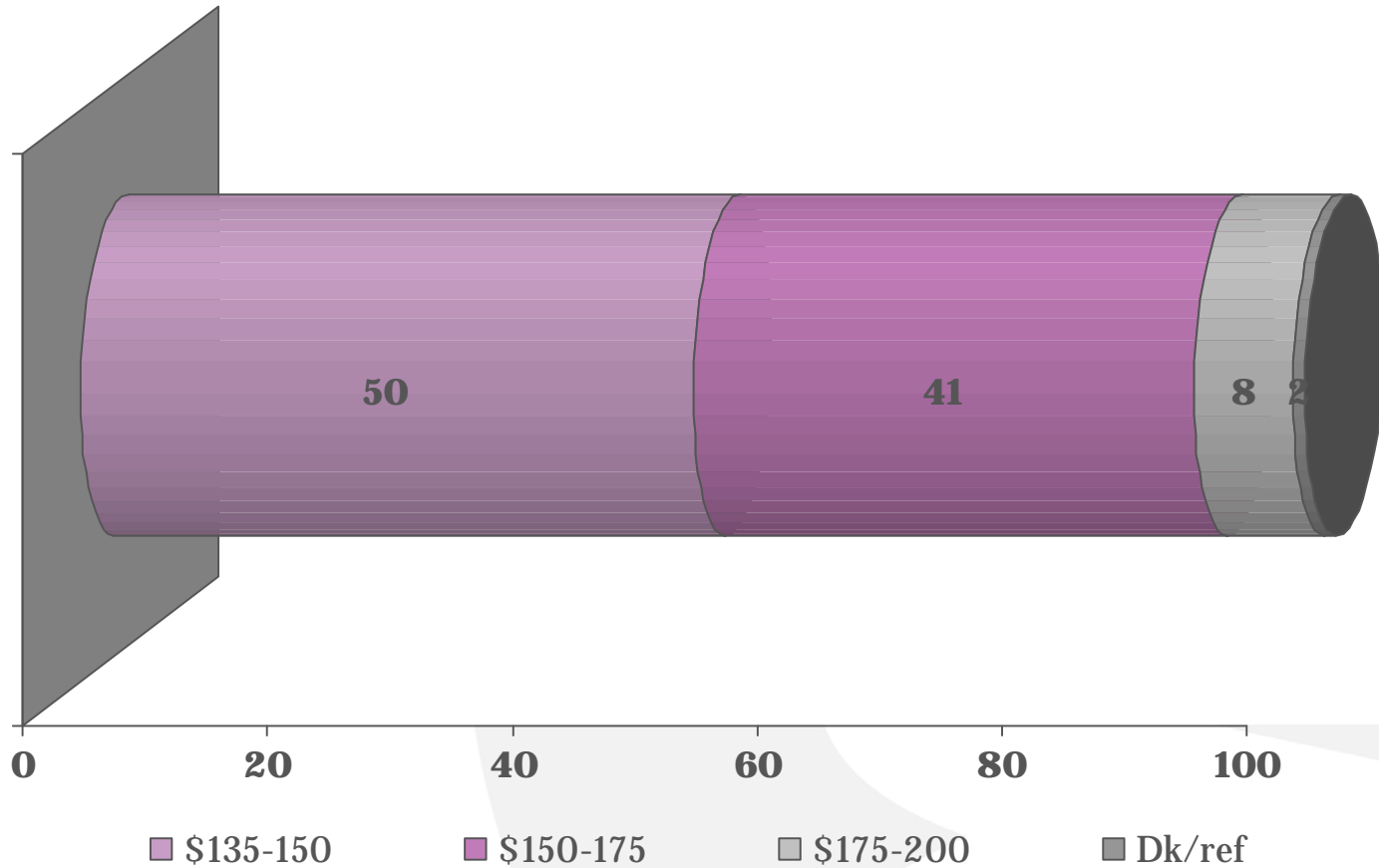
What are your expectations for the price of oil over the coming year – do you think it will rise, fall, or stay at the current level (between 120-130 dollars per barrel)?





How Much Will Price of Oil Rise?

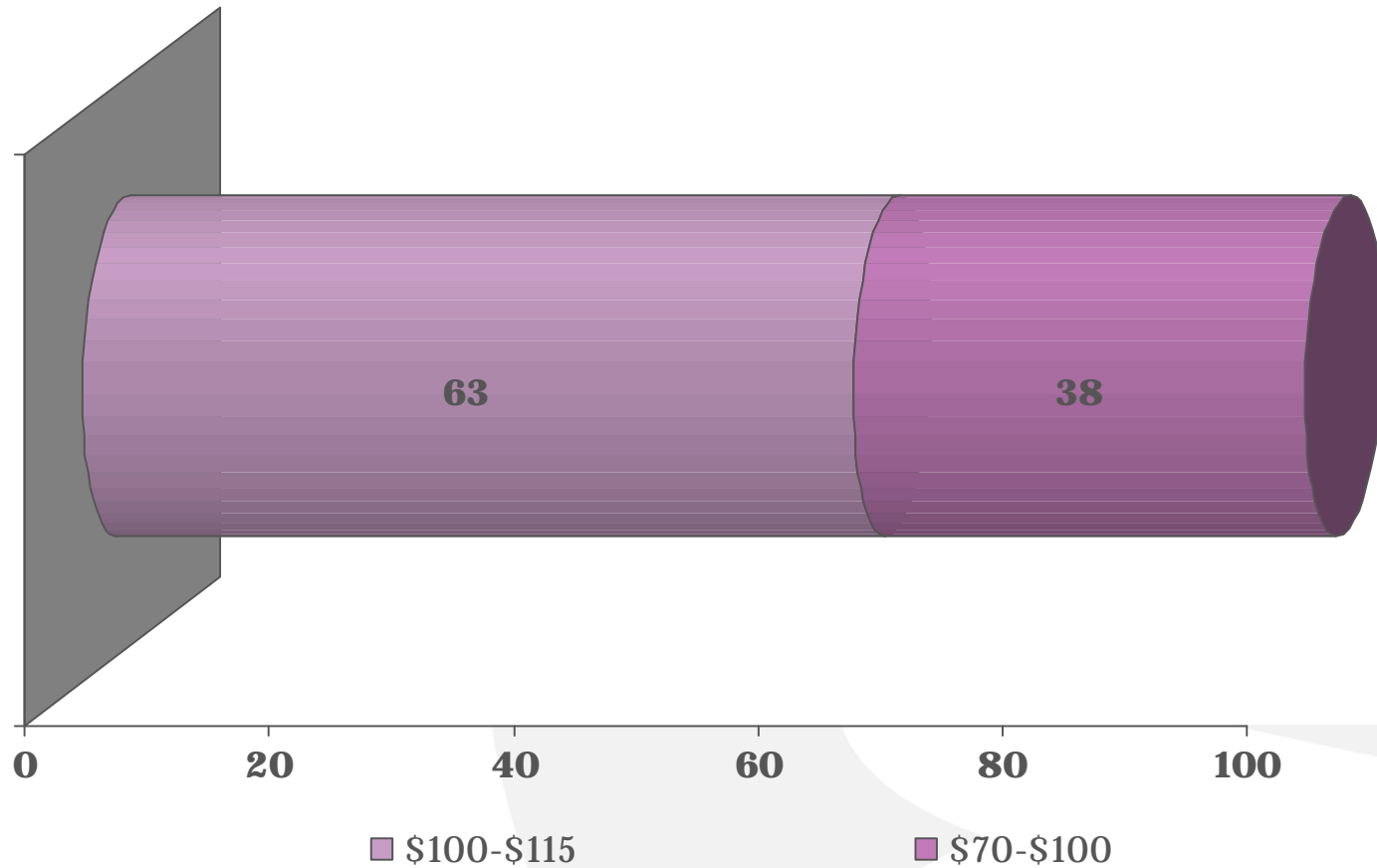
(if rise, n=66) Do you think the price of oil will rise slightly to around \$135 to \$150 a barrel, rise to \$150 to \$175 a barrel, or rise to \$175 to \$200 a barrel?





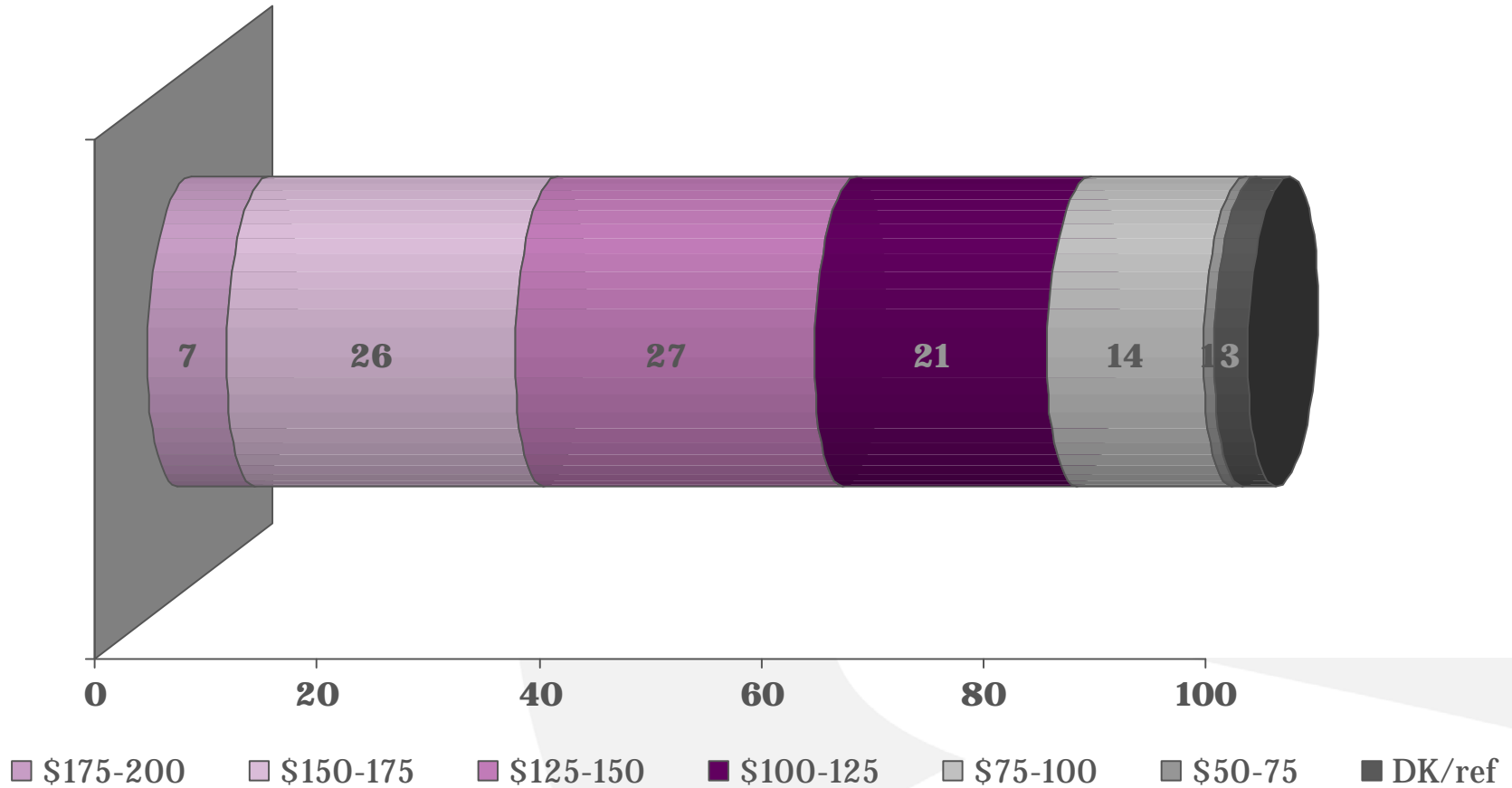
How Much Will Price of Oil Decrease?

(if fall, n=40) Do you think the price of oil will fall to between \$100 and \$115 a barrel or fall further to \$70 to \$100 a barrel?





And what about two years from now – do you think oil prices will be between \$175-200 a barrel, \$150-175 a barrel, \$125-150 a barrel, between \$100-125 a barrel, \$75-100 a barrel or \$50-75 a barrel?





Oil Prices Are Hurting the Economy

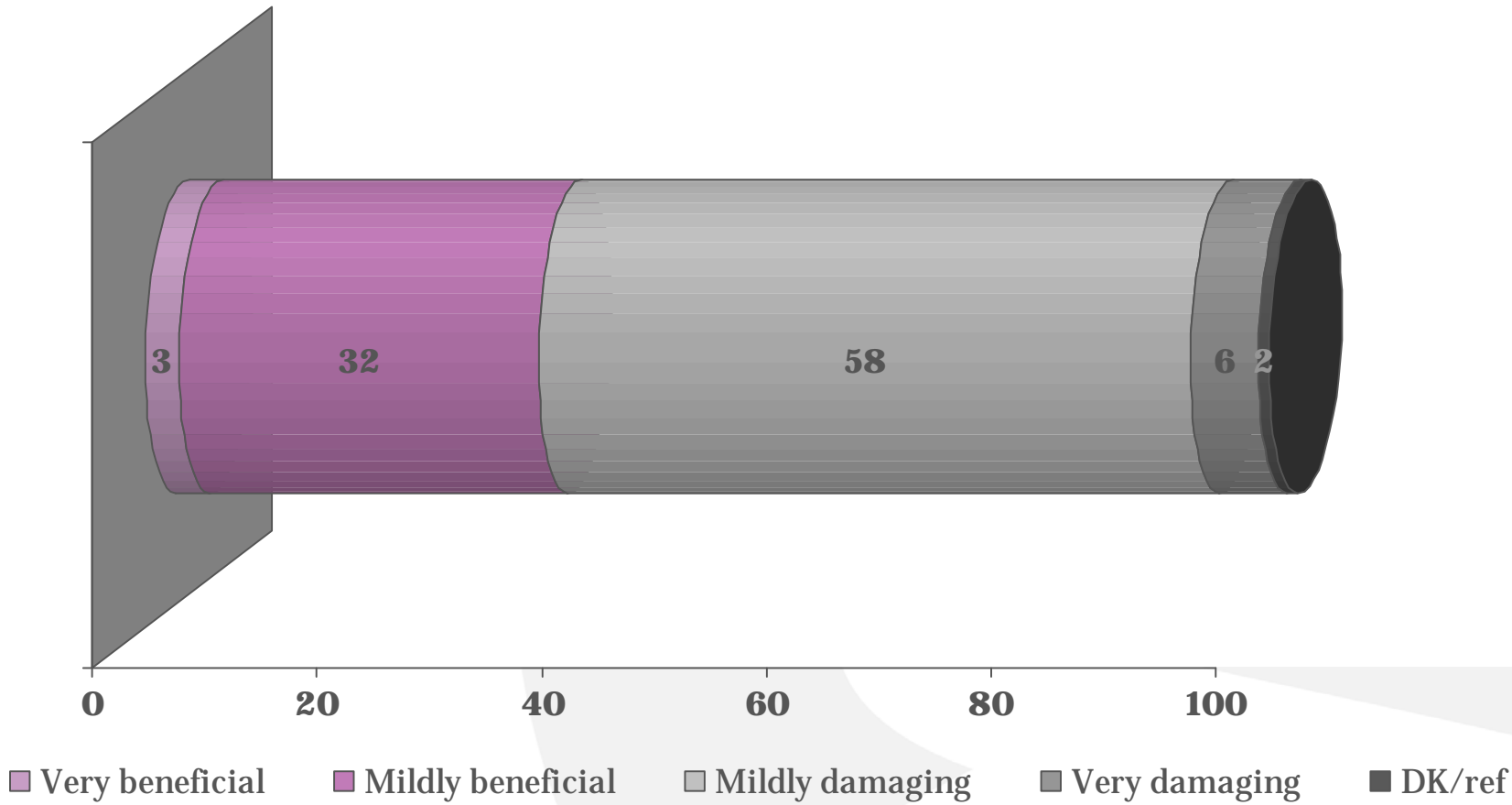
- ❑ Among those executives who think the price of oil will rise, most believe it will have some damaging effects on the economy, though few believe it will be very damaging.
 - Just over a third think that the higher price of oil will be beneficial

- ❑ Two thirds of Manufacturing and Service sector executives consider the current price of oil to be a problem for their businesses
 - Resource executives are divided between those who see oil prices as a problem and those who see them as an opportunity



Impact of Oil Increase on Economy

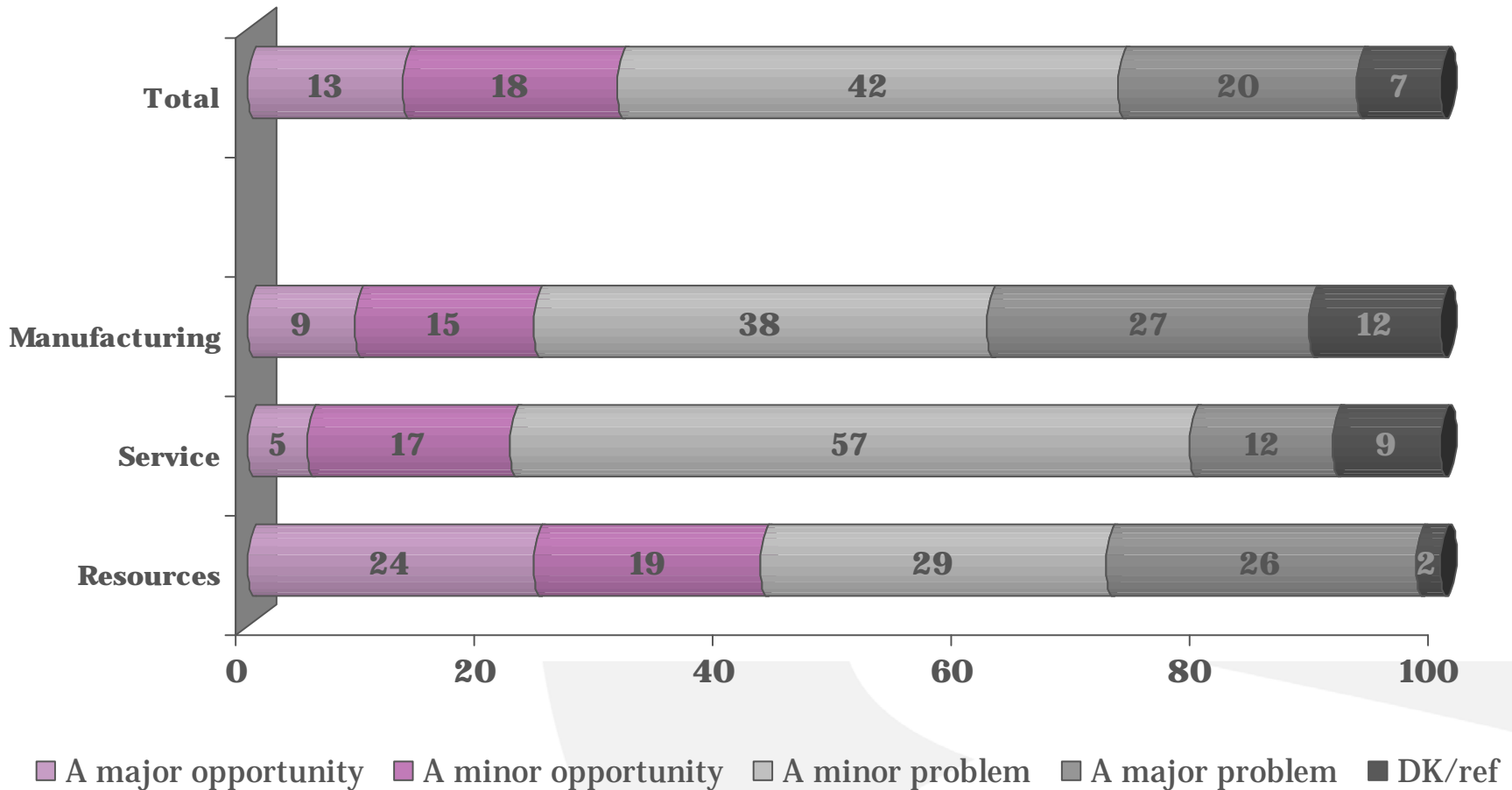
(if rise, n=66) And what type of impact do you think this will have on Canada's economy – will it be very damaging to the Canadian economy, mildly damaging, mildly beneficial or very beneficial to the Canadian economy?





Current Oil Price a Problem or an Opportunity?

Is the current price of oil a major problem for your business, a minor problem for your business, a minor opportunity for your business or a major opportunity for your business?





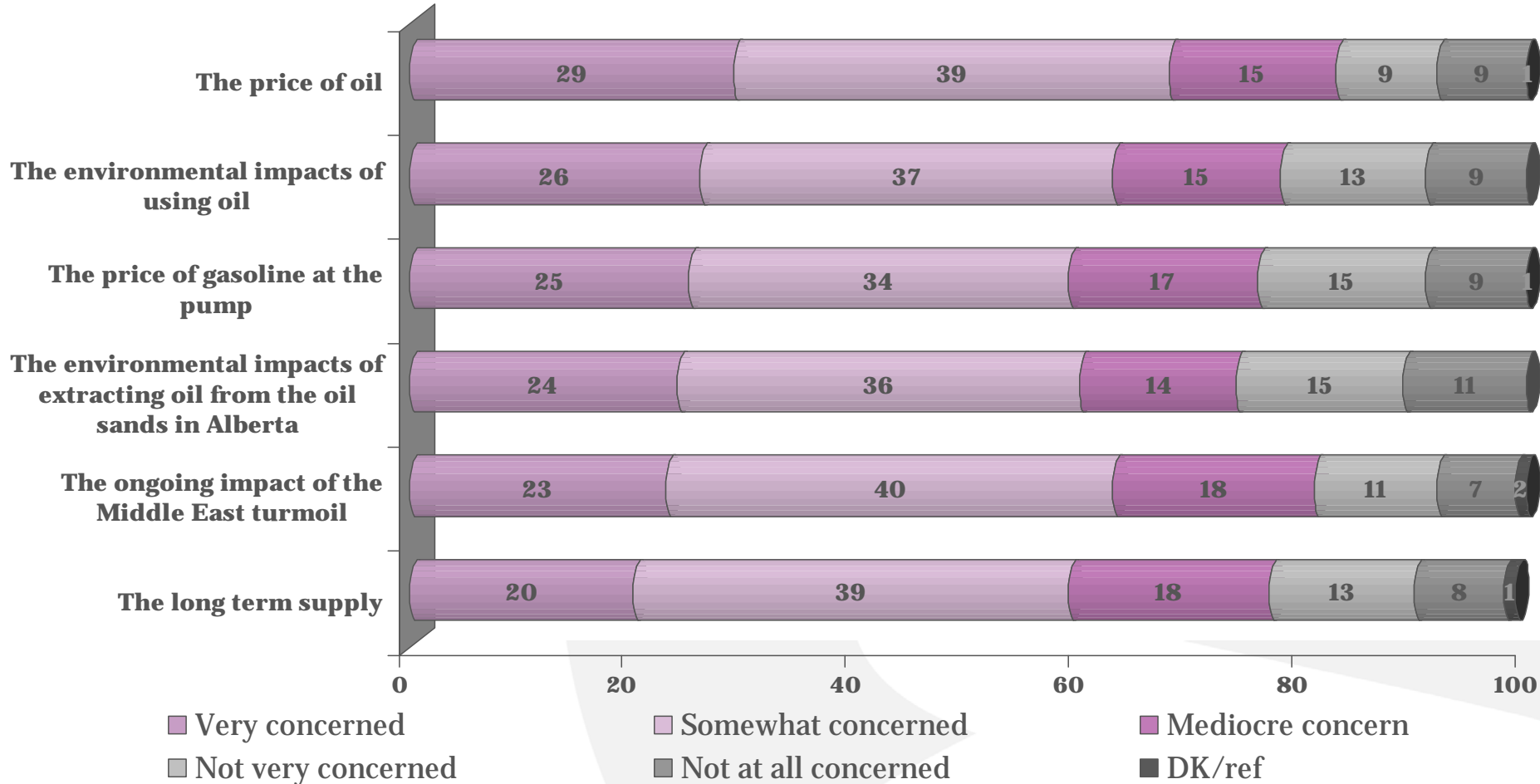
- ❑ The price of oil and the environmental impacts of using oil are roughly equal concerns for the C-Suite
 - However, given that there is strong opposition to government raising the price of oil as an environmental measure, cost concerns must trump environmental concerns at this time

- ❑ A third believe it is up to government to be responsible for reducing greenhouse gases, while a quarter say it's up to businesses.



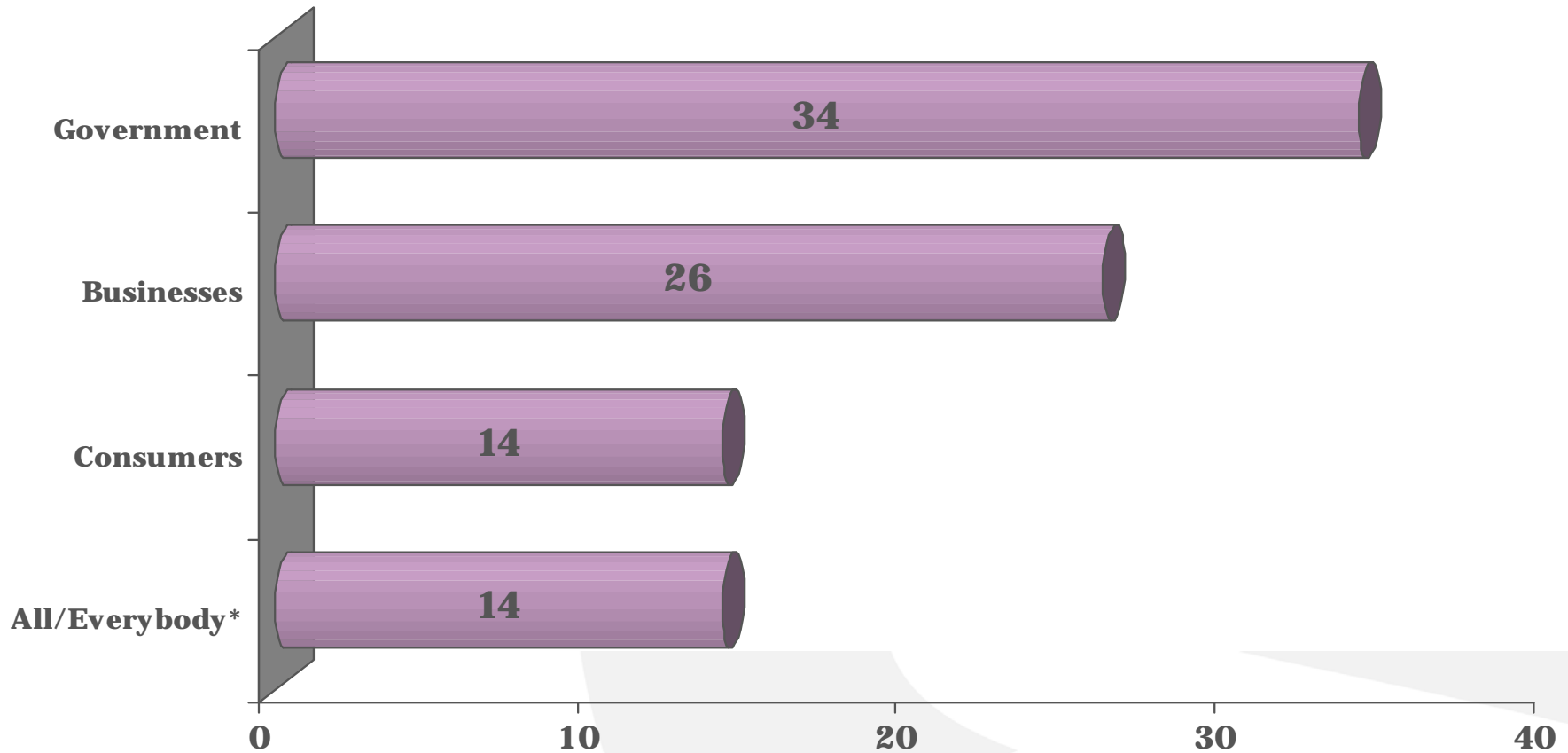
Concern for Aspect of the Oil and Gas Industry

How concerned are you about the following aspects of the oil and gas industry?





Who should be primarily responsible for reducing the amount of greenhouse gas emissions in Canada?



*Was not offered as a response – 14% said it instead of the three given responses



- ❑ Support for all environmental initiatives is significantly lower than a year ago.
- ❑ Executives are split over whether Canada should be a signatory to Kyoto, though opponents tend to feel more strongly than supporters.
 - There has been a sharp decline in support for the Kyoto accord over the past year
- ❑ To combat climate change virtually all C Suite executives support:
 - Investments and incentives to boost emissions reducing technologies,
 - Major investments in wind and solar power, and
 - Building new nuclear plants
- ❑ Using federal regulations to limit carbon emissions also has solid majority support, although support levels have diminished significantly in the past year

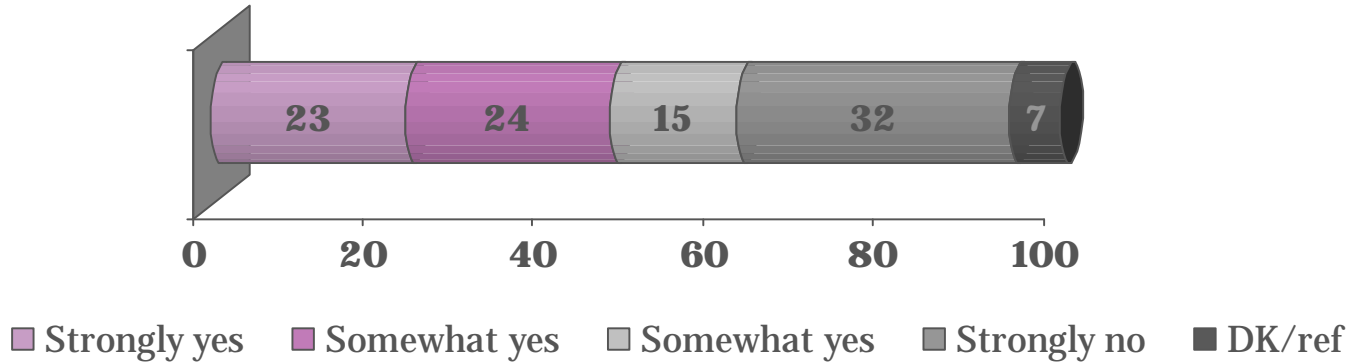


- ❑ Both a “cap and trade” system and a carbon tax meet with much higher levels of opposition, as executives are evenly divided about the merits of either proposal
 - One year ago, a carbon tax had two thirds support among executives and is now supported by fewer than half – strong opposition has almost doubled
 - A carbon tax is strongly supported in Quebec, strongly opposed in the west, and divides Ontario executives evenly

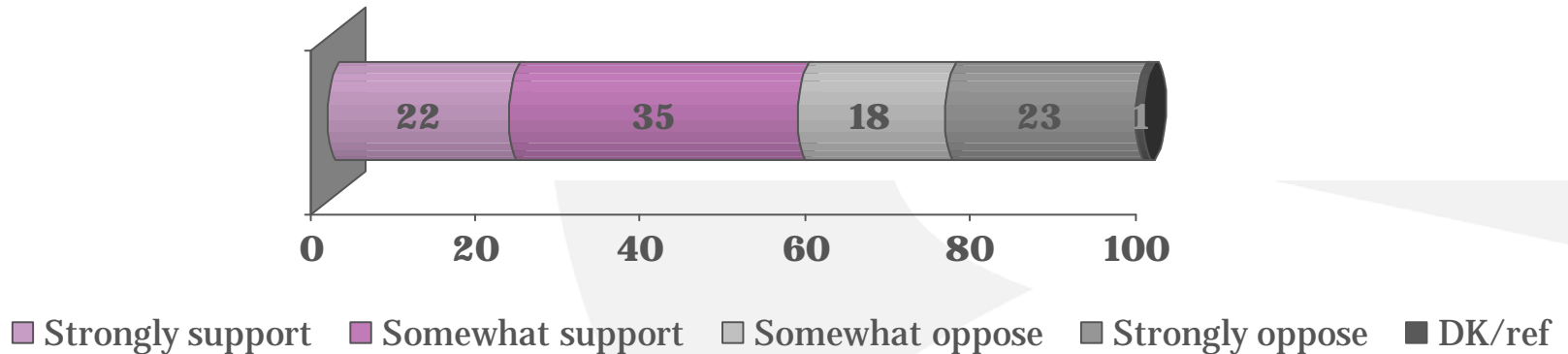
- ❑ Although concern about the environmental impacts of the oil sands remain high, as supply and price pressures have increased, support for limiting oil sands development has diminished



Do you think Canada should or should not be a signatory to the Kyoto Accord? Do you feel that way strongly or somewhat? (June 2008)



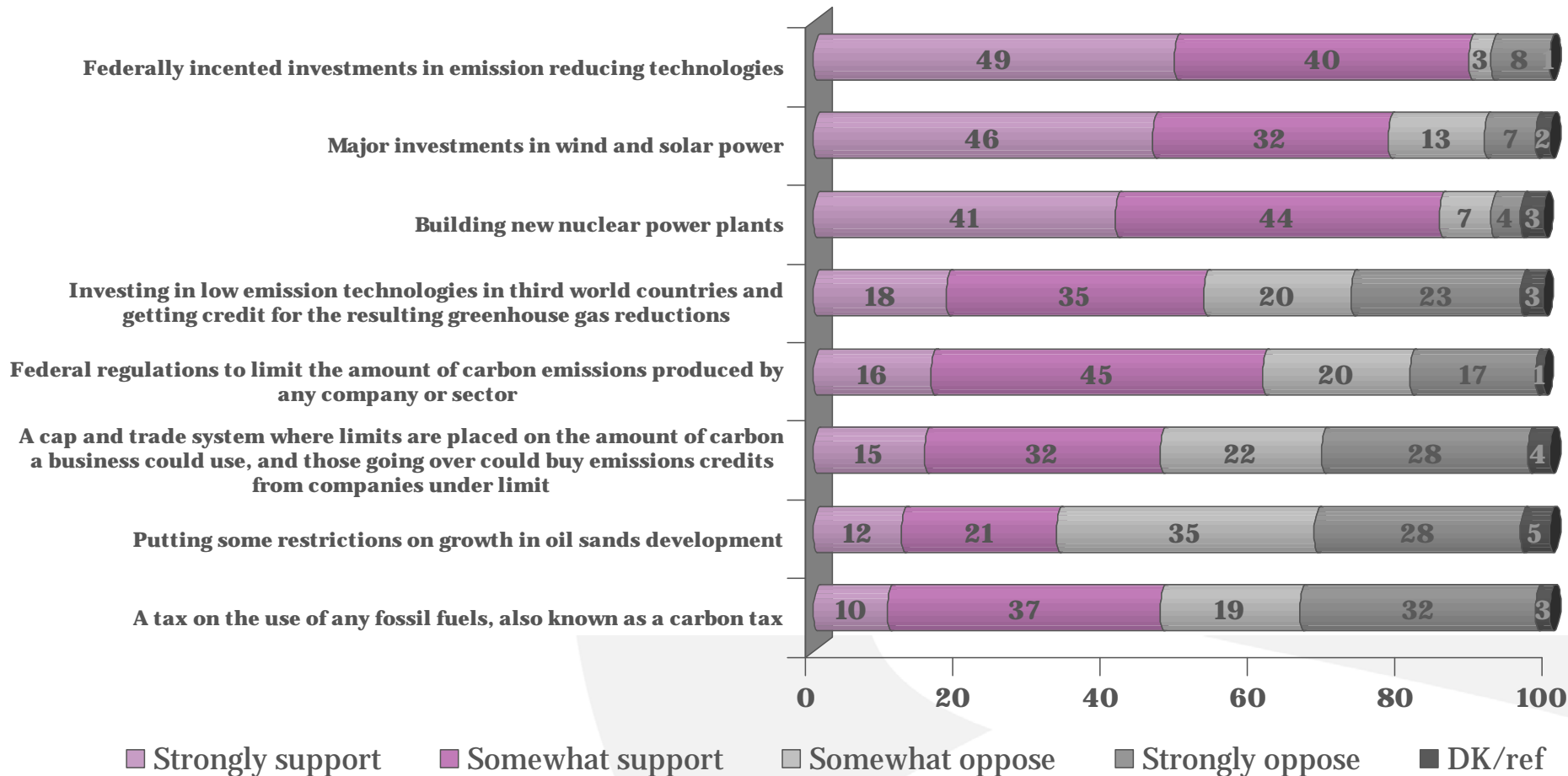
Do you strongly support, somewhat support, somewhat oppose or strongly oppose Canada abiding by the **Kyoto accord** and meeting the **Kyoto targets**? (February 2007)





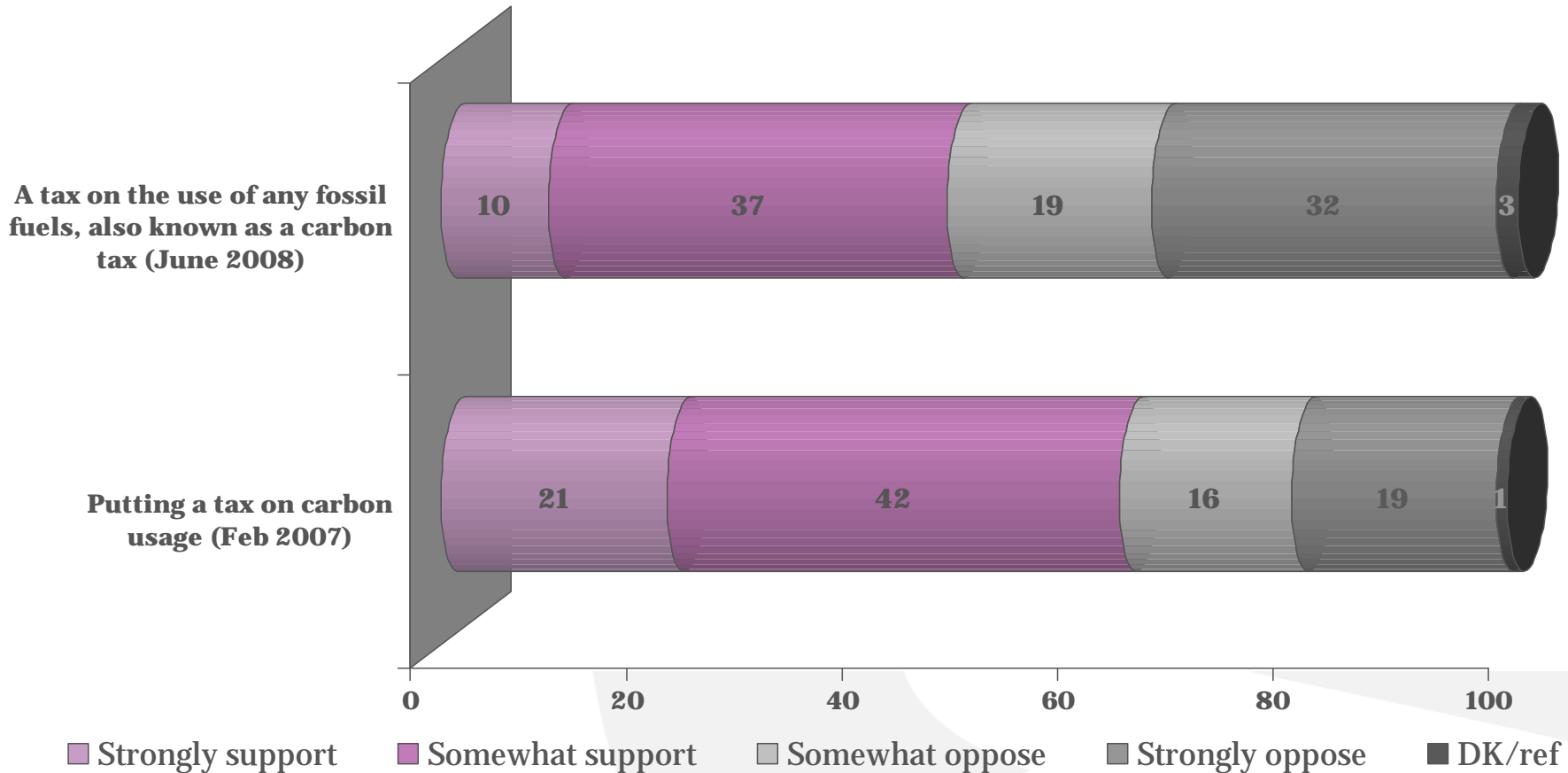
Support for Measures to Improve the Environment

Would you strongly support, somewhat support, somewhat oppose or strongly oppose the use of _____ as a measure to combat climate change and improve the environment?





Would you strongly support, somewhat support, somewhat oppose or strongly oppose the use of _____ as a measure to combat climate change and improve the environment?

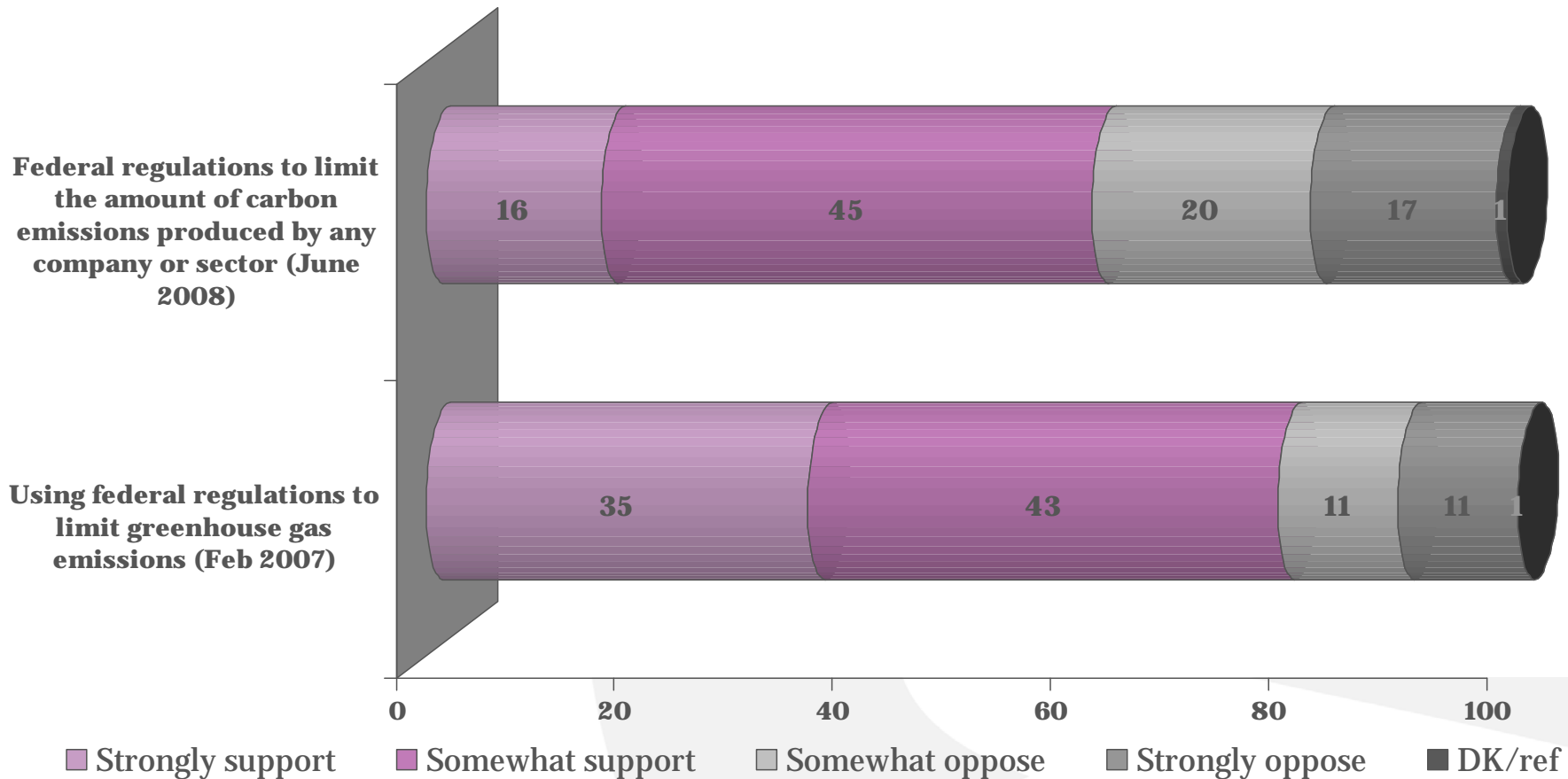


*In February 2007 edition, question was worded “Would you strongly support, somewhat support, somewhat oppose or strongly oppose the following measures to reduce greenhouse gas emissions?”



Tracking: Federal Regulations to Limit Emissions

Would you strongly support, somewhat support, somewhat oppose or strongly oppose the use of _____ as a measure to combat climate change and improve the environment?

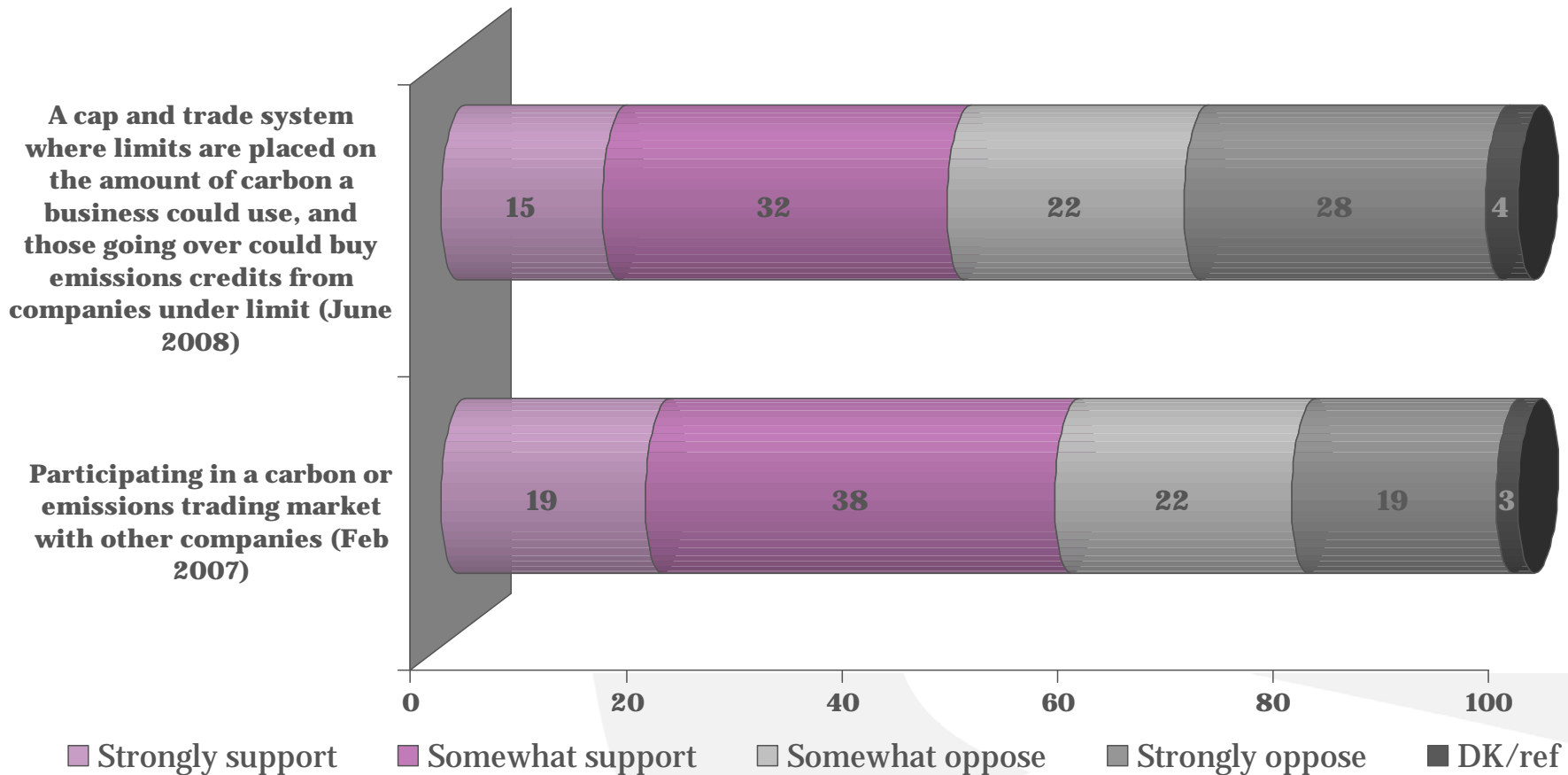


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Tracking: Emissions Trading with Other Companies

Would you strongly support, somewhat support, somewhat oppose or strongly oppose the use of _____ as a measure to combat climate change and improve the environment?

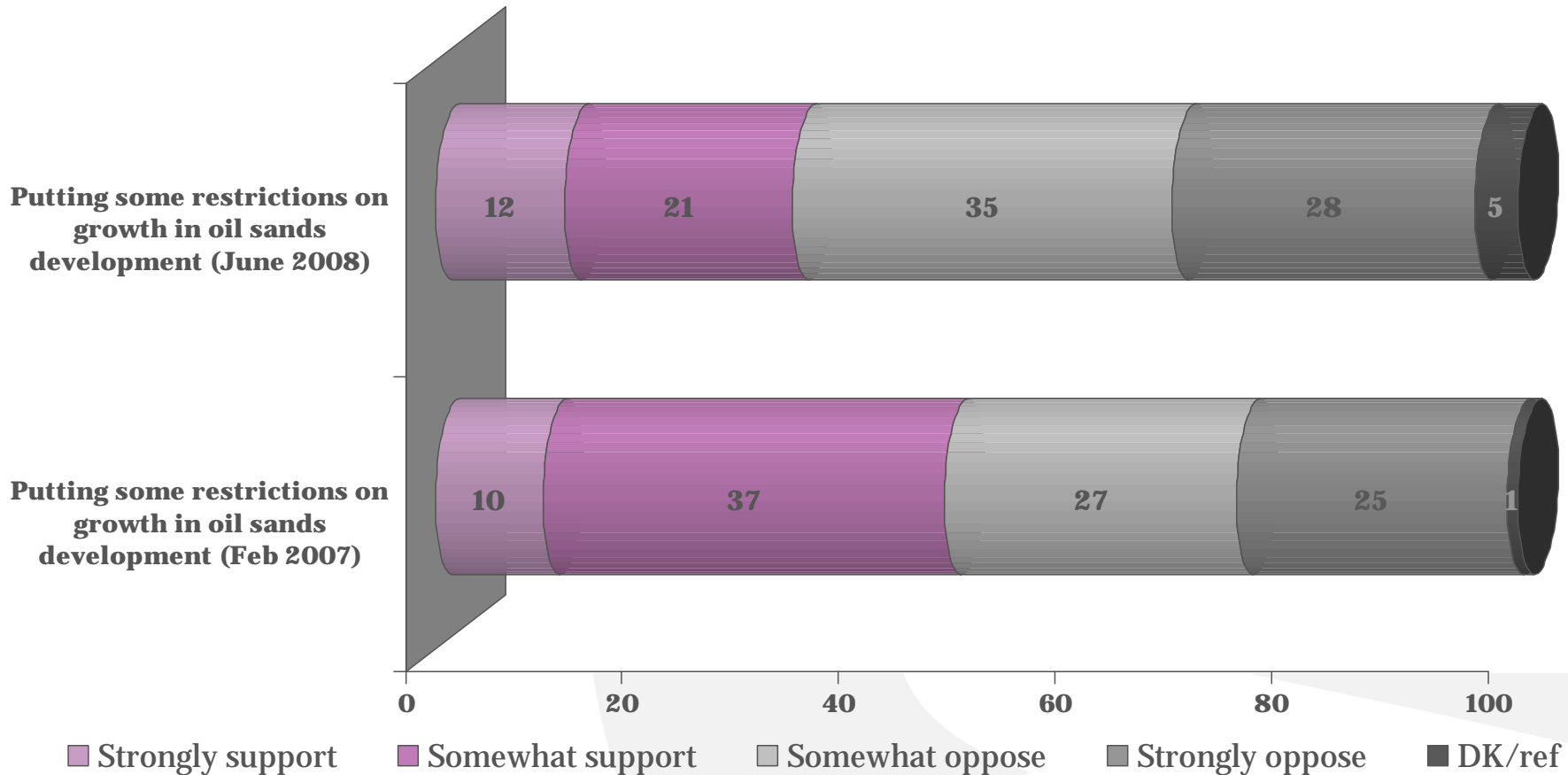


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Tracking: Restrictions on Growth in Oil Sands Development

Would you strongly support, somewhat support, somewhat oppose or strongly oppose the use of _____ as a measure to combat climate change and improve the environment?

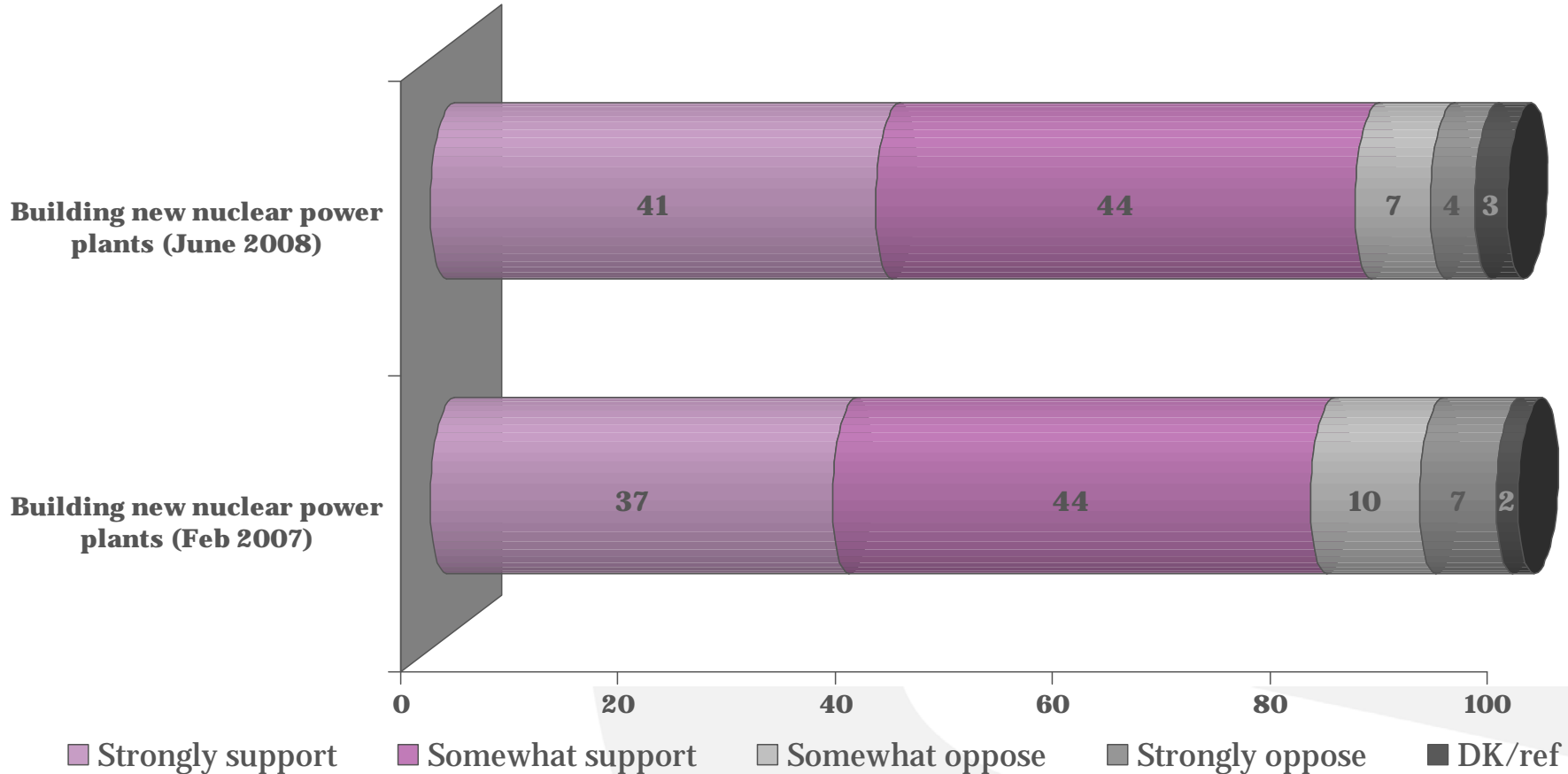


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Tracking: Building New Nuclear Power Plants

Would you strongly support, somewhat support, somewhat oppose or strongly oppose the use of _____ as a measure to combat climate change and improve the environment?

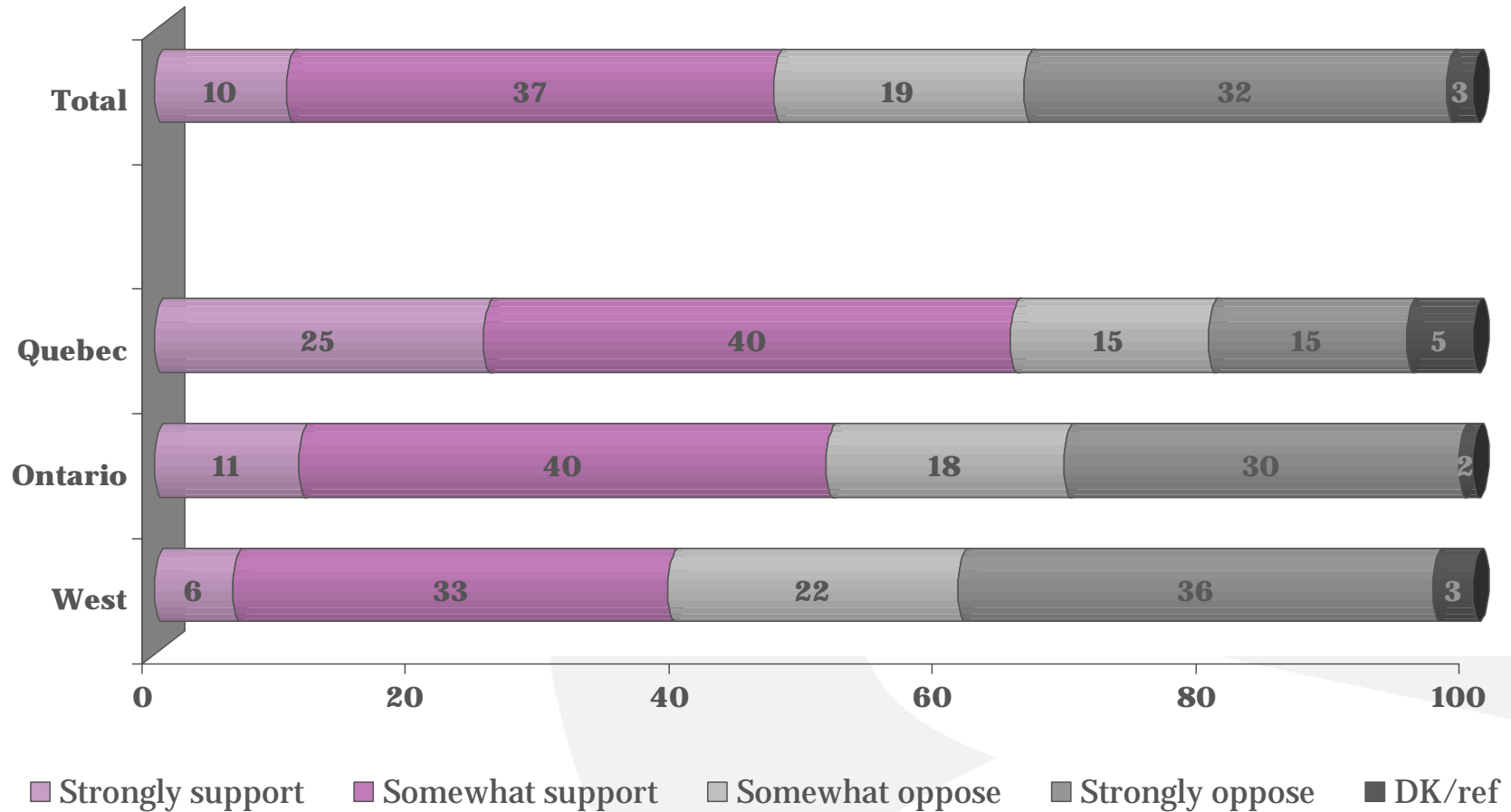


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Support for Carbon Tax to Improve the Environment

Would you strongly support, somewhat support, somewhat oppose or strongly oppose the use of “a tax on the use of any fossil fuels, also known as a carbon tax” as a measure to combat climate change and improve the environment?





- ❑ A carbon tax is seen as by far the most economically damaging measure to fight climate change while “cap and trade” is seen as the most benign
 - Fifty nine percent of executives say that a carbon tax would have a negative effect on their business, while another 30% say that it would have no impact.
 - Manufacturing executives are as worried about the impact of a carbon tax as resource executives are
 - The idea of a “tax shift” has more support than a pure carbon tax, but the intensity of opinion remains with the opponents
 - executives who predicted strong growth for their companies were far more likely to support a tax shift

- ❑ Almost half of executives think that federal regulations would have a negative impact on their business – almost as many think that it would have no impact on them.

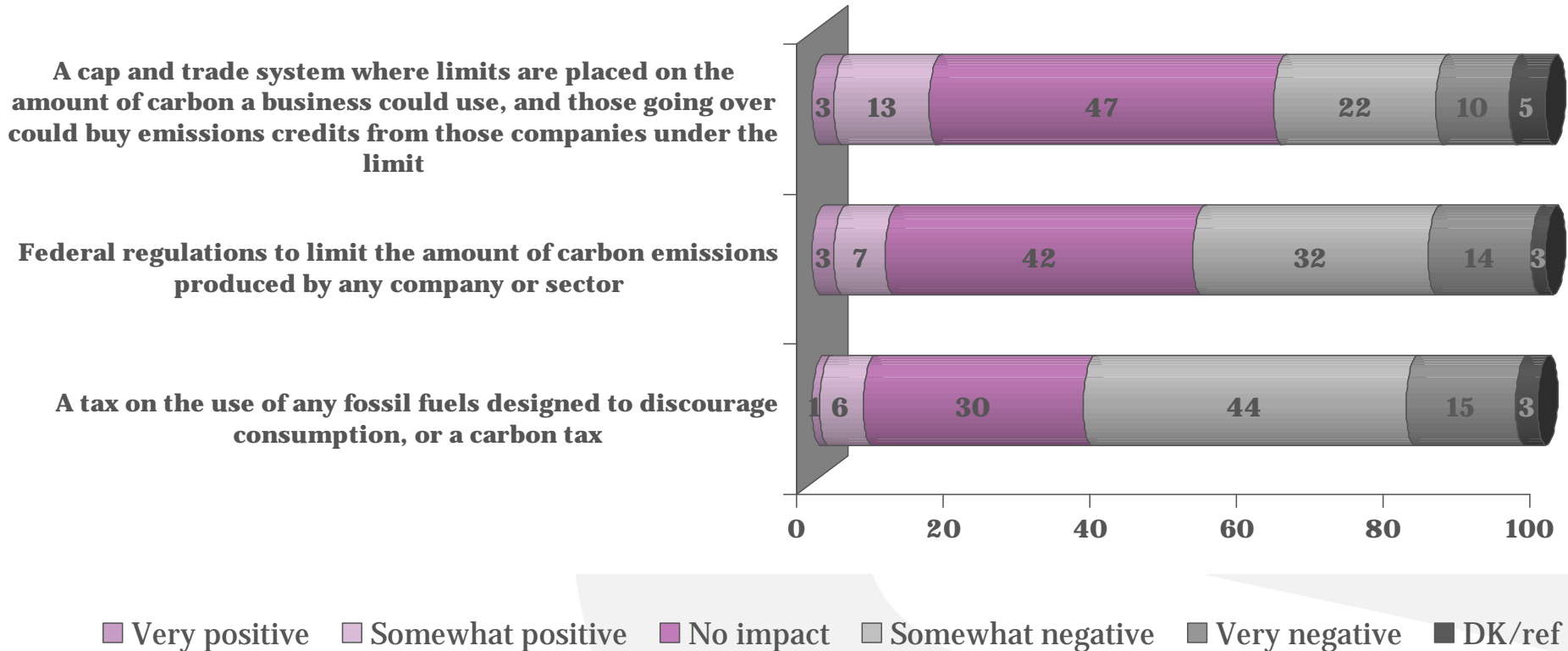
- ❑ Less than a third of executives think that a “cap and trade” system would negatively impact their business. Most think that it would have no impact, while 16% think it would have a positive impact.

- ❑ Few think any of these measures would positively impact their business.



Impact of Measures on Your Business

What would the impact of _____ be on your business – very positive, somewhat positive, somewhat negative, or very negative?





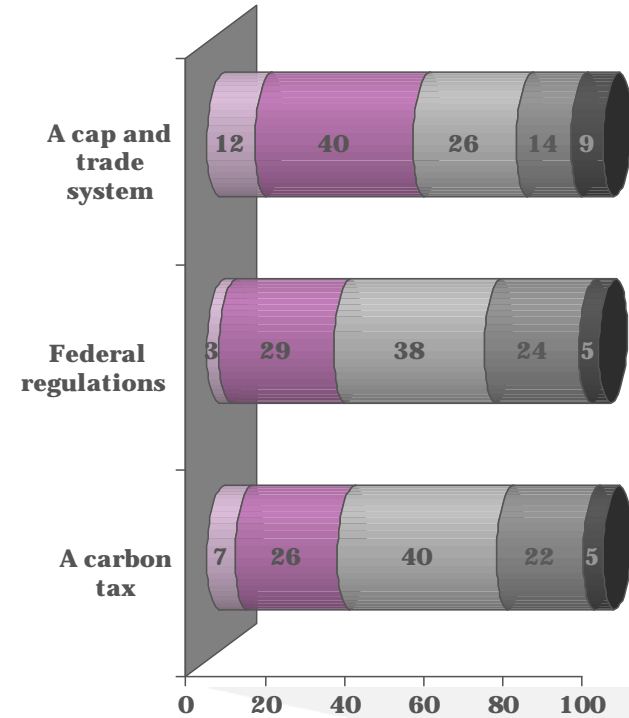
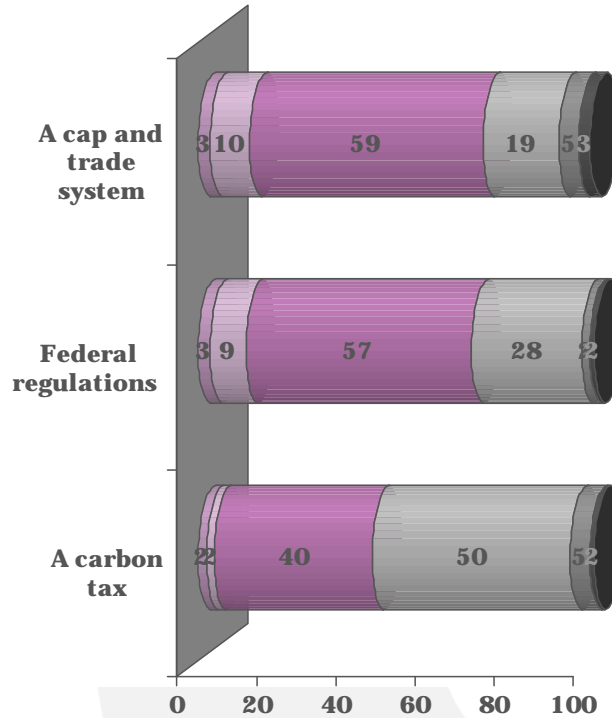
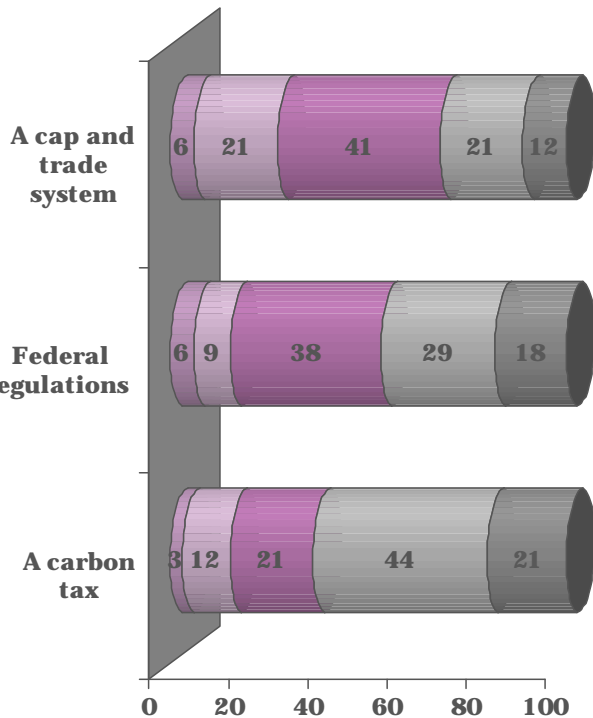
Impact of Measures on Your Business: Sector

What would the impact of _____ be on your business – very positive, somewhat positive, somewhat negative, or very negative?

Manufacturing Industry

Service Industry

Resource Industry



Very positive
Somewhat positive
No impact
Somewhat negative
Very negative
DK/ref

Very positive
Somewhat positive
No impact
Somewhat negative
Very negative
DK/ref

Very positive
Somewhat positive
No impact
Somewhat negative
Very negative
DK/ref



- Only one in five of those with an opinion felt that a tax of less than 10% would do much to affect behaviour
- Twice as many felt that no level of taxation would significantly reduce consumption
- Half of executives couldn't hazard a guess at what the carbon tax rate would have to be in order to be effective



Support for “Carbon Shift”

There has been some talk of a “carbon shift”, in which new taxes are placed on the consumption of fossil fuels while income and corporate taxes are reduced commensurately. Would you strongly support, somewhat support, somewhat oppose or strongly oppose this idea?

