

Green Action Centre brief on Bill 16

THE CLIMATE AND GREEN PLAN IMPLEMENTATION ACT

October 24, 2018

Hello. I am Peter Miller speaking on behalf of Green Action Centre. We commentators have the difficult task of commenting on draft legislation that we know will change, without the amendments before us.

Based on reports, I assume the following. Bill 16 will proceed but with amendments that (a) remove provisions for a carbon tax and (b) remove the provision for a reduction in Income Tax that was to be offset by the carbon tax. As confirmed yesterday, commencing in April 2019, the federal government will initiate a carbon levy in Manitoba, very similar in scope and design to Manitoba's original proposal except for graduated increases to \$50/tonne by 2022 in place of a flat price of \$25/tonne. 100% of the revenue collected will be returned to the Manitoba economy through family climate incentives and help for affected sectors.¹

In this presentation, I will speak in support of "complementary" sections of the Climate and Green Plan Implementation Act, with amendments, and then comment on the nature and role of the backstop carbon levy that the federal government will implement and how Manitoba should respond.

1. Green Action Centre supports the complementary (non-carbon-tax) measures proposed in Schedule A of Bill 16 with the amendments that follow.

Specifically, we support:

- a. The requirement to produce and review a Climate and Green Plan, with input from the Expert Advisory Council, which we assume would contain measures like those contained in the Climate and Green Plan discussion document released last year.
- b. The establishment of a regime for Greenhouse Gas Reductions, including 5-year goals, transparent accounting, and making up shortfalls when they occur.
- c. Annual reporting on GHG emissions and other green plan objectives, activities and achievements.
- d. The creation of an Expert Advisory Council, with provision for subcommittees, (which should be well-supported by research and include opportunities for public input).
- e. The creation of a Low Carbon Government Office to develop and oversee internal government climate and sustainable development activities.
- f. A Made-in-Manitoba Climate and Green Fund to continue the Sustainable Development Innovations Fund.

¹ <https://www.canada.ca/en/environment-climate-change/services/climate-change/pricing-pollution-how-it-will-work/manitoba.html>.

We believe that the cancellation of a Manitoba Carbon Tax should in no way jeopardize the Climate and Green Fund, since last spring's budget speech assigned all carbon tax revenues to the reduction of other Manitoba taxes, leaving none to fund green initiatives. The Act, with regulations, should ensure adequate funding.

Besides the Climate and Green Fund allocation from general revenue, we understand that Manitoba green investments will continue to be supported by \$67 million in federal green funds, contingent upon continuation of Manitoba's climate plan. In addition, Manitoba has created an endowed Conservation Trust Fund, with an initial deposit of \$102 million, yielding a modest annual sum for conservation investments.

2. Green Action Centre is concerned about gaps in the legislation that should be remedied by amendment.

- a. Important provisions of The Sustainable Development Act and The Climate Change and Emissions Reductions Act will be lost through their repeal.

Potential redundancies have led to the proposed repeal, but important aspects of the older legislation absent in the new are lost. Here are two examples.

- (i) *The Climate Change and Emissions Reductions Act* and its regulations refer to both codes and standards (e.g. in defining green buildings and new vehicle performance) and "economic and financial instruments and market-based approaches" (e.g. pay as you save [PAYS] financing).

Recommendation: Add explicit reference to regulatory powers to specify codes and standards and institute financial instruments and market-based approaches in Bill 16.

- (ii) Schedules A and B of *The Sustainable Development Act* contained important Principles and Guidelines of Sustainable Development, which provided criteria for interpreting sustainability and analyzing policies and practices, such as full-cost accounting that accounts for "externalities," proper resource pricing to ensure efficient use of resources, intergenerational stewardship, integrated decision-making and planning, global responsibility, and harm prevention.

Recommendation: Bill 16 should contain a provision for creating Principles and Guidelines for Sustainable Development.

Update these with reference to more recent statements such as UN Sustainable Development Goals (SDGs) [<https://www.un.org/sustainabledevelopment/sustainable-development-goals/> and <https://www.iisd.org/program/sdg-knowledge/>].

- b. The carbon accounting system described in Sections 5, 6 and 7 is deficient in several respects.

- (i) It lacks the ability and direction to measure progress towards or away from the climate and green plan vision: "Manitoba will be Canada's cleanest, greenest and most climate resilient province." There is a need

for commensurability, not only to undergird boasting claims, but also to assess contributions to meeting national and international targets, which have been set with reference to absolute reductions in annual emissions by various dates.

(ii) The cumulative emissions reductions metric described in 7(2) is a one-sided metric that considers only policy measures that lead to a reduction in emissions (e.g. increasing support for public transit) and not policy measures that lead to an increase in emissions (e.g. reducing support for public transit).

Recommendations: In addition to the cumulative emission accounting specified in Bill 16, annual emissions overall and by sector and subsector should also be reported. Likewise, emissions reduction targets should be set with reference to both absolute annual reductions and cumulative reductions. If a cumulative emission reduction metric is retained, initiate research on (a) how to make it less one-sided and (b) how to link it to the alarming prospect of overshooting a global carbon budget compatible with limiting climate instability. (See, for example, <https://www.carbonbrief.org/analysis-only-five-years-left-before-one-point-five-c-budget-is-blown>)

3. Green Action Centre is a member of the Manitoba Carbon Pricing Coalition (MCPC) and supports their principles for carbon pricing, namely

- **Urgent action needs to be taken** - Human activity is changing the climate and urgent action needs to be taken in order to protect future generations and maintain our well-being and prosperity.
- **Necessary part of a comprehensive approach** - Putting a price on carbon pollution is a necessary part of a comprehensive approach to combating climate change.
- **Must increase in a predictable way over time** - In order to be effective, the price on carbon pollution must increase over time in a predictable manner.
- **Applied uniformly and consistently across jurisdictions** - Putting a price on carbon pollution is most effective and fair if it is applied uniformly and consistently across jurisdictions. For this reason, we feel that the Pan-Canadian Framework on Clean Growth and Climate Change is a reasonable pricing schedule. It is well-defined, is based on extensive consultation and buy-in from [then] premiers and others and has technical studies to support it.
- **Economically beneficial in the longer term** - We recognize that putting a price on carbon pollution may be a challenge to some sectors in the short term, but it can and should provide economic opportunities and ultimately be economically beneficial in the longer term.
- **Well-informed and balanced discussion is needed** - We need well-informed and balanced discussion amongst a broad spectrum of stakeholders to determine a longer-term pricing schedule, coverage, and revenue recycling mechanisms. An optimal set of such measures should (a) protect low-income and other disadvantaged people, (b) effectively and sufficiently reduce emissions, (c) promote a good life for Manitobans, including economic sufficiency or prosperity compatible with a low-emission economy. We hope for an informed public debate on these measures going forward.

Green Action Centre expects the void created by the withdrawal of Manitoba from its own carbon pricing regime to be filled by the federal backstop next April and supports the federal government in

doing so. In the 2016 Vancouver Declaration, all jurisdictions in Canada recognized “that carbon pricing mechanisms are being used by governments in Canada and globally to address climate change and drive the transition to a low carbon economy.” Indeed, before Rob Ford cancelled Ontario’s participation in cap and trade, 86% of Canadians were already covered by a carbon levy. It’s past time for Manitoba to do the same.

4. What reasons are there for imposing a price on carbon pollution?

- Polluter pays/remove the fossil fuel subsidy.

Economist Nicholas Stern noted, "Climate change is a result of the greatest market failure the world has seen. ... [T]hose who damage others by emitting greenhouse gases generally do not pay."² Absence of a price on carbon pollution (or one below the social cost of carbon³) is in effect a perverse subsidy for using fossil fuels. Emissions costly to victims and governments are made free to the emitter. A carbon price lowers that subsidy. “Axe the tax” really means “Keep the subsidy.” Instead our cry should be “Axe the subsidy!” or “Make polluters, not victims, pay!”

- Level the field for innovation.

Too low a carbon price (or no price) creates unfair competition with lower-emission alternatives (including efficiency and demand reduction) by not charging for social costs. This creates a headwind for the rollout of green innovation, such as electric vehicles, contrary to the green economy objective of the Vancouver Declaration. It continues dependence on fossil fuels by subsidizing the old economy, based on fossil fuel imports from Alberta, instead of the new, based on Manitoba clean energy. Ironically, Alberta offers a much stronger incentive to replace fossil fuels, with a \$30/tonne levy in 2018, yielding \$5.3 billion over 3 years to reinvest in the new economy.⁴

- Climate and social reinvestment.

A carbon price, by itself, may have a small effect at first in some sectors (“just raise costs”). But if polluters pay, they generate revenue for alternatives that can make a difference in a variety of ways. Whatever is collected from carbon pricing is returned to the economy on some other basis than a fossil fuel subsidy.

- GHG reduction. If truckers are unable to reduce emissions themselves, the carbon price collected can be invested in sequestration practices by farmers for an indirect reduction.

² Alison Benjamin (29 November 2007). "[Stern: Climate change a 'market failure'](#)". London: Guardian. Retrieved 29 October 2013.

³ <http://ec.gc.ca/cc/default.asp?lang=En&n=BE705779-1#SCC-Sec8>. The 2022 Canada central tendency Social Cost of Carbon is estimated at ~\$47/tonne CO₂e in 2012 dollars or well over \$50/tonne in 2022 dollars. For further explanation, see <https://www.carbonbrief.org/qa-social-cost-carbon>.

⁴ <https://www.alberta.ca/climate-carbon-pricing.aspx>

- **Efficiency.** It can also be invested in the GrEEener trucking initiative to increase efficiency, reduce emissions and promote competitiveness.
- **Green innovation.** Getting our transit system off diesel and onto electricity will require capital investments in charging infrastructure, for example. City and provincial budgets are strapped for cash but carbon revenue provides an investment pool for green infrastructure that will lower fuel and operating costs.
- **Rebates to families.** In the short run, a carbon levy adds costs to families. Yesterday's federal announcement ensures the alleviation of household impacts without subsidizing fossil fuel consumption.⁵ Modifications are possible by, for example, increasing rebates for residents of remote communities.

5. Manitoba should pursue constructive, not destructive, carbon tax avoidance.

A carbon tax is justified, legal and coming soon. A carbon tax is justified as a price on pollution and, used wisely, can promote social benefits by reducing harmful emissions, supporting families rather than subsidizing pollution, and promoting efficiency and innovation to transition Manitoba to a cleaner economy. Continuing to subsidize carbon pollution by failing to charge an adequate carbon price is a destructive form of tax avoidance that invests in the status quo, including the incremental harms and costs that victims and governments must pay, and chokes the needed transition.

Moreover, a carbon tax is coming, thanks to the federal backstop measures first announced in Parliament two years ago and reconfirmed yesterday. These have been known for a long time, allowing the certainty for economic planning that the Province has been asking for. The Province's attempt to create a lower carbon tax rate in the final years is what has introduced economic uncertainty. With the withdrawal of the provincial tax proposal, the certainty is restored. Indeed, Bryan Schwartz, in his constitutional opinion, has confirmed that it is within the federal government's jurisdiction to create a carbon tax as part of Canada's national effort to reduce GHGs.⁶

How to legally and constructively avoid the carbon tax. There are, however, legal ways to avoid the tax in part or in full – by reducing the emissions that are taxed. Let's call this constructive tax avoidance. Green Action Centre urges the Province to pursue whatever measures it can to enable institutions, businesses and citizens to reduce their emissions (and thereby reduce their carbon tax liability).

Manitoba has a head start in its clean electrical supply, which has gifted Manitobans for decades with the lowest rates in North America. This gift will keep on giving in the coming years by exempting Manitobans

⁵ <https://www.canada.ca/en/environment-climate-change/services/climate-change/pricing-pollution-how-it-will-work/manitoba.html>.

⁶ https://www.gov.mb.ca/asset_library/en/climatechange/federal_carbon_pricing_benchmark_backstop_proposals.pdf.

from a carbon tax on their electrical supply, unlike other jurisdictions with fossil fuel generation. For example, Alberta, in addition to a carbon tax on its current electrical supply, faces a \$25 billion investment to transition off coal to a clean electrical supply.⁷

Moreover, this hydro benefit will extend farther as Manitobans replace their gas heat with geothermal heat and their gasoline and diesel vehicles with electric vehicles.

Of course, there are other constructive paths to carbon tax avoidance besides electrification through the promotion of efficiencies, the substitution of biofuels for gas and propane heating, and the replacement of single occupancy vehicle commutes with public transit and active transportation opportunities. Let's emulate Vancouver, which had already achieved its 2020 target to have over 50% of trips taken by public transit or active transportation ahead of schedule in 2016.⁸

In 2015, the Manitoba Trucking Association (MTA) proposed a 3.5% carbon tax on diesel to subsidize efficiency retrofits on trucks for an estimated 22% fuel- (and thus emission-) savings. Truckers would benefit from lower fuel costs and become more competitive while lowering GHGs – a win/win solution. Even at the federal 2022 price of \$50/tonne (or 13.69 cents/litre), this is still a win for truckers. By 2022, new technologies will permit even greater savings. MTA has been knocking on government doors for a long time to gain support for their GrEEEner Trucking initiative. It's time to open the door to constructive tax avoidance through efficiency.

Lately Agriculture Minister Eichler has publicly worried about the impact of the federal carbon tax on agriculture.⁹ But the benchmark and backstop proposed in Parliament two years ago explicitly exempted gasoline and diesel used in agriculture. This still leaves fuels like natural gas and propane used for heating barns and greenhouses and drying grains. Fortunately, there are made-in-Manitoba alternatives such as biofuels often produced by the same agricultural operations. Manitoba has a growing manufacturing base of biomass heating equipment and producers of biofuels.¹⁰ Let's seize the opportunity to replace Alberta gas and propane with Manitoba biofuels.

In short, there are many opportunities for emission reduction throughout the economy. The role of government is to enable the transition where barriers exist and cushion impacts for the vulnerable, spurred on by a rising carbon tax. Let's spend our human energy and resources in Manitoba in collaborative and constructive ways to hasten the clean economy transition rather than fighting to maintain tax-free or low-tax carbon pollution subsidies. The measures in the Climate and Green Plan coupled with federal initiatives provide an excellent start.

⁷ <https://www.energy.alberta.ca/AU/electricity/Pages/default.aspx>.

⁸ <https://vancouver.ca/files/cov/greenest-city-action-plan-implementation-update-2017.pdf>.

⁹ <https://news.gov.mb.ca/news/?item=44675&posted=2018-10-05>.

¹⁰ <https://sites.google.com/mansea.org/web/resources/biomass>.

Appendix – Comparing Manitoba with other provinces

[From <http://greenactioncentre.ca/wp-content/uploads/2017/11/MCPC-Joining-the-Future-Why-MB-should-sign-on-to-the-Pan-Canadian-Framework-V.-1.06.pdf>]

GHG EMISSIONS AND CHANGE BY PROVINCE (ktCO₂ eq.)

PROVINCE	1990	2005	2015	%	Rank	%	Rank
				CHANGE	1990-2015	CHANGE	2005-2015
				1990-2015	(1=most reduction)	2005-2015	(1=most reduction)
NF	9,510	10,100	10,300	8.31%	6	1.94%	8
PE	1,950	2,060	1,770	-9.23%	4	-16.38%	4
NS	19,800	23,200	16,200	-18.18%	1	-43.21%	2
NB	16,300	20,300	14,100	-13.50%	2	-43.97%	1
QC	89,000	88,900	80,100	-10.00%	3	-10.99%	5
ON	181,000	204,000	166,000	-8.29%	5	-22.89%	3
MB	18,600	20,600	20,800	11.83%	7	0.96%	7
SK	45,200	69,500	75,000	65.93%	10	7.33%	9
AB	175,000	233,000	274,000	56.57%	9	14.96%	10
BC	51,900	63,900	60,900	17.34%	8	-4.93%	6
CANADA	608,260	735,560	719,170	18.23%		-2.28%	

Source: Environment and Climate Change Canada, National Inventory Report. 1990-2015. Part 3

GHG ROAD TRANSPORT EMISSIONS AND CHANGE BY PROVINCE (ktCO₂ eq.)

PROVINCE	1990	2015	%	Rank
			CHANGE	1990-2015
			1990-2015	(1=least increase)
NF	389	2,110	442.42%	10
PE	307	602	96.09%	6
NS	3,590	3,760	4.74%	2
NB	3,210	3,240	0.93%	1
QC	19,700	26,800	36.04%	3
ON	34,400	48,300	40.41%	4
MB	2,550	5,090	99.61%	7
SK	3,410	8,510	149.56%	9
AB	12,500	26,500	112.00%	8
BC	11,700	18,200	55.56%	5
CANADA	92,000	144,000	56.52%	

GHG AGRICULTURE EMISSIONS AND CHANGE BY PROVINCE (ktCO₂ eq.)

PROVINCE	1990	2015	%	Rank
			CHANGE	1990-2015
			1990-2015	(1=least increase)
NF	51	91	78.43%	10
PE	400	360	-10.00%	3
NS	540	460	-14.81%	1
NB	520	520	0.00%	4
QC	7,600	8,000	5.26%	6
ON	11,000	9,700	-11.82%	2
MB	4,800	6,500	35.42%	8
SK	7,800	13,000	66.67%	9
AB	14,000	18,000	28.57%	7
BC	2,300	2,300	0.00%	4
CANADA	49,000	59,000	20.41%	

GHG INTENSITY MEASURES BY PROVINCE - 2015

PROVINCE	TOT. GHGs (ktCO ₂ eq.)	TOT. POP. (000'S)	REAL GDP (\$Billions)	GHGs per 1000 POP.	Rank Order (lowest=1)	GHGs per \$BGDP	Rank Order (Lowest=1)
NFL	10,300	528.7	\$20.9	19.5	8	492.9	7
PEI	1,770	146.7	\$5.4	12.1	3	330.5	4
NS	16,200	943.4	\$37.9	17.2	6	427.3	6
NB	14,100	754.3	\$28.5	18.7	7	494.0	8
QC	80,100	8,259.5	\$283.0	9.7	1	283.0	1
ON	166,000	13,797.0	\$526.4	12.0	2	315.4	2
MB	20,800	1,296.0	\$48.8	16.0	5	426.6	5
SK	75,000	1,132.3	\$43.3	66.2	10	1,734.1	10
AB	274,000	4,179.7	\$177.7	65.6	9	1,542.2	9
BC	60,900	4,693.0	\$188.3	13.0	4	323.4	3
CANADA	722,000	35,848.6	\$1,368.5	20.1		527.6	

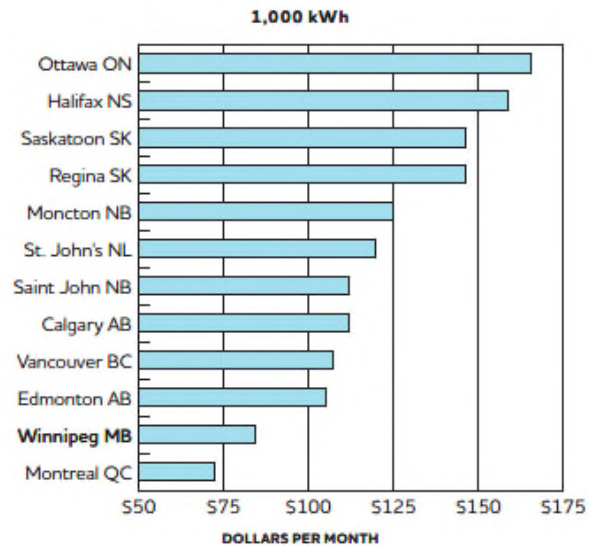
Sources: 2017 National Inventory Report, Part 3; CANSIM Tables 51-0001 & 384-0038

Comparison of one-month residential electricity bills for 1,000 kWh across Canada May 2016.¹¹

Residential

One Month Bill For:

	1,000 kWh	c/kWh
Ottawa ON	\$ 165.37	16.537
Halifax NS	\$ 158.83	15.883
Saskatoon SK	\$ 146.49	14.649
Regina SK	\$ 146.45	14.645
Moncton NB	\$ 124.98	12.498
St. John's NL	\$ 119.64	11.964
Saint John NB	\$ 111.71	11.171
Calgary AB	\$ 111.70	11.170
Vancouver BC	\$ 107.03	10.703
Edmonton AB	\$ 105.08	10.508
Winnipeg MB	\$ 84.29	8.429
Montreal QC	\$ 72.26	7.226



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¹¹ https://www.hydro.mb.ca/regulatory_affairs/pdf/electric/general_rate_application_2017/09.13_appendix_9.13_survey_canadian_electricity_bills_may_2016.pdf.