

B.C. Climate Leadership Team Process and Recommendations

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Mandate

The government asked the Climate Leadership Team (CLT) to produce recommendations to:

1. Achieve B.C.'s legislated climate targets;
2. Maintain a strong economy;
3. Mitigate negative impacts on vulnerable populations; and
4. Maintain B.C.'s reputation for world-leading climate policies.

Our approach

- We worked as part of the team to produce a package of recommendations that we think will achieve the objectives we accepted in our mandate.
- We strove for consensus in that effort. We were able to achieve that for almost all of our recommendations.
- We developed our recommendations using input from British Columbians and stakeholders, economic modelling from Navius Research, expertise from B.C. government staff, and the expertise of CLT members.

Overall assessment

- We think the package of recommendations represents a positive pathway for B.C. from environmental, economic and equity perspectives.
- We encourage the government to implement the package of recommendations.
- We encourage British Columbians and different sectors to engage in the process to refine the recommendations and fill in gaps.
- We acknowledge that there are gaps in our recommendations. This is in part because a considerable amount of our effort was focused on finding a solution to allow the province to advance carbon pricing while maintaining competitiveness.

Recommendations

We believe that achieving these objectives will require increasing and expanding B.C.'s carbon tax. We also believe that increasing the carbon tax as it is designed today would impose real challenges on emissions-intensive, trade exposed sectors and vulnerable populations, and that these challenges need to be mitigated. Our recommendations are intended to work as a package, and they are designed so that all four objectives can be achieved.

Broad-based fiscal measures

- Reduce the PST from 7% to 6% and eliminate the PST on all electricity rates using incremental carbon tax revenues.
- Increase the carbon tax by \$10 per tonne per year starting in 2018 when the carbon tax freeze ends.
- Expand carbon tax coverage in 2021 to include all accurately measured sources of carbon pollution.

Targeted support for emissions-intensive, trade-exposed sectors

- Develop clear and targeted policies that protect emissions-intensive, trade-exposed sectors because without those policies there is a real risk that their competitiveness will be materially impacted if the increases in B.C.'s carbon tax exceed the rate at which carbon policies are strengthened in competing jurisdictions.

Government policies need to avoid an outcome where economic activity shifts from B.C. to another jurisdiction because of B.C.'s carbon tax and other policies in this package. We believe that this can be accomplished through the targeted use of carbon tax revenue without undermining the incentive to reduce carbon pollution, and that this is a preferable approach to waiting for other jurisdictions to strengthen their climate policies first. An illustrative approach is B.C.'s support for the cement sector to switch to cleaner sources of energy.

Targeted support for vulnerable populations

- Adjust the existing low-income and northern/rural tax credits to help support vulnerable communities to sustain their disposable income when the carbon tax rate rises. These adjustments should be based on the best available data to ensure appropriate levels of support.

Complementary policies

We also recommend a set of complementary policies to accompany the fiscal policy recommendations. Highlights include:

- *Buildings:* Accelerate improvements in the building code's energy efficiency requirements over the next 10 years, and commit to all new public sector buildings being super energy efficient starting in 2016.
- *Transportation:* Set a 2030 target for the Low Carbon Fuel Standard and establish a new Zero Emission Vehicle standard that would enable B.C. to join with California, Quebec and an alliance of other states supporting the transition to electric vehicles.
- *Industry:* Commit to 100% clean electricity by 2025 (except where fossil fuels are required for back up), and cut methane emissions from the natural gas sector by 40% over the next five years.
- *Review:* Review and update the Climate Leadership Plan with the support of a Climate Leadership Team every 5 years to account for changes in B.C.'s carbon pollution levels, economic competitiveness, carbon policy in other jurisdictions, and other factors.
- *Target:* Consistent with the commitment of the new federal government, set a 2030 GHG reduction target. For B.C. we recommend this be a legislated target of 40% greenhouse gas reductions below 2007 level.

Challenges

In addition to being supportive of the policy package, we recognize that there are limitations and gaps. We highlight the following, which we expect will be of interest to British Columbians:

- Unfortunately, we don't see a viable pathway for B.C. to meet its 2020 target. We do think that substantive progress can be made and with ambitious near-term actions, the province can get on track for the 2030 target we have recommended and the existing 2050 target.
- LNG and natural gas development projections are uncertain, and that development will present a challenge to the province's efforts to reduce carbon pollution. Based on the economic modelling we relied upon, we believe 2030 and 2050 targets can be achieved under a mid-range LNG scenario (totaling 44 mtpa) if our recommendations are implemented.
- Our recommendations and report do not mention the Site C dam project or the ongoing political and public debate about the project. The CLT did not attempt to develop a recommendation on the project because it was outside our mandate.
- Our recommendations give limited attention to transit, active transportation and land-use as opportunities to reduce transportation related fossil fuel use. We know these are important

issues for British Columbians and in many cases they offer co-benefits (e.g. reducing congestion or improving public health), which we didn't have time to explore. We think it makes sense to give further consideration to these opportunities in the final plan.

- While we received multiple perspectives on how B.C. should account for the exports of fossil fuels from in the Climate Leadership Plan, these ideas fell outside of our mandate and we have not made recommendations on the issue.