B-37

BC Sustainable Energy ASSOCIATION

2009 BUDGET SUBMISSION

Select Standing Committee on Finance and Government Services
Room 224, Parliament Buildings, Victoria.

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1.0 Introduction

The BC Sustainable Energy Association is a non-profit association of citizens, professionals and practitioners, committed to promoting the understanding, development, and adoption of sustainable energy and energy conservation and efficiency in British Columbia. We have over 500 members, and eight Chapters spread across the province from Victoria to the Peace. Our vision is a future in which all BC's energy comes from clean, renewable, efficient sources.

This submission that we offer to the Minister of Finance covers five areas:

- The Carbon Tax
- Green Buildings
- Reducing Fossil Fuel Incentives
- Greening the Transportation Budget
- Greening the Economy

2.0 The Carbon Tax

2.1 We urge the government to persist with the current revenue neutral carbon tax, and to be assertive in defending it. Sweden's carbon tax, introduced in 1991 and now standing at $150 a tonne – 15 times larger than BC's - has brought many benefits to Sweden's economy. It has increased the price of gas by 35 cents a litre, and yet between 1990 and 2006, Sweden's economy grew by 44%, her carbon emissions fell by 9%, and Sweden has made enormous progress in developing district heating systems, bioenergy from forest wastes, and biogas from sewage and animal wastes. Sweden keeps the income from the tax for use in general revenues, and to support post-carbon technologies.

2.2 To improve the public's perception of and support for the carbon tax, we recommend the following:

- Develop case studies of BC households, to show how the carbon tax affects them, and how carbon-reducing behaviours could increase the money in their pockets.
- Contract an independent economist or auditor to verify publicly that the tax is revenue neutral.

- Invite 20 well-known BC public figures to endorse the carbon tax, and use their support in public advertising, so that the tax is seen to have independent, non-partisan support.

2.3 With regard to the required carbon neutrality from BC hospitals and school boards by 2010, we have a level of concern that they will be unable to purchase the offsets required without cutting into core funding for classrooms, hospital beds, etc.

2.4 We therefore recommend that these institutions be offered the same "escape clause" that municipalities have been offered, i.e. if they sign onto a proposed *Schools Climate Action Charter* and *Health Authorities Climate Action Charter*, the government will pick up the tab for their offsets. The same approach might be offered to similar public institutions that are expected to be carbon neutral by 2010, with the exception of government ministries and the Vancouver Olympics.

2.5 In order to assist municipalities and other public bodies to reduce their emissions, we recommend that a large revolving loan fund be established similar to the Toronto Atmosphere Fund, which has been very successful in supporting municipal and community emissions reductions in Toronto, by providing participants with loans needed for energy-saving upgrades that have repayments of up to 20 years, as the government of Northern Ireland is doing in conjunction with the UK's Carbon Trust, and as many US states and cities have done.

3 Green Buildings

To support the government's important initiative to green the Building Code and move towards zero-carbon buildings, we recommend the following:

3.1 Allow property owners to finance building retrofits through low-interest loans repaid by an annual levy on their property tax, using the Energy Efficiency Local Improvement Charge system.

3.2 Create a 50% tax deduction for all investments in greater energy efficiency (verified through Energuide), and for the interest on associated loans, with up to 100% for people on lower incomes.

3.3 Introduce a retrofit incentive recovery on transfer tax, allowing up to 50% of the tax paid to be recovered if the homeowner invests in certified energy-saving expenditures within two years.

3.4 Establish a LiveSmart Home Grants Program for condominium owners, using the opportunity that leaky condo repair work provides to incorporate energy-saving measures.

3.5 Develop a LiveSmart Rental Grants Program for landlords of rental properties designed to overcome the "Catch 22" problem of split incentives, where tenants have no reason to invest in energy efficiency improvements because they do not own the property, and landlords have no interest because they do not pay the bills.

3.6 Increase the LiveSmart funding for Home Energy Assessments, since delivery agents such as City Green are experiencing "phenomenal uptake" and far greater interest than anticipated. The current funding runs out in 2010, and we recommend that the program be extended to 2015, with increased funding to meet the demand, as this appears to be a very cost-effective program.

4 Reducing Fossil Fuel Incentives

4.1 The use of fossil fuels is fundamentally problematic for our long-term survival and wellbeing, due to their enormous contribution to global climate change, and because the world's oil and gas reserves will soon become scarce and expensive as easily accessible supplies are used up. Our future depends

on finding ways to meet our energy needs without fossil fuels – which is why the government of Sweden has made the commitment to end Sweden's dependency on oil by 2020.

4.2 The government receives $2-3 billion a year in royalties from BC's oil and gas production, creating core funding dependency on income from fossil fuels at a time when BC is trying to reduce its greenhouse gas emissions from fossil fuels.

4.3 We recommend that the Ministry of Finance investigate options to phase out dependency on this income by 2015, shifting the tax burden to other areas, using ecological fiscal reform. (See 6.3)

4.4 To receive the annual royalties from oil and gas production, we recommend that BC establish a fossil fuel Legacy Fund, similar to the sovereign wealth funds that Alberta, Norway, and many oil-producing Middle East countries operate. (Norway's fund holds $365 billion). The Fund should be managed as an arms-length trust, using the money to help BC reduce its greenhouse gas emissions and become a post-carbon province, such as supporting a systematic upgrade of the energy efficiency of BC's building stock, and developing a post-carbon transportation infrastructure.

4.5 We recommend that the 2009 budget begin a phase-out of all tax-breaks and other incentives that support fossil fuel development in BC, leading to a complete phase-out by 2011/2012.

4.6 We further recommend that the government commit to a phased reduction in the production of fossil fuels in BC, beginning with a 2% per year reduction, leading to the total elimination of fossil fuel production by 2030, except where such fuels are sold to purchasers who are using carbon capture technology to eliminate the emissions from its use.

5 Greening the Transportation Budget

5.1 Redirecting funds away from urban roadway expansion and into low carbon and zero carbon forms of transport is essential if BC is to meet its climate goal, since expanded roadways always result in more traffic by encouraging auto-dependant sprawl. The Climate Action Team's report emphasizes that redirecting resources away from sprawl-inducing infrastructure is needed to meet the provincial targets: We need to change direction . . . Paying attention to the underlying development path offers the potential for the kinds of transformative changes in emission-causing activities that will be required to achieve climate-change goals" (*Meeting British Columbia's Targets: A Report from the Climate Action Team*, July 2008, pp. 30-31).

5.2 We recommend that the government 'green' the Ministry of Transportation's budget by redirecting a significant proportion of the money allocated to urban roadway expansions province-wide (including anticipated toll revenue from Port Mann Bridge tolls) to investments in low-carbon transportation. In addition to transit investments (see below), transferred investments could include:

- The development of regional rail services
- Issuing new licenses for luxury commuter coaches
- Cycling and pedestrian infrastructure
- Building sidewalks to schools across the province
- Ride-share programs
- Teleconferencing and telecommuting facilities
- Funding to keep rural schools open, reducing the need for travel.

5.3 We recommend that the Ministry accelerate the Provincial Transit Plan, since high fuel costs and public awareness of the seriousness of global warming have greatly increased the demand for public transit, presenting a clear opportunity to contribute to BC's climate goals:

- Reduced transit fares

- Increase funding to transit operations
- Expanding existing orders for buses and SkyTrain cars
- Beautification and other much-needed improvements to bus stations across BC, many of which are in sore need of an upgrade.
- Priority measures such as busways that can be implemented quickly.
- Improved long-distance bus services connecting rural communities
- More use of hybrid buses
- Electronic signage at bus stops that tells when the next bus is due, as already happens in Europe, and some parts of Vancouver.
- Feasibility planning for the development of electric bus servicing in the Capital Regional District, Surrey, and other urban areas.

5.4 We strongly recommend that the government seek ways to proceed with "Greening the Gateway Program", since urban highway construction increases transportation demand, leading to more urban congestion, as the $1.3 billion Island Highway Project has demonstrated so clearly at the Victoria end (1994-2002). The Gateway Program as currently configured would increase both traffic and greenhouse gas emissions, and fail to provide a long-term solution to the traffic problems of the Lower Mainland. Personal transport needs should be addressed by increasing transit, cycling, ridesharing, and luxury commuter coaches, and by requiring Metro Vancouver urban planners to work together to reduce the distance people need to travel to work. Gateway's costs have escalated in the present high-cost construction environment, while increased fuel prices – and the prospect that they will persist – will reduce the demand and the supposed benefits of the expansion.

5.5 We recommend that the government direct the Transportation Investment Corporation and Gateway Program Office to put a hold on all current developments of the Gateway Program while it is re-evaluated in light of rising fuel costs and the government's commitment to reduce greenhouse gas emissions. In the interim, we recommend that all Gateway capital expenditures planned for fiscal 2009/2010 be re-allocated to immediate increases in public transit capacity.

5.6 Trucking. To reduce the physical impact and GHGs associated with trucking, we recommend that infrastructure spending for trucking be shifted to higher-efficiency modes, including rail and short-sea shipping, including the electrification of some of BC's rail lines. The federal government recently announced tentative funding for short-sea shipping in BC, which the province could match.

5.7 Electric vehicle (EV) infrastructure. While the government has funded an $89 million partnership with the federal government for hydrogen fuelling stations and hydrogen buses, and is supporting the Hydrogen Highway from San Diego to Whistler, there is a high risk that hydrogen technology will not reduce fossil fuel consumption in transportation due to unsolved problems with hydrogen sourcing, delivery, and vehicle development. Electric vehicles, on the other hand, including Plug-in Hybrid EVs, are establishing enormous traction, including a $1 billion commitment to PHEVs in the recent $700 billion US government bail-out for the banks, and commitments by every major auto-maker to produce an EV for the market within 3-4 years.

5.8 The BCSEA strongly believes that EV technology should be supported to at least the same level as hydrogen. Funding could include:

- The development of battery recharging and exchange infrastructures, as the company Better Place is doing in conjunction with the governments of Israel and Denmark (www.betterplace.com).
- Assistance to EV producers for the crash testing of EVs in government facilities, to accelerate road-certification.
- Planning assistance for municipalities to accommodate low-speed neighbourhood electric vehicles.
- Large cash rebates for the purchase of EVs and PHEVs.

5.9 As a permanent source of funding for low and zero carbon transport options, we recommend the introduction of road-pricing on major roads entering Vancouver, with the income going into a Sustainable Transport Fund to finance a major expansion of transit, luxury commuter coaches, cycling, and teleconferencing. We believe this will result in an effective solution to the problems of traffic congestion, while avoiding the enormous cost of building new roads and bridges as planned in the Gateway Program. The same approach should be used on the Malahat to reduce congestion on the Island Highway entering Victoria.

5.10 We recommend funding the development of a 25-year Vision and Strategy for BC's transportation sector that will target a 90% reduction in GHG emissions, including transit, plug-in hybrid electric vehicles, cycling, car-sharing, teleworking, and other means.

5.11 We recommend the introduction of fees on inefficient vehicles, using the income to pay rebates on efficient vehicles (known as feebates), rising as high as a $4,500 fee on the most inefficient vehicles, as France is doing.

5.12 The BCSEA recommends the introduction of a tax on domestic aviation fuel in addition to the carbon tax, to level the playing field with road and rail, and that BC should also advocate for such a measure at the federal level.

6. Greening the Economy

6.1 To the extent that current commitments to legislate landfill gas emissions do not require 100% capture, BC should implement a prohibitive Landfill Tax on greenhouse gas emissions to encourage the rapid capture of landfill gas (methane), which, over the 10 year life of methane in the atmosphere, is 125 times more powerful a greenhouse gas then CO2. (Methane's official IPCC GWP is 25 when spread out over 100 years.)

6.2 To begin the process of making the ecologically necessary transition to living off Nature's interest, instead of Nature's capital, we recommend that the Ministry of Finance undertake a study with a view to opening an inventory of BC's natural capital alongside BC's financial capital, categorized as "Capital Eco-Account" and "Current Eco-Account", entering transactions in the relevant column. This would allow for an annual accounting of the rate at which we are exhausting or restoring BC's ecological capital, including soil, forests, and wild fish stocks, providing the government with a tool that can be used to measure the pace of BC's transition to sustainability.

6.3 To begin the task of internalizing ecological costs that are currently externalized under normal market pricing, we recommend asking each Ministry to develop a full list of possible taxes, fees, rebates, credits, and saleable permits that could be applied to capture these costs through green fiscal reform.

6.4 We recommend that BC begin developing accounting procedures that will enable the Province to use Genuine Progress Indicators alongside Gross Domestic Product as a primary measure of progress, and to start a public debate about redefining "progress". See Redefining Progress: www.rprogress.org

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