3rd Floor, 303 Portage Avenue
Winnipeg, MB R3B 2B4
Ph: 204.925.3777

Greening the Provincial Budget

A Submission from the Green Action Centre
(formerly Resource Conservation Manitoba)
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Thank you for the opportunity to comment on provincial budget choices.

Background and Principles

Green Action Centre is a non-profit, non-government hub for greener living based in Winnipeg and serving Manitoba. We are a registered charity, governed by an elected community board. We promote greener living through environmental education and encourage practical green solutions for homeowners, workplaces, schools and communities. Our many activities and concerns are displayed at our website http://greenactioncentre.ca/. They include the promotion of green budgets and a green economy through Public Utilities Board interventions and government consultations.

Green Action Centre advocates the introduction and enhancement of green budgeting and fiscal measures that promote sustainable behavior by individuals and institutions and help create a more just and sustainable society. Such measures

a) Make it easier and more rewarding to do the right thing;
b) Make it harder and more costly to act unsustainably (e.g. by removing perverse subsidies);
c) Promote planning and investments for a more sustainable future;
d) Take a full-cost accounting perspective in assessing the costs and benefits of actions;
e) Other things being equal, have users who impose social costs pay for those costs; but also
f) Insure that basic welfare and human development needs (e.g. health and education) are provided for all citizens.

Principles (a) through (d) lead to a more sustainable society. Principles (e) and (f) represent two aspects of a just society that need to be reconciled – paying the full costs of one's actions and meeting basic human needs.

Budget Recommendations

In today's brief, we comment on four practical measures to advance sustainability and justice in Manitoba: (1) financing roadway infrastructure from vehicles and fuels, not general revenues (2) encouraging a shift in energy usage through a tax shift based on carbon pricing, (3) encouraging workplace transportation demand management, and (4) encouraging Industrial, Commercial and Institutional and Construction and Demolition waste diversion by increasing the WRARS landfill levy and diversion rebate in the Capital Region (or province-wide). Finally, we recommend (5) the establishment of a Green Budget Working Group to examine these and other measures to promote a sustainable and just Manitoba.

1. Financing roadway infrastructure maintenance and upgrades through motor vehicle and fuel taxes rather than general revenues.

Recent discussions during the civic election pointed to the street infrastructure deficit and probed a variety of revenue sources to fund repairs, such as raising property taxes, lobbying the province for a point of the PST, or selling off city assets. All these suggestions are forms of perverse subsidy to motor vehicles from general revenues. In addition, Tuesday's throne speech promised new investments in provincial roads, but makes no mention of how increases are to be funded.

Green Action Centre recommends that the bills for streets and highways be sent to the vehicles they service, which also create the wear and tear.

Here are two ways to do this.

Why should homeowners be charged for maintaining streets that service vehicles? Manitoba Public Insurance maintains a database of registered vehicles and approximate values, which could provide a more appropriate property-tax base than homes to meet municipal street budgets.

Moreover, instead of sticking it to the general consumer through the PST, funding street repairs from fuel taxes puts the revenue focus on the vehicles that benefit in rough proportion to their use of the streets, while also incenting fuel efficiency.

We note that it is provincial policy to "target gas tax dollars directly to fund road construction and improvements." But those tax dollars are currently insufficient by themselves to pay for provincial and municipal road infrastructure. Fuel taxes have been supplemented by general revenue at both the provincial and municipal levels. If motor

vehicles are to pay their way, vehicle-related revenues should cover the full cost of road maintenance and upgrades.

We note, in this regard, that Manitoba's strategic directions report *2020 -- Manitoba Transportation Vision* (http://www.gov.mb.ca/mit/2020/pdf/mbtransvisionmay05rpt.pdf) includes this recommendation (p. 13):

> In order to achieve sustainable funding for our transportation infrastructure, Manitobans suggested an increase to fuel tax, on the condition that such fuel taxes are directed into a fund specifically dedicated for transportation infrastructure renewal.

Of course motor vehicles and fuel, in addition to paying their own way to fund transportation infrastructure, should, like other sectors of the economy, also pay their share of general revenue requirements that sustain health, education, welfare and government (e.g. through the PST on vehicles and fuel). Otherwise the burden is shifted unfairly to other sectors. In the next section we also advocate an additional premium to reflect the cost of carbon released to the atmosphere by fossil fuels.

2. Financing tax shifting, general public benefits and welfare benefits by implementing a carbon tax.

Greenhouse gas emissions and climate change have been recognized by the Manitoba population as a pressing concern. The government of Manitoba has committed to ambitious targets for reducing greenhouse gases by 6% below 1990 levels by 2012. This will require a rapid reduction of over 3 million tonnes of greenhouse gas emissions. Green Action Centre applauds the government of Manitoba's commitment to significant greenhouse gas reductions. We believe additional measures are necessary to reach these targets. We recommend that the Government of Manitoba introduce a progressive, revenue-neutral carbon tax. We recommend that the tax be introduced at $15 per tonne and increase to $30 over four years.

What is a Carbon Tax?

A carbon tax is an environmental tax levied on fuels based on how much carbon they contain. It is effectively a tax on the carbon dioxide emissions caused by of burning fossil fuels. Because carbon dioxide is the most significant contributor to anthropogenic global warming, taxing carbon in fuels can be an effective way to limit our part in causing dangerous climate change.

Why choose carbon taxes?

Carbon taxes are favoured by economists because they are simple and efficient ways to encourage both industrial and household consumers to include in their purchasing decision information about how the choices affect greenhouse gas emissions and climate change. Carbon taxes can effectively reduce greenhouse gas emissions by encouraging more environmentally friendly choices across the whole of the economy ranging from switching to a more fuel efficient automobile to reducing wasted heat in factories. Every fuel user is affected proportional to the amount of fuel they consume.

Carbon taxes are not prescriptive, and do not require that consumers adopt any particular technology. This can be important for government, as it is able to remain impartial. Governments that back particular technologies, such as biofuels, solar, or wind power, may risk supporting a technology that in the long run turns out to be ineffective or costly in terms of greenhouse gas reductions. A carbon tax by contrast allows market participants to judge the merits of given approaches to greenhouse gas reductions, subject to the overall regulated guidance of the carbon price. A carbon tax can best encourage and reward many of the most effective solutions to greenhouse gas reductions that can be undertaken by households, organizations and businesses, since these are often small scale and individualized or behaviour based: e.g., changing driving habits or learning to correctly set ones thermostat.

Any shift in taxes or spending will see some winners and losers. Carbon taxes are no exception. As a flat tax on consumption, carbon taxes are moderately regressive. However, a carbon tax can be made less regressive or progressive (i.e. ensuring that lower income households do not pay an unfair share of the tax) if it is combined with tax shifting to help lower income households, funding to help Northern and rural residents adapt and by providing dividends to residents to help them make the transition to lower carbon lifestyles. In addition, low income home heating programs that base energy bills on a ratio of income could greatly reduce the impact of a carbon tax.

Legitimacy for the tax can be increased by making sure the tax is revenue neutral, i.e. that it does not increase the overall tax load to households, farms and businesses, and progressive. The British Columbia experience shows that carbon taxes can have greatly increased acceptance if they are seen as revenue neutral. A revenue neutral carbon tax is one that uses all the revenue generated by the tax to fund other tax reductions. The BC Liberals won the 2009 election while campaigning on a carbon tax. Expected opposition to the tax did not materialize in most regions of the province because for most residents the overall financial cost of the tax was less than the tax reductions they would receive as benefits. The BC Liberals did lose support in some Northern and rural communities because of the tax. Lessons should be learned from

this experience and any carbon tax should be implemented in consultation with Northern and rural communities to ensure that it addresses their particular needs.

Carbon taxes in Manitoba

In Manitoba, only a small percentage of industries would be regulated by a cap and trade program. The HudBay smelter is closing down already for economic reasons, our coal powered electricity generating capacity is already being fired down and there is legislation to develop a plan to capture emissions from the Brady Landfill. Beyond these, only a small number of industries are above a threshold that would allow them to be regulated under cap and trade. In 2008, there were 8 Large Final Emitters in Manitoba which together accounted for 11% of Manitoba's total GHG emissions**.** The Manitoba economy is characterized by a large number of point emitters. For example, transportation alone accounts for 37% of greenhouse gas emissions, and agriculture accounts for 30%. If Manitoba is to reduce greenhouse gases by 6 percent below 1990 levels as per our legislation, it is these which must be brought under control. A carbon tax can be effective at achieving these reductions.

Revenue from the tax

We suggest implementing a carbon tax on a similar scale and rate as the carbon tax introduced in British Columbia. There, the tax was introduced at a rate of 15% in 2008 increasing to 30% by 2012. On gasoline this tax meant a 2.41 cent per litre tax in 2008 increasing to 7.24 percent increase by 2012. Other fuels saw corresponding tax increases. In BC, the carbon tax generated $727 million in revenue in 2010. This revenue funded tax cuts of 384 million dollars to individuals and $412 million to businesses. On the scale of Manitoba's economy, this could equate to $246 million (proportional to our greenhouse gas emissions, which are about one third of British Columbia's).

3. Employer cost splitting to encourage workplace transportation demand management.

Quebec has recently initiated a cost-splitting program for certain employers to encourage the adoption of commuting alternatives to the automobile for their workforce (http://www.mtq.gouv.qc.ca/portal/page/portal/entreprises/transport_collectif/programmes_aide/modes_transpt_altern#vol2).

Green Action Centre recommends that the province provide a matching grant for employers for the implementation of measures aimed at reducing driving alone by promoting the use of transit, carpooling/vanpooling, biking, and walking. The

matching grant could cover a variety of activities but not exceed a set total dollar value, such as $35,000, per employer.

Cost splitting with employers would help leverage private sector commitment to implement transportation demand management (TDM) measures. Examples of potential TDM activities include introducing (or piloting) a discounted bus pass to encourage employees to switch to transit, providing secure bicycle parking on-site, conducting employee surveys to identify barriers and preferred solutions or track progress, subscribing to or setting up a ridematching service to facilitate carpooling, offering an emergency ride home program, or providing cash-in-lieu of parking.

Transportation activities are the largest source of GHG emissions in Manitoba, with personal passenger vehicle emissions accounting for 40%. Given that the vast majority (81%) of the Manitoba labour force gets to and from work by automobile, employers represent a critical opportunity to reduce GHG emissions associated with personal transportation.

4. Coordinating the size and application of the WRARS landfill levy with initiatives to promote waste diversion, particularly in the Institutional, Commercial and Industrial (ICI) and the Construction and Demolition (C&D) sectors.

The City of Winnipeg is currently developing a Comprehensive Integrated Waste Management Plan (CIWMP) with a heavy focus on waste reduction. City officials indicate that currently only 17% of the city's waste is diverted – much less than in other major Canadian cities. The city's ambition is to raise the diversion rate to 50% or higher. Green Action member Harvey Stevens recently undertook a study of the ICI and C&D sectors, which represent over half the waste produced in Winnipeg. He interviewed industry representatives, who told him that as long as it is significantly cheaper to dump waste in landfills than to recycle, that's where it will go. Some of them advocated raising tipping fees and initiating landfill bans targeted at recyclable materials to change this picture. The problem is, the city cannot undertake these measures in isolation, because commercial waste would then simply go to other landfills in the capital region that didn't have bans or raise tipping fees.

Therefore, the province must act in concert with the city by (a) creating landfill bans for recyclable materials in the capital region or province-wide and/or (b) increasing the tipping fees for commercial waste by raising the Waste Reduction and Recycling Support (WRARS) levy and using the proceeds to augment commercial recycling efforts.

Thus the Green Action Centre recommends that Manitoba Finance and Manitoba Conservation work closely with the city as their comprehensive waste plan develops to identify the complementary provincial policies and levels of WRARS levy and rebates needed for the city, and thus the province, to climb out of the waste production cellar.

5. **Finally, Green Action Centre recommends that a Green Budget Working Group, comparable to the Premier's Economic Advisory Committee, be established with research support to review in detail measures such as these and other green proposals to promote the greening of the Manitoba economy.**

Conclusion

Manitoba sometimes impresses with its bold adoption of sustainability targets. Decades ago we were early adopters of the goal to reduce landfilled waste in the province by 50% by the year 2000. We are now at 17%. More recently, the legislature passed *The Climate Change and Emissions Reductions Act*, which set a GHG emissions target of 6% below 1990 levels by 2012. Where will we be in two years? We need policies commensurate with the goals we adopt and there is a broad consensus among climate change analysts that creating the right price signals through green budgets and fiscal measures must be a central tool. Green Action Centre offers the above recommendations as examples of the kind of policies that can provide the right economic environment to achieve our common goals for a more sustainable and just Manitoba. We look forward to our continued partnership with the province to achieve these goals.

Thank you for your attention.

Attachment:

Challenges & solutions for increasing diversion of ICI and C&D waste