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October 18th, 2007

Sent via email

To: B.C. Minister of Finance, Carole Taylor
B.C. Select Standing Committee on Finance and Government Services

Re: David Suzuki Foundation Climate Protection Proposals for the 2008 B.C. Budget

Dear Minister Taylor and Standing Committee members:

Climate change is one of the biggest economic and environmental challenges facing the world this century. But we can confront this problem with strong leadership. We can create solutions that lead to new jobs and new investment. There are global economic opportunities for B.C. in the rapidly growing clean-energy sector. In order to protect our future, we need action at a level that corresponds to the urgency and scale of the global warming problem. As political leaders in B.C., your role is crucial.

B.C. must move towards a sustainable economy, an economy that no longer treats the atmosphere as a free dumping ground for harmful emissions but accounts for the environmental costs in our economic system. This type of economy will drive innovation and deployment of clean and renewable energy technologies while helping to protect our economy and health.

Please find enclosed two climate protection proposals prepared by the David Suzuki Foundation for the 2008 B.C. budget.

In addition to these proposals, a comprehensive economic approach is needed to achieve the B.C. government's climate change goals. We therefore recommend the following steps:

- Fixed premiums for low-impact renewable energy technologies (i.e., feed in-tariffs)
- A revolving fund for municipalities so they can access low-interest-rate loans and capital to improve the energy efficiency of buildings
- A phase-out of public subsidies to the fossil-fuel sector, as these subsidies compound any failure to internalize the environmental costs of polluting activities
- Feebates (i.e., tax shifting) for consumer products such as appliances and vehicles
- A transition fund to develop sustainable energy industries and assist the transition of local economies that currently depend on the fossil-fuel sector
- Scientific research to better understand and prepare for the impacts of climate change
- Public education initiatives

Once again, we would to thank the committee for the opportunity to address you on October 11, 2007.
We would also like to offer our support to your efforts to address climate change.

Sincerely,



Ian Bruce
Climate Change Specialist

Cc: Premier Gordon Campbell
Graham Whitmarsh, Deputy Minister, B.C. Climate Change Secretariat
Carole James, Leader of the Official Opposition
Susan Gimse, President, Union of B.C. Municipalities
Johnny Carline, Commissioner/Chief Administrative Officer, Metro Vancouver
Pat Jacobsen, President, TransLink
Ron Drolet, Senior Vice President, BC Transit

Attachment: David Suzuki Foundation Climate Protection Proposals for the 2008 B.C. Budget (p. 9)



David
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Foundation



briefing note

David Suzuki Foundation Climate Protection Proposals **for the 2008 B.C. Budget**

“Voluntary regimes have not worked.

In 2007, British Columbia will take concerted provincial action to halt and reverse the growth in greenhouse gases...

The more timid our response is, the harsher the consequences will be.”

- B.C. Throne Speech, February 13, 2007

Proposal 1: Climate Change Levy

Recommendation

The David Suzuki Foundation recommends that B.C. establish a price for greenhouse gas emissions (GHG) of at least \$30 per tonne of carbon dioxide equivalent by 2009, and at least \$75 per tonne by 2020.

Benefits for British Columbians

Setting a price on carbon emissions has many benefits for British Columbians, including:

- A significant reduction in GHG emissions, therefore protecting our future and economy
- The development and diffusion of clean-energy technologies that will create new jobs and investment, as well as create global economic opportunities for B.C. in the rapidly growing clean-energy sector
- Improved economic competitiveness as B.C.'s firms become more energy-efficient per unit of production
- Healthier communities as pedestrian and transit infrastructure is enhanced
- Cleaner air and reduced health care costs
- Increased revenue to invest in emission reduction projects, reduce inequity, and reduce income or employment taxes

How would it work?

The levy would be placed on fossil fuels and other GHG emission sources based on their carbon emission content. This price signal on carbon emissions would therefore discourage polluting activities and avoid the damaging effects from their use in our society, such as costs associated with global warming and costs to our health care system (e.g. air pollution). This policy can be designed to be revenue neutral, meaning the revenue generated from the climate change levy can be allocated to reducing taxes in other areas such as employment or income. The levy could also be used to generate funds to be reinvested in activities that benefit our society such as actions that reduce greenhouse gas emissions and air pollution. In any case, we advise that a general government priority be to dedicate sufficient environmental protection funding to achieve the required emission reductions to avoid dangerous levels of climate change.¹ In addition, to ensure a fair approach, steps should be taken to offset cost increases for low-income British Columbians.

¹ For Canada, a GHG emission target of 25 percent below 1990 by 2020 is consistent with the long-term emission reduction trajectory required to keep the level of global average warming at or below 2°C – widely understood to be the threshold of “dangerous” climate change by many scientists and governments including the E.U. This target acknowledges the international principles of equity and responsibility for industrialized nations in efforts to reduce global warming. See David Suzuki Foundation and Pembina Institute (2005) *The Case for Deep Reductions: Canada's Role in Preventing Dangerous Climate Change* www.davidsuzuki.org/files/WOL/OECD-English.pdf

How would it work? (cont'd)

The price on carbon pollution should be applied to the entire economy and could be achieved using a mix of market-based tools such as levies, feebates, emissions trading, and other measures. One of the most efficient ways to administer a climate change levy would be to price carbon emissions at the upstream side of the energy system, thereby collecting revenues from the producers and importers of fossil fuels.

Background

The fundamental problem fuelling B.C.'s contribution to global warming is that the atmosphere is treated as a free waste dump for harmful, heat-trapping greenhouse gas emissions. The majority of B.C.'s emissions are associated with the burning, extraction and production of fossil fuels (e.g. coal, oil/gasoline, and natural gas), which also have significant environmental, social and human health costs, such as air and water pollution, toxic waste, and habitat and cultural losses.

“Climate change is the greatest market failure the world has seen. Three elements of policy are required for an effective response. The first is carbon pricing, through taxation, emissions trading or regulation, so that people are faced with the full social costs of their actions.”

- Sir Nicholas Stern, former World Bank Chief Economist

Several industrialized countries and jurisdictions are putting a price on carbon emissions to account for their full environmental and economic costs.² Canada has been criticized by the Organization for Economic Cooperation and Development (OECD) for failing to account for these costs in our economic system and for largely relying on voluntary measures.^{3,4} Canada's emissions are now 25.3 percent above 1990 levels, while B.C.'s emissions have risen 30.2 percent since 1990.

On the other hand, countries like Germany have introduced a climate change levy (“ecotax”) on fuels, which has partially been credited to reducing Germany's emissions by 18 percent since 1990. The levy has put Germany on track to meeting its Kyoto commitments. In addition, Germany has used the revenues from the tax to reduce state pension contributions – thereby creating a double dividend by effectively reducing pollution and stimulating employment and investment through tax reductions. Furthermore, economic analysis of carbon pollution pricing

² e.g. Quebec, Norway, United Kingdom, Germany, Sweden, Finland, Netherlands, etc.

³ OECD, “Environmental Performance Review of Canada, 2004.

⁴ Canada's revenues from environmental charges are equivalent to 1.3% of GDP, the second lowest of OECD countries and well below the OECD average of 2.5%. See David Suzuki Foundation/SFU (2005) The Maple Leaf in the OECD www.davidsuzuki.org/files/WOL/OECD-English.pdf

in Europe has concluded that there is no evidence that carbon pricing has affected the international competitiveness of European firms or businesses.⁵

European Union's Emission Trading System

The European Union's cap-and-trade system encompasses more than 11,000 heavy industry facilities. As of July 2007, the average carbon emission price was about \$31 per tonne.⁶ If B.C. implements a cap-and-trade system, efforts should be taken to ensure such a system is compatible with the international emission trading system developed within the U.N.'s Kyoto Protocol Framework, such as the E.U.'s cap-and-trade system.

Background (cont'd)

Carbon pricing is accepted by many Canadian business leaders as it offers a flexible and least-cost approach to reducing emissions. Canada's leading economists have concluded that a climate change levy would result in a negligible, or even somewhat positive, effect on the economy. For example, a report conducted this year for the federal government concluded that a \$50 dollar carbon price implemented in 2006 would trim about 0.090 percent of economic GDP in 2010, and then boost the economy by 0.004 percent GDP in 2020.⁷

The policies mentioned so far should not be confused with the initial phase of the carbon offset program announced by the B.C. government, where for every tonne of greenhouse gases associated with government travel, the province will invest \$25 in a new "B.C. carbon trust" to fund emission reduction projects. Even though there are preliminary plans to open up the offset program to other governments (e.g. municipal), citizens, and organizations it should be noted that carbon offsets are voluntary in nature and do not apply economy wide. Also, emission reductions from voluntary carbon offsets purchases are largely dependent on the quality and stringency of the offset providers and rules.

Key Design Consideration: Equity and Fairness

A climate change levy improves fairness since it is based on the "polluter pay principle," where individuals and firms are faced with the full social costs of their actions. Firms and individuals that choose strong environmental practices are rewarded financially, while environmental laggards are penalized (i.e. those who are creating the problem are helping to pay for the solutions).

⁵ OECD, "Environmental Taxes and Competitiveness: An overview of issues, policy, options and research needs," June 2003.

For more info see: Boston, A. "Pollution Dividend for Health Care & a 21st Century Economy," David Suzuki Foundation. www.greenbudget.ca/2005_2.html

⁶ Green Budget Coalition (2007) Preliminary Recommendations for Budget 2008: Big Steps Forward

⁷ Mark Jaccard & Associates (2007) Cost Curves for Greenhouse Gas Emission Reduction in Canada: The Kyoto Period and Beyond www.greenparty.ca/files/JaccardFullReport.pdf

Key Design Consideration: Equity and Fairness (cont'd)

An important consideration in the implementation of a climate change levy on carbon pollution is that it be equitable in allocating the responsibility for reducing emissions among all British Columbians (socially, economically, and geographically). Steps should be taken to offset costs for low-income British Columbians who spend a greater percentage of their household income and spending on energy costs.

Another important consideration as B.C. moves to a low-carbon economy is the decline in the production of polluting industries, accompanied by accelerated economic development in the clean energy sector, including new jobs and investment. We therefore recommend that the government work with affected industries and their workers to design and implement a transition fund to assist in the shift as these new economic opportunities are created.

Proposal 2: Need for long-term, sustainable public transit funding commitment

Recommendations:

To achieve the B.C. government's greenhouse gas emission target for 2020, we recommend that the province of British Columbia:

- Provide stable and predictable long-term funding for public transit by annually allocating a fixed portion of B.C.'s transportation budget⁸ to transit, biking and walking infrastructure. This can be achieved by re-allocating spending from highways to transit.
- Contribute a substantial portion of provincial gas-tax revenue to transit. It's only fair that those who are creating the problem by burning fossil fuels help pay for the solutions.
 - In the 2006 fiscal year, the provincial gas tax generated about \$900 million for the B.C. government. Currently, none of these funds are dedicated to public transit.
 - In Metro Vancouver, 8.5¢ for every litre of gasoline sold is collected by the province and there is no fixed, long-term commitment by the province to redistribute these funds back to region for transit improvements. In 2006, the province collected approximately \$182 million from the region.
- Immediately commit provincial funding to address the current backlog in funding approved transit infrastructure measures throughout the province:
 - Enable full implementation of the provincially endorsed 2006 targets in Metro Vancouver's transportation and regional growth plans⁹, designed to achieve a 17 percent mode share for transit¹⁰. The current transit infrastructure shortfall for Metro Vancouver is approximately 500 buses, three new rapid transit lines¹¹, plus additional rapid transit/HOV (and goods movement) lanes in both directions across the existing Port Mann Bridge corridor.¹²
 - To meet the projected 32 percent increase in transit ridership within B.C. communities outside Vancouver and Victoria, BC Transit forecast a required funding increase of 36 percent, from \$68.3 million in 2006, to \$98.0 million in 2010.¹³
- Enable regional governments to implement transportation management policies (as endorsed in GTVA and Metro Vancouver motions) by providing them with the required legal tools. Traffic management policies such as road user fees (e.g. regional road tolling on major crossings) will effectively reduce congestion and emissions, while funding transit and road maintenance, and create a level playing field for all commuters.¹⁴

⁸ In 2006, B.C.'s transportation spending was \$1.3 billion of which the majority went to roads.

⁹ GVRD/B.C. government (1994) Transport 2021 Medium Range Plan

¹⁰ This represents a significant progress towards the transit ridership required to achieve B.C.'s 2020 emission reduction goal for Metro Vancouver, which TransLink estimates to be between 25 and 30 percent of trips made by transit.

¹¹ The three lines are the Broadway section of the Millennium Line (no plans for completion at present), the Evergreen Line (stalled because of insufficient funding), and the Canada Line (to be completed in 2009).

¹² TransLink (2006) Regional Transportation Implications of the Provincial Gateway Program

¹³ BC Transit (2005) Outlook for Public Transit in British Columbia

¹⁴ To improve fairness and equity, road users should pay user fees and zone fares the same as transit riders do.

Benefits for British Columbians:

- Better air quality and reduced greenhouse gas emissions
- Healthier communities and lower health care costs as pedestrian and transit-infrastructure is enhanced
- Benefits for both auto and truck drivers by helping to ease traffic congestion
- Reduced urban sprawl and more parks and green space
- Lower municipal taxes as local governments will be able to service pedestrian and transit-friendly communities at lower costs

A sustainable transportation strategy will benefit all British Columbians, including those who are too young or old to drive. Those who must drive cars or trucks will also see a benefit as road congestion eases. Providing a stable, long-term transit investment also protects the future B.C. communities and all British Columbians from the threat of global warming.

Background

The majority of B.C.'s harmful greenhouse gas (GHG) emissions comes from road transportation, which accounts for 15.8 million tonnes or one quarter (24 percent) of B.C.'s GHG emissions footprint. Since 1990, emissions from road transportation have grown 34 percent.¹⁵ The B.C. Climate Change Secretariat estimates six to nine million tonnes of GHG emissions will need to be reduced from the transportation sector to achieve the B.C. government's target to eliminate greenhouse gas emissions by 33 percent by 2020.¹⁶ Based on relative magnitude, the most significant component of these emission reductions will need to come from passenger vehicle trips.

TransLink estimates that to achieve the B.C.'s emissions target, the percentage of trips now made by transit would have to grow from 11.5 percent today to 25 or 30 per cent by 2020, more than doubling transit ridership within the Metro Vancouver service area.¹⁷ Although there are no studies or estimates on the level of transit service required in BC Transit service areas¹⁸ to achieve the B.C. government's emissions target, a similar increase in ridership may be required for other BC transit systems as well.¹⁹ Enhanced transit service will be most cost-effective and practical at shifting commuter trips from cars to transit in larger communities that also pursue compact development.

The province faces serious problems if current transportation trends continue on a business-as-usual basis. In the Lower Mainland, vehicle ownership is growing faster than population, largely due to lack of alternatives to the personal automobile. Frequent, reliable transit service and

¹⁵ Environment Canada (2007) National Inventory Report: Greenhouse Gas Sources and Sinks in Canada

¹⁶ B.C. Climate Change Secretariat (October 15, 2007) published in Vancouver Sun.

¹⁷ TransLink staff report to GVTA Board, March 6, 2007

¹⁸ Transit services are operated by BC Transit everywhere outside Metro Vancouver

¹⁹ The most comprehensive statistics on transportation in Canada can be found in B.C.'s Lower Mainland because of the GVRD's Air Care Program. This, including the significance of B.C.'s population provides a good case example to help guide B.C.'s transit needs to achieve B.C.'s emissions target for 2020.

Background (cont'd)

pedestrian-friendly infrastructure where community plans concentrate jobs in areas well-served by transit can provide these alternatives. According to TransLink, Metro Vancouver's population is expected to grow by 15 per cent by 2020.

Although B.C. has committed to adopting California vehicle tailpipe and low-carbon fuel standards, these policies will unlikely halt, let alone reduce, overall greenhouse gas emissions from B.C.'s vehicle fleet. This is because of several reasons. The phase-in of cleaner vehicles will take time (phase-in will occur over a period from 2009 to 2016), and pre-2009 vehicles are likely to make up a significant share of the total vehicle fleet for many years to come.²⁰ Secondly, without significant investment in transit service and other sustainable transportation options, more vehicles, and longer vehicle trips will negate the emission reductions achieved by the California standards. More vehicles driving longer distances on B.C.'s roads is the primary reason that a substantial increase in reliable public transit services is required in order to reduce B.C.'s dependence on cars and trucks as the dominant mode of transportation.

The major barrier impeding adequate and reliable public transit service in B.C. is that there are no dedicated long-term provincial funding commitments for transit infrastructure and operating costs. Recently, provinces such as Ontario and Quebec have come forward with dedicated provincial funding to provide a more stable and sustainable source of transit funding.

MoveOntario 2020 action plan

In June 2006, the Ontario government announced a \$17 billion dollar action plan to deliver 52 rapid transit lines, totalling 902 kilometers, in the Greater Toronto and Hamilton areas by the year 2020. The plan is expected to eliminate 300 million car trips, thereby reducing air pollution, greenhouse gas emissions and traffic congestion. The Ontario government has committed to pay 65 per cent of the capital cost — \$11.5 billion — out of existing provincial revenue streams and has requested that the federal government contribute the remaining third of the cost, \$6 billion. The plan calls for 66 per cent of the projects to be completed by 2015.²¹

Current B.C. transportation funding proposals, which do not specifically address transit, are inadequate and in some cases, inconsistent with the B.C. government's climate change objectives. For example, the TransLink Governance Review Panel, which proposed a transportation funding framework for Metro Vancouver preceded B.C.'s commitment to reduce greenhouse gases by 33 per cent by 2020. The Review Panel proposed a funding structure based on the assumption that the B.C. government would take no action to reduce greenhouse gas emissions. Foremost, the panel's recommendations were based on TransLink's financial projection contained within the 10-year plan – a plan that was not designed to provide sufficient transit-infrastructure funding to reduce carbon emissions to the levels envisioned by the

²⁰ According to TransLink, about 30 percent of the vehicles on B.C.'s roads today are expected to be operating in the year 2020 and therefore not subject to the more fuel-efficient California vehicle standard.

²¹ www.premier.gov.on.ca/news/Product.asp?ProductID=1383

Background (cont'd)

B.C. government. Secondly, the panel assumed that fuel-tax revenues would grow at one per cent per year – the then-current growth rate of fuel (gas and diesel) consumption. Under the province’s new climate change targets, however, transportation fuel consumption in B.C. will need to decrease by 33 per cent by 2020 to achieve B.C.’s emission target. Therefore, we have prepared a series of recommendations in this document that are consistent with the B.C. government’s climate change goals.

San Francisco Bay Area’s road-user funded transit programs²²

“In the long run, building unpriced road capacity in a growing region is fighting a losing battle with traffic congestion”

– San Francisco’s nine-county *Transportation 2030 Plan*

In 1988, facing worsening traffic congestion, unreliable transit service, and deteriorating bridge and pedestrian infrastructure in the rapidly growing nine counties making up San Francisco’s Bay Area, local voters approved road user fees for vehicles on the seven state-owned bridges. Today, 18 percent of the base toll collected from the bridges has been statutorily allocated to enhance public transit infrastructure and service including transit rail extensions and operational and capital projects. Road users benefit from these congestion-relieving transit investments, including improved air quality and significant reductions in greenhouse gas emissions.

More recently, transportation and climate change policy experts world-wide have recommended road user fees as a key strategy to address global warming and strengthen economic growth by improving the efficiency of transportation networks.²³

For more information, contact:

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²² <http://bata.mtc.ca.gov/funded.htm>

²³ UK Department for Transportation (2006) The Eddington Transport Study
www.dft.gov.uk/about/strategy/eddingonstudy