

Backgrounder – BC Climate Change Policy

April 13, 2009

1. Existing Climate Policy in BC: From Laggard to Leader in 4 years

- Relative to the rest of Canada, BC's climate change policies have gone from 'poor' to 'the best' between 2005 and 2009.¹ That transition started with the 2007 throne speech, which made climate change a core government priority.
- Some important examples of progress since 2007 include:
 - A ban on dirty coal-fired power plants. Proposed projects in Tumbler Ridge and Princeton were not allowed to proceed.
 - Legislated greenhouse gas reduction targets (33% below 2007 levels by 2020 and 80% below 2007 levels by 2050).
 - A carbon tax that is applied equally to 76% of the greenhouse gas pollution in British Columbia.
 - Legislation that enables a cap and trade system and provides the rules for reporting and offsets.
 - Regulations to improve the efficiency of buildings and vehicles.
- The carbon tax is the core policy advance that separates BC from every jurisdiction in North America and most around the world. It provides the foundation that other policies are capable of building on.
- While BC is a leader on climate change, existing and planned policy is still insufficient to achieve the province's legislated targets.² Opportunities to meet and eventually exceed the provincial targets include:
 - Committing to ongoing increases in the carbon tax beyond 2012.
 - Regulating or pricing the emission sources not currently covered by the carbon tax.
 - Implementing a plan that ensures reduced greenhouse gas pollution from a potentially expanding natural gas industry.

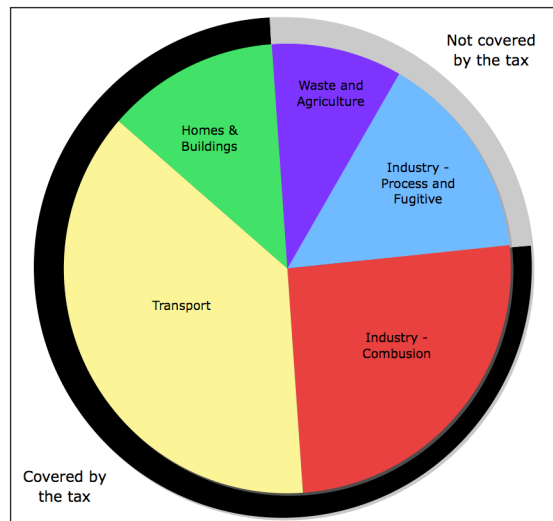
¹ David Suzuki Foundation, All Over the Map (2005) and Provincial Power Play (2008).

² BC Climate Action Plan, 2008.

2. BC's Carbon Tax: The Foundation of Green Economy Transition

- Announced in February 2008 and implemented in July, the carbon tax has been no stranger to controversy. Misperceptions about the carbon tax's coverage and its anticipated impact have obscured accurate discussion.

- The figure to the right shows that 76% of BC's greenhouse gas pollution is covered by the carbon tax. This includes the combustion of all fossil fuels in BC, regardless of who consumes them. The 24% of greenhouse gas emissions not currently covered by the tax are from chemical processes such as waste decomposition and leaks in the province's natural gas pipeline network.



- In simple terms, the carbon tax provides a consistent signal that green technologies are good and dirty technologies are bad. A mix of modeling results and real-world examples show that this signal is resulting in positive changes:
 - The carbon tax is expected to reduce emissions by 3 megatonnes by 2020, although the estimate would be larger if the price increases above \$30 per tonne.³ For context, vehicle standards and building codes will achieve a combined 2 megatonnes of reductions.⁴
 - The University of BC is pursuing options to switch from natural gas to renewable energy, with the carbon tax providing an \$18 million incentive.
 - BC's largest greenhouse gas emitter, Spectra Energy, is hoping to capture and store emissions from their Fort Nelson gas processing plant. The project only begins to make economic sense when there is a price on those emissions.
 - Home energy retrofits in 2008/2009 were 25% above the previous peak. The value of carbon tax savings added 37% to the grants available to homeowners.
- These types of success stories will become more common if BC takes advantage of several opportunities to strengthen the carbon tax:
 - Increasing the price above \$30/tonne after 2012.
 - Ensuring that low-income families and trade-exposed industries are protected from the rising price on carbon.
 - Broadening the coverage from 76% to 84% of BC's emissions.

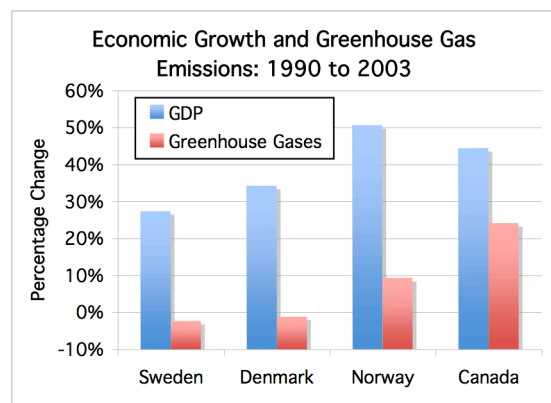
³ BC Provincial Budget, 2008.

⁴ Pembina Institute, Mind the Gap, 2007.

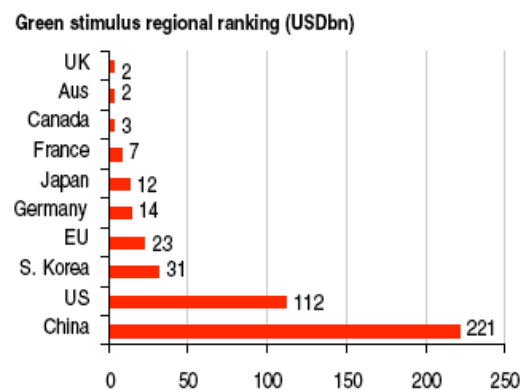
3. Climate Change and the Economy: Two Solutions for the Price of One

- According to Environics⁵:
 - *“While Canadians’ attention is squarely riveted on the declining economy, they are no less concerned than before about climate change...”*
 - *“Canadians said they want the federal government to maintain equal priority on both the economy and the environment (63%), rather than focus primarily on economic security until the current crisis settles down (31%).”*
- A recent study showed that science-based reduction targets (25% below 1990 by 2020) could be achieved in Canada with a price on carbon that rises to \$200 per tonne by 2020. Annual growth in GDP was 2% in this scenario, which was only slightly less than the 2.2% per year expected without strong climate policy.⁶

- The figure to the right compares the economic and environmental performance of three Scandinavian countries that have had carbon taxes since the early 1990’s with Canada. The Scandinavians have successfully grown their economies, while also reducing emissions. Canada has had strong economic growth too, but national emissions increased 24%, compared to a 9% increase in Norway and 1% and 2% decreases in Denmark and Sweden.



- The most comprehensive economic study on climate change, authored by the former chief economist of the World Bank, projects the global market for low-carbon energy technologies will be worth at least US\$500 billion annually and perhaps much more by 2050.⁷
- World governments are pursuing a green economic recovery with total spending on low-carbon initiatives and infrastructure topping US\$4 billion.⁸



⁵ Environics, 2008. Accessed at http://erg.environics.net/media_room/default.asp?aID=692.

⁶ Pembina Institute and David Suzuki Foundation, Deep Reductions, Strong Growth, 2008.

⁷ UK Treasury, The Economics of Climate Change: The Stern Review, 2006.

⁸ HSBC Global Research, A Climate for Recovery, 2009.

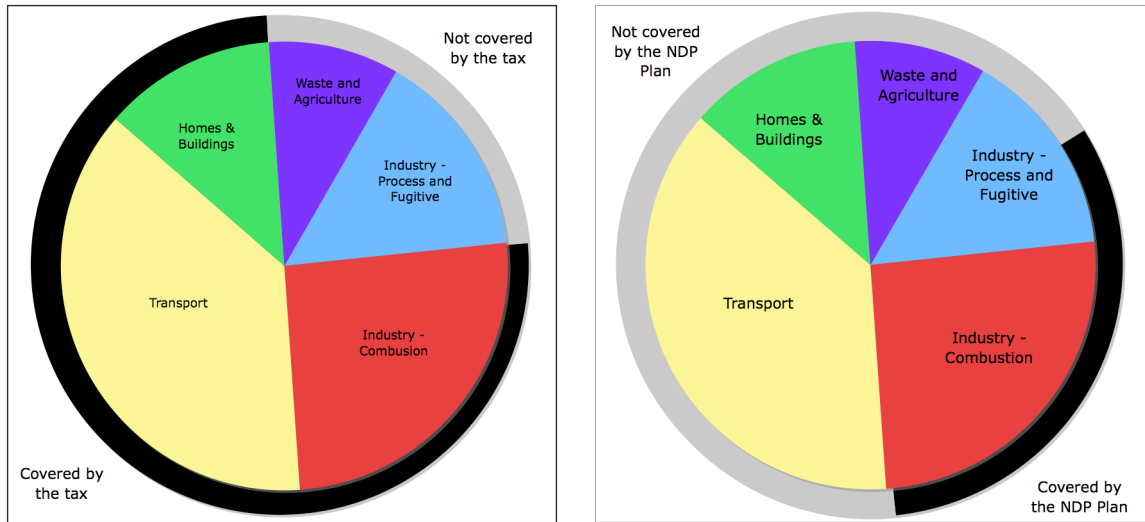
4. The NDP Platform: A Step Backwards for Climate Action

- The NDP election platform eliminates the foundation of the existing BC climate plan without offering an equivalent or improved replacement. The positive ideas offered are insufficient to compensate for the carbon tax's cancellation.

- The steps forward and areas of equivalency in the NDP platform include:

<i>Improvements on existing plan</i>	<i>Equivalent to existing plan</i>
<ul style="list-style-type: none"> - Green bonds to finance energy retrofits and transit improvements. - Continued moratorium on offshore fossil fuels and tanker traffic. - No coal-bed methane without community consultation and environmental assessment. 	<ul style="list-style-type: none"> - The same 2020 target for greenhouse gas reductions. - Improvements to the green building code. - California tail pipe standards. - Lack of plan for gas sector, which accounts for 20% of BC's emissions.

- The NDP's plan to cancel the carbon tax would replace the 76% coverage from the carbon tax with a limited cap on industrial polluters that will address 32% at best.



- A preliminary assessment of the NDP plan concludes that giving non-industrial emissions a free ride would result in 60,000 job losses. The losses are relative to a plan that places a more equitable focus on industrial and non-industrial emitters.⁹

For More Information

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⁹ Mark Jaccard, Proposed NDP Climate Policies for BC: Estimating Their Effect, 2009.