

Recommendations to Improve B.C.'s Carbon Neutral Requirements

Current Context

The carbon neutral requirements have been, and continue to be, a source of benefits and concern in British Columbia. Addressing the concerns will produce better outcomes, increase public trust and provide a better knowledge base to inform future changes in the policy. Leaving them unaddressed will undermine support for climate action within the public sector and climate policy more broadly in the province.

The most frequently cited benefits include:

- A better business case for projects that reduce the public sector's emissions because of the financial incentive to avoid future offset costs.
- More investment in renewable energy, energy efficiency and carbon sequestration projects in other sectors of the economy.
- Increased awareness within the public sector of the sources of greenhouse gas emissions and the ways to reduce those emissions.
- Increased understanding of good practices for assessing and reporting about offset projects.

The most frequently cited concerns include:

- Public sector institutions do not have adequate access to the financing needed to invest in projects that would reduce their own emissions.
- Too many of the offset projects are not reducing emissions, or didn't need the offset dollars to be financed.
- The degree to which the carbon neutral requirements will be met with emissions reductions from within the public sector versus offsets is not clear.
- The mix of offset project types the government is aiming to achieve (e.g., energy efficiency versus forest conservation), and the priority they place on other community, economic and environmental benefits are not clear.
- The public sector is paying more than necessary to achieve carbon neutrality because of the differential between the price paid by the public sector and the price paid by Pacific Carbon Trust to project proponents.
- Uncertainty about the ownership of forest carbon on Crown Land undermines the quality and feasibility of potential forest carbon offset projects.
- Some offset projects that reduced greenhouse gas emissions from non-combustion sources (e.g. natural gas vented from wells) would not need government financial support if gaps in carbon tax's coverage were closed.

The province's relatively short history with the carbon neutral requirements and a lack of any thorough assessments of their effectiveness makes it difficult to quantify the magnitude of these concerns and benefits. The nature of offsets means that some of the concerns will probably never be fully resolved, but many of the challenges facing the carbon neutral requirements will also confront alternative approaches to increasing investment in climate change solutions. Because finding ways to increase that investment is so important, it is worth the effort to confront the challenges facing the carbon neutral requirements and figure out how they can be overcome.

Proposed Solutions

The following seven proposed solutions are intended to:

- Maintain the higher carbon price in the public sector as a means of demonstrating leadership and showing how carbon prices can spur on-the-ground solutions.
- Increase the resources available to the public sector to identify opportunities to reduce their emissions and invest in those solutions.
- Improve the quality of any offsets purchased, clarify the role that those offsets play in B.C.'s overall climate change strategy, and increase public confidence in the policy.

The seven proposed solutions are:

1. Increase provincial government investment in projects that allow the public sector to reduce their emissions. When the carbon neutral requirements were first implemented, the Public Sector Energy Conservation Agreement provided funds for this purpose, but the fund has since been exhausted. The Province should fill that gap and ensure it is directly investing in the public sector every year. In addition to the pool of financial resources to implement projects, the necessary resources to identify and assess projects should also be available. The revenue from additional increases in the carbon tax could provide a possible source of funds for this investment.
2. Review the rules governing the public sector's ability to access capital to assess if they present any unnecessary barrier to public sector investment in projects that reduce their emissions. The carbon neutral requirements should be encouraging emissions reduction projects within the public sector, and if access to capital is a barrier that is preventing that from happening, it should be removed if possible.
3. Conduct an independent audit of B.C.'s offset protocols and the application of those protocols to specific offset projects. Any offset system will face challenges to ensure that as many of the offsets as possible are actually reducing emissions, and to ensure that projects would not have been economically viable without the offset funding. While no offset system can ensure that all of its offset projects pass these two challenges, it is worthwhile striving for as high a level of quality as possible. An independent audit of B.C.'s offset protocols and the Pacific Carbon Trust's adherence to those protocols would provide useful information that could be used to strengthen the existing system and/or increase confidence that the existing rules are working.
4. Develop an overall strategy for the carbon neutral requirements that demonstrates the anticipated balance between offset purchases and emissions reductions over time, the anticipated mix of offset project types, and the expected financial implications. Developing and clearly communicating this strategy would help provide a better picture of what the emissions profile of the public sector is going to look like over time. That emissions profile should be getting smaller over time, and it would be helpful for the government to communicate the pace at which it sees that transition occurring. On the financial side, it would be beneficial to show how the cost of offsets, and premium paid by the public sector, is likely to change over time. The strategy should also show how the Pacific Carbon Trust's portfolio of offsets fit

into B.C.'s overall climate change plan and the degree to which those offsets may be complementing other provincial objectives. For example, there may be opportunities to prioritize quality forest offset projects in areas that are also of high conservation or restoration value. Likewise, there may be opportunities to prioritize offset projects in sectors that hold significant job creation potential for British Columbia.

5. Establish an inter-agency working group to collaboratively move forward on the law and policy reform needed to address carbon ownership and related tenure issues on Crown land. The working group will need representatives from the Ministry of Forests, Lands and Natural Resource Operations, the Climate Action Secretariat, the Ministry of the Environment, the Ministry of Aboriginal Relations and Reconciliation and the Pacific Carbon Trust. The working group should have a mandate to work collaboratively with First Nations and stakeholders to understand the challenges and develop solutions.
6. Establish an ongoing, multi-sector committee to advise the Ministry of Environment on the carbon neutral requirements. The committee should have clear terms of reference and operate in a transparent manner with a requirement that the Ministry (and possibly the Pacific Carbon Trust) consider and respond to the advice they receive. It could include members from public sector organizations, offset providers, academics, environmental groups and other government ministries. Forming this committee would provide an ongoing sounding board for the Ministry of Environment and the Pacific Carbon Trust to test and improve their ideas, and create space for different interests to collaboratively discuss opportunities and challenges around the carbon neutral requirements. Ultimately, this type of committee would help improve the carbon neutral requirements, and strengthen support for the requirements as they evolve over time.
7. Continue to raise the carbon tax and broaden it to all measurable sources. Doing so will increase the incentive to invest in projects that reduce greenhouse gas emissions and steadily raise the bar on what qualifies as an offset. It will also fix a flaw in the design of B.C.'s carbon tax that unnecessarily exempts the measurable non-combustion sources (e.g. carbon dioxide that is stripped from raw natural gas during processing). Fixing that flaw will prevent situations where a project is receiving offset funding that would not have been necessary if the carbon tax was applied as broadly as possible. More generally, it will be important for B.C. to continue advancing its overall climate change plan and the policies needed to transform the province's economy. Valuable leadership within the public sector will only pay off in the long run if that leadership is extended to the entire economy.

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