

NEWS RELEASE

Canada risks European-like energy crisis if similar policies continue to be pursued

May 31, 2022
For Immediate Release

VANCOUVER—Europe’s current energy crisis should serve as a cautionary tale for Canada as the federal government is pursuing the same set of policies that has led to skyrocketing energy prices in Europe, finds a new study by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

“The current energy crisis in Europe predates Russia’s invasion of Ukraine, and is largely the result of self-inflicted wounds brought about by unsound energy policies—policies that the Canadian federal government is also pursuing, which could lead to similarly disastrous results in Canada,” said Robert P. Murphy, a senior fellow with the Fraser Institute and co-author of *Can Canada Avoid Europe’s Energy Crisis?*

The study finds that the Canadian federal government, and many European countries and the European Union are pursuing similarly aggressive climate policies that have largely contributed to energy prices skyrocketing in Europe. For example, in July 2021, natural gas prices were 670 per cent higher in Europe than just one year before, and from 2020 to 2021, electricity prices soared to record levels in Europe, rising more than 200 per cent in Germany, the UK, Spain, and France, and more than 450 per cent in the Nordic region.

So, what are the policies that led to Europe’s energy crisis?

Many European countries, in particular Germany, mandated the phase-out of conventional coal-fired and nuclear electricity generation and accelerated the transition to renewable energy sources, such as solar and wind power. But given the intermittent nature of renewables, transitioning to renewables actually made the region’s power market highly dependent on natural gas as a back-up supplier in times of high electricity demand. Not only did this increase the price of natural gas, it also made the continent dependent on Russia as a natural gas supplier. Not surprisingly, higher natural gas prices have in turn increased electricity prices for most Europeans.

The Canadian federal government has also mandated the phase-out of coal-fired electricity generation and accelerated a transition to renewables to support its target to achieve 90 per cent of non-emitting electricity generation by 2030.

What’s more, Canada is increasing the federal carbon tax to \$170 per tonne by 2030, while the European Union Emission Trading System allowance price—essentially, Europe’s carbon price—has also increased recently to roughly \$110 per tonne.

“Europe’s ongoing energy crisis is a result of government intervention in energy markets,” said Elmira Aliakbari, Director of Energy studies at the Fraser Institute and study co-author. “The policies enacted in Europe that helped create the current energy crisis are the same policies that the Canadian federal government is pursuing, and the results will be the same—higher energy prices, higher costs of living, and lower economic growth.”

MEDIA CONTACT:

Robert P. Murphy

Senior fellow at the Fraser Institute

To arrange media interviews or for more information, please contact:

Drue MacPherson, Fraser Institute

Tel: (604) 688-0221 Ext. 721

E-mail: drue.macpherson@fraserinstitute.org

Follow the Fraser Institute on [Twitter](#) and [Facebook](#)

The Fraser Institute is an independent Canadian public policy research and educational organization with offices in Vancouver, Calgary, Toronto, and Montreal and ties to a global network of think-tanks in 87 countries. Its mission is to improve the quality of life for Canadians, their families and future generations by studying, measuring and broadly communicating the effects of government policies, entrepreneurship and choice on their well-being. To protect the Institute's independence, it does not accept grants from governments or contracts for research. Visit www.fraserinstitute.org