

Environment and Climate Change

Background

Canada's environment is central to our prosperity, providing essential clean air and water for our health, natural resources to power our economy and facilitate hundreds of thousands of jobs, and unique wild spaces and species for which Canada is renowned worldwide.

However, given increasing risks of dangerous climate change, an over-reliance on fossil fuels, pressure for new pipelines to facilitate increased production from the tar sands for export, threats to biodiversity, and cuts to environmental protection laws and funding, Canada needs to take major fiscal, regulatory, and diplomatic actions to preserve a healthy environment and a stable climate for all.

2015 is poised to be a significant year for international climate negotiations, with December targeted for approval of a new global treaty to constrain greenhouse gas emissions.

Environmental policy in Canada should be based on three primary objectives:

1. Ensuring that current and future generations have access to the environmental goods and services, and key infrastructure — clean air, clean water, a stable climate, healthy soil and food supplies, energy sources, efficient transportation

systems, and recreational opportunities — that are fundamental to living a healthy and prosperous life;

2. Preserving marine and terrestrial biodiversity, wild species and spaces, and robust living systems in Canada, including terrestrial and marine protected areas, species at risk, wetlands, grasslands, and migratory birds; and

3. Taking responsibility for global sustainability, starting from a perspective of “do no harm” (i.e., ensuring that actions in Canada do not impede the ability of others beyond our borders to live healthy lives), and striving to play a leadership role on the global stage.

Greening Canada's economy, understood to mean dramatically improving the overall environmental impact of economic activity while preserving decent livelihoods for Canadians and Indigenous people, is a fundamental element.¹ In particular, Canada is facing a critical choice between building the next generation of fossil fuel infrastructure and building the green infrastructure of a sustainable economy. This latter route requires concerted action by the federal government.

Implementing a well-designed price on greenhouse gas (GHG) emissions (a “carbon

price”) is a crucial step for greening Canada’s economy and for taking leadership on climate change. Setting a price on pollution will spur emission reductions throughout the economy and incentivize technological innovation that could capitalize on the blossoming global clean energy market, which already provides more jobs than tar sands development.²

A carbon price based on the polluter pays principle is also a key measure in the AFB’s plan to shift the fiscal playing field for natural resource exploration and development by using subsidy and pricing reform, so that fiscal policies favour natural resources whose life-cycle and human health impacts are more positive.³ Another important reform is to end subsidies for energy sources that are non-renewable, or whose development or use is significantly environmentally damaging.

However, market-based economic instruments must be combined with government leadership, strong regulations, education, research and development, proactive industrial policies, significant public investment, and measures to protect low-income Canadians, Indigenous people, and trade-sensitive industries.

Current Issues

The best current budget opportunities include implementing a price on greenhouse gas emissions through a carbon tax; not subsidizing liquefied natural gas (LNG) or hydraulic fracturing (fracking); protecting Canada’s public lands and species at risk;

and supporting power storage through accelerated expense write-offs, electric vehicles through fast-charging recharging stations in high-demand areas, and public transit and energy efficiency home retrofits.

The best climate science indicates that in order to have a chance of keeping global warming from exceeding dangerous levels, greenhouse gas pollution from rich, industrialized countries such as Canada must be virtually eliminated in the next 40 years.⁴ Tackling climate change will involve an ongoing switch away from using fossil fuels such as coal, oil, and natural gas, and towards the efficient use of clean, renewable energy. This switch will not happen overnight. But it has to begin now and be unrelenting for the next three to four decades in order for Canada’s resulting GHG pollution to be reduced virtually to zero by 2050.

The federal government should be developing and implementing policies that facilitate and accelerate that transition, by reducing the amount of energy we need to power our economy, and shifting from dirty fossil fuels to the efficient use of safe, renewable energy, preferably geographically distributed and community controlled.

To do so, the federal government must implement a comprehensive suite of policies that address all the major users of fossil fuel and sources of greenhouse gas pollution. That suite must include broad policies that encourage the switch to clean, renewable energy. Policies must target specific sectors or activities, including the electricity sector; the manufacturing sector; the oil, natural gas, and refining sectors; residential, commercial, and institutional build-

ings; transportation sub-sectors such as personal vehicles, freight transportation, public transportation, rail, domestic and international aviation, and off-road vehicles; the waste sector; the agricultural sector; and energy-consuming goods such as furnaces, water boilers, appliances, and air conditioners.

Implementing a robust price on GHG emissions is crucial and will accelerate Canada's transition to a low-carbon economy. A price-based carbon tax is more effective than a quota-based cap-and-trade system.⁵ A carbon tax does not guarantee specific emission reductions, but it does allow businesses to plan for the future. It also eliminates the speculation, windfall profits, and false savings that accompany a cap-and-trade system.

Detailed analysis by energy economist Mark Jaccard has shown that to meet the 2°C target to prevent significantly damaging climate change Canada needs to immediately introduce a carbon price of \$30 a tonne (the level in British Columbia) and raise that price to \$200 a tonne by 2020. Complementary changes through tougher regulations, standards, investments in renewable energy and energy efficiency, public transit, and other areas may be able to reduce the level to which a carbon tax would need to be raised to reduce emissions.

If the federal government invests Harmonized Carbon Tax (HCT) revenues in renewable energy, green infrastructure, and tax refunds for individuals, Canada can achieve deep reductions in greenhouse gas emissions, maintain strong economic growth, and generate jobs. The HCT will

be integrated with (and consistent with) provincial carbon taxes with half the revenues going to a progressive federal green energy tax refund, and half the remaining funds made available to provinces and territories that agree to fund further climate change abatement measures. The HCT will apply to all non-renewable fuels based on their CO₂ emission factors.

Further reducing tax preferences for the oil, gas, and mining sectors will create multiple benefits, particularly in reducing the deficit, increasing the neutrality of the tax system, and advancing Canada's commitment to the G20 to eliminate inefficient fossil fuel subsidies. To that end, the AFB will not provide new tax benefits to liquefied natural gas (LNG).

The federal government has set a goal of generating 90% of Canada's electricity from non-emitting sources by 2020.⁶ To achieve this goal, the AFB recommends that the government fund electric vehicle fast-charging stations, provide an accelerated capital cost allowance for electricity storage, and finance a national home retrofit program in partnership with the provinces and territories.

AFB Actions

The AFB will:

- Implement a National Harmonized Carbon Tax (HCT) set at \$30 per tonne, ensuring that more than half of HCT revenue funds a progressive annual green tax benefit of \$300 per adult and \$150 per child, and that half of the remaining HCT revenues are transferred to the

provinces and territories to fund further climate change abatement measures, including a national green transportation plan (see AFB Taxation chapter);

- Ensure Canada contributes its fair share of the US\$100 billion a year that developed countries promised in climate financing by 2020 “from a wide variety of sources.” (Cost: \$400 million annually);⁷
- Honour Canada’s G20 commitment to reduce inefficient fossil fuel subsidies by not providing any new tax benefits to liquefied natural gas (LNG) for export, enabling the Canadian Exploration Expense only for unsuccessful exploration, and not renewing the Mineral Exploration Tax Credit for flow-through shares. (Savings: \$375 million annually);
- Invest in strategic opportunities to help Canada achieve its goal of generating 90% of its electricity from non-emitting sources by 2020. These will include kick-starting national fast-charging electric vehicle (EV) infrastructure by investing \$12 million in 2015 into travel corridor pilot projects, and considering vehicle purchase rebates; amending Classes 43.1 and 43.2 of the Income Tax Act to specify that accelerated capital cost allowances also apply to expenditures on tangible stand-alone electricity storage assets; and supporting home energy efficiency retrofits with an investment of \$250 million per year for five years (to be matched by provinces and territories), with grants for low-income Canadians, and a revolving loan fund to

backstop “pay-as-you-go” on-bill financing modelled on the community-wide approach documented by Green Communities Canada;

- Protect Canada’s unique environment from increasingly volatile weather events by renewing and increasing funding to the Clean Air Agenda’s adaptation theme (to \$45 million per year from 2016 to 2021), and making environmental criteria — particularly resilience to variable weather patterns and strengthening natural infrastructure — central to infrastructure project funding proposal assessment and approval by the federal and provincial governments;
- Create and fund an Ombuds Office for Extractive Industries, which will be mandated to investigate accusations of abuses, and to make recommendations to the government and the companies involved;
- Strengthen environmental science capacity that is fundamental to the federal government’s ability to advance the economic prosperity, health, and quality of life of Canadians;

Furthermore, the AFB will:

- Strengthen Canada’s capacity to meet its international targets for protecting biodiversity. This includes investing in protecting Canada’s public land and water, with \$100 million per year to deliver on the federal government’s areas of responsibility in meeting Canada’s international target of protecting at least 17%

of our lands and freshwater, and 10% of our oceans, by 2020. This money breaks down as follows:

- *National Parks*: \$40 million per year (ongoing) to advance the development of Canada's national parks system and ensure Parks Canada's science-based conservation programs are adequately resourced, plus a one-time investment of \$50 million for land acquisition and other national park establishment costs;
- *Environment Canada-protected areas*: \$40 million per year (ongoing) for Environment Canada to create and manage new National Wildlife Areas and to properly monitor and manage the existing system of National Wildlife Areas and Migratory Bird Sanctuaries to protect wildlife habitat;
- *Conservation Science Support*: \$20 million per year for five years to provide science support for regional conservation planning and actions with a particular focus on advancing interconnected networks of terrestrial and marine protected areas;
- *Species at Risk Act Implementation*: \$40 million per year for five years to renew federal Species at Risk Act implementation funding currently scheduled to "sunset" in March 2015.
- Institute a new Office of Environmental Health to ensure disadvantaged and vulnerable communities have equitable levels of protection from preventable en-

vironmental health hazards such as pollution, environmental degradation, and the effects of climate change.

Notes

1 For insightful discussions of related issues, see Victor, Peter A. (2008). *Managing Without Growth: Slower by Design, Not Disaster*. Northampton: and Edward Elgar; Jackson, Tim (2011). *Prosperity Without Growth: Economics for a Finite Planet*. New York: Routledge.

2 For details on recommended design, see later in this chapter and the Green Budget Coalition's Recommendations for Budgets 2008 and 2009, available at www.greenbudget.ca.

3 In the 2005 federal budget, the government defined "polluter pays" as meaning that "the polluter should bear the costs of activities that directly or indirectly damage the environment. This cost, in turn, is then factored into market prices." In the October 2013 Speech from the Throne, the Government committed to "enshrine the polluter-pay system into law", which it proposes to do in Bill C-22, the *Energy Safety and Security Act*.

4 NGO community. *A Copenhagen Climate Treaty - Version 1.0: A Proposal for a Copenhagen Agreement by Members of the NGO Community*. 1250 24th Street, N.W. 20037. UNT Digital Library. <http://digital.library.unt.edu/ark:/67531/metadc226637/>.

5 Stiglitz, Joseph E. (2010). "Overcoming the Copenhagen Failure." *Project Syndicate*. Online at: <http://www.project-syndicate.org/commentary/stiglitz121/> English. "Carbon Tax vs. Cap and Trade." Carbon Tax Centre. Online at: <http://www.carbontax.org/issues/carbon-taxes-vs-cap-and-trade/>. Hansen, James. "Cap and Fade." *New York Times*. December 6, 2009.

6 "Speech From the Throne." Ottawa: Government of Canada. 2008. <http://www.parl.gc.ca/Parlinfo/Documents/ThroneSpeech/40-1-e.html>

7 "Report of the Conference of the Parties on its fifteenth session, held in Copenhagen from 7 to 19 December 2009. Addendum. Part Two: Action taken by the Conference of the Parties at its fifteenth session." UNFCCC: Conference of the Parties (COP).