GREEN BUDGET COALITION

Recommendations for Budget 2005

Canadian Arctic Resources Committee • Canadian Environmental Law Association
Canadian Parks and Wilderness Society • Centre for Integral Economics • David Suzuki Foundation
Ducks Unlimited Canada • Environmental Defence • Friends of the Earth Canada
Greenpeace • International Institute for Sustainable Development • MiningWatch Canada
Miistakis Institute for the Rockies • Nature Canada • Nature Conservancy of Canada
Pembina Institute • Pollution Probe • Sierra Club of Canada • Sierra Legal Defence Fund
Social Investment Organization • World Wildlife Fund Canada

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This document is also available online at www.greenbudget.ca.

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Executive Summary

The environment and the economy are inextricably linked. Decisions taken in either realm will inevitably have a lasting impact on both. With that in mind, the Green Budget Coalition offers four key budget proposals that are designed to enhance both Canada's long-term economic competitiveness and to protect our environment.

Global events are moving quickly. The Kyoto Protocol is coming into effect and Canada will have to take meaningful steps to abide by its international treaty commitments in earnest. The Organization for Economic Cooperation and Development has, in a recent report, once again revealed that Canada is embarrassingly underperforming on the environment in comparison to other OECD countries.

Europe has an important head start — and thus an advantage — on Canada regarding greenhouse gas reductions and the handling of toxic chemicals such as polybrominated flame retardants. Even the United States, which has rejected Kyoto, has nonetheless taken far more effective steps than Canada in curtailing greenhouse gas emissions.

Once again, Canada finds itself in the role of environmental laggard. Now is the time to act.

Other nations are taking creative steps to get on top of global environmental problems. They are finding that the imperative of meeting environmental objectives also drives creativity, innovation and competitiveness.

While there is no substitute for regulations to backstop environmental protection measures, Canada must begin to embrace the greater use of market-based instruments as well.

The true cost of using Canada's natural resources is not reflected in what consumers are paying. The health costs, the quality of life costs and the costs in terms of competitiveness by failing to "consume wisely" leave Canada at an environmental and economic disadvantage.

The environment and the economy are inextricably linked. Decisions taken in either realm will inevitably have a lasting impact on both.

Pollution Dividend

Now is the time to account for the real cost of conventional energy consumption by collecting a *Pollution Dividend* on fossil fuels — which can be used toward the health care sector and the development of 21st Century technology. This is the type of measure that countries such as Sweden already have in place.

Green Car Initiative

A *Green Car* initiative is more than just an environmental requirement, it's an economic must if we are going to protect Canadian jobs. Canada's auto industry is facing global competitors who are producing greener vehicles that meet strict international fuel efficiency standards. China, for example, has introduced new vehicle fuel efficiency standards that are stricter than Canada's.

Toxic Substances Tax

Mounting exposure to toxic substances in our air and water is linked to serious threats to human health. Children, in particular, are most susceptible to illness and death from environmental contaminants. To meet the challenge of protecting Canadians, it is critical to take a co-ordinated, preventative approach to eliminating environmental contaminants that compromise human health. A *Toxic Substances Tax* on chemicals listed under the *Canadian Environmental Protection Act* is an effective way of protecting the health and quality of life of Canadians.

Oceans Action Plan

Canada's vast coastlines and precious ecosystems are an integral part of our identity and a key part of our economy. For many of these areas, the opportunity to ensure their survival rests with our generation. Tomorrow will be too late. This government must meet its Throne Speech commitment to move forward on its Oceans Action Plan by establishing a network of marine protected areas.

Other nations are taking creative steps to get on top of global environmental problems.

Other Recommendations

Transit Renewal and Sustainable Cities Strategy

Establish a National Public Transit Renewal Program by allocating an annual $1.5 billion fund from revenue generated from the excise tax on gasoline, and subject all urban infrastructure grants to strong criteria to ensure transit investments enhance human health and the environment.

Shifting Tax Incentives from Virgin Mineral Extraction to Recycling of Metals

The federal government should shift tax incentives from the extraction of virgin minerals to measures favouring the recycling and conservation of metals.

Assessing the Sustainability of Federal Budget Measures

Assess selected fiscal measures announced in the 2004 federal budget with a view to determining their environmental effects; and use this information in revising fiscal measures in future budgets.

National Green Power Strategy

Low-impact renewable energy is the fastest growing source of energy in the world. It has the technical potential to meet half of Canada's electricity needs in the long-term. To catch up with other countries that are developing their green power resources and take advantage of tremendous international and domestic market opportunities, Canada should establish and implement a National Green Power Strategy.

National Energy Efficiency Strategy

The federal government should establish stable funding for the commercial and institutional retrofit program to realize the program objectives. Re-design the residential retrofit program as a permanent annual investment and strengthen delivery of the auditing portion by using community-based non-profits that deliver other educational programs. Enhance NRCan's Office of Energy Efficiency capacity to update efficiency standards and codes for appliances, equipment, and buildings.

Shifting Subsidies from Fossil Fuel and Nuclear Power to Renewable Energy and Energy Efficiency

Phase out government subsidies and tax exemptions for fossil fuel and nuclear power and shift support to new incentives for the research and development of renewable energy and energy efficiency.

Building Capacity for Municipalities to Protect Water from Source to Tap

As part of the "New Deal" for cities and communities, the federal government should provide financial assistance to municipalities for building the capacity to develop and implement watershed based source water protection plans.

Removing the GST Pesticide Exemption

The government should remove the zero-rated GST status for all pesticides, and only permit agricultural pesticide users to claim the Input Tax Credit. It can then use the revenue generated from the GST on pesticides to create a national non-essential pesticide reduction program.

Clean Canada Fund

The government should create a federal/provincial program to assess and remediate high-risk toxic sites and relocate communities at risk. The long-term goal is to clean up all contaminated sites across Canada.

National Wildlife Areas

The federal government should invest in Canada's network of National Wildlife Areas, with a focus on delivering on the Throne Speech commitments to a northern strategy and a Great Lakes/St. Lawrence Program. This proposal will result in 10 new National Wildlife Areas by 2006, an additional 11 NWAs by 2009, as well as provide the effective capacity to manage this protected areas network.

Realizing the Full Potential of the Ecological Gifts Program

The federal government should amend the *Income Tax Act* to: 1) reduce the capital gains inclusion rate for taxable income on ecological gifts from 25 per cent to zero; and 2) recognize all donations of ecologically significant lands as ecological gifts, including the donation of lands held as inventory.

Those who take active steps toward a sustainable economy should be rewarded for their investment.

Biodiversity Conservation Data Network

The government should establish a national network of federal, provincial and non-government agencies and organizations that collectively constitute the *Canadian Biodiversity Conservation Data Centre* — an accessible, coordinated, distributed, electronic and spatial database on the species, habitats and ecological systems of conservation concern across Canada.

National Conservation Trust

The federal government should make a leadership investment of $250 million into a highly leveraged National Conservation Fund. This initial investment should be matched by all levels of governments, non-governmental organizations, community groups and others by a target of 3:1. The fund would support priority conservation initiatives on the ground on a project-by-project basis.

Pollution Dividend for Health Care & a 21st Century Economy

Priority Recommendation

"The restructured tax would include other sources of pollutants and ensure that polluting activities by businesses — and by all Canadians — bear a more appropriate charge for the use of air, water and land."

Report of the Technical Committee on Business Taxation, Department of Finance, 1998

Summary

The *Pollution Dividend for Health Care & a 21st Century Economy* involves adjusting excise taxes on fuels to begin reflecting their immense health and environmental costs. Excise taxes would be increased, particularly on dirtier fuels such as coal and diesel. Considering recent surges in gasoline prices, the current 10 cent per litre gasoline tax could be considered the benchmark from which the level of taxation on other fuels could be adjusted in proportion to their health and environmental costs.

A portion of all revenue from fuel excise tax would be invested in the health care sector, with an emphasis on preventative health care. Another portion would be used to establish a *21st Century Economy Fund*. This fund would support the deployment of technologies and infrastructure that is environmentally restorative and strengthens Canadian competitiveness such as renewable energy, energy efficiency and public transit. This dividend and investment arrangement would have the double benefit of moving towards fuel prices reflecting the true costs, and putting in place mitigative and remedial programs to address the health and environmental costs of burning fossil fuels.

Revenue

This proposal would initially generate modest additional revenue as small increases in excise tax on some of the dirtiest fuels such as diesel and coal are levied.

Benefits for Canadians

- A consistent stable source of revenue is secured for investing in critical public priorities: health care and sustainable industry
- The health and environmental costs of burning fossil fuel begin to be internalized, sending a price signal to the market and influencing consumption
- The costs of fossil fuel burning begin to be directly remediated and mitigated by investing in health care and sustainable industry
- Awareness amongst policy makers, public and industry is heightened concerning the connection between burning fossil fuels and health and sustainable alternatives

Background and Rationale

The federal government has a tradition of using the tax system to support social and economic goals. Raising tobacco taxes has been very effective in reducing smoking rates and, in turn, reducing smoking-related health care costs. Generating revenue based on the human and environmental health costs of fuel use and recycling it on mitigation and remediation would continue this tradition.

Notably, this arrangement would help address the growing environmental health crisis, driven in large measure by exposure to air contaminants including mercury, sulphur, nitrogen oxides, particulate matter and ozone — all from fuel combustion. Air pollution kills more people annually in Canada than traffic accidents or breast cancer.[1] In Ontario alone, air pollution is responsible for in excess of $1 billion annually in direct costs such as hospital room admissions and absenteeism and another $9 billion in indirect costs, such as mortality.[2]

Over the past 15 years, many OECD countries, including Finland, Denmark, Germany, Norway, Sweden, the Netherlands and the UK, have introduced ecological tax reforms to promote economic growth while reducing air pollution including carbon dioxide emissions.[3] Sweden has quite a comprehensive regime for taxing fuels based on carbon, energy use, nitrogen oxide, and sulphur.[4] In 1998, the report of the Technical Committee on Business Taxation to the Department of Finance recommended specifically that the federal fuel excise tax be restructured to correspond "to the user pay principle." The report's recommendation for environmental tax reform concluded: "The restructured tax would include other sources of pollutants and ensure that polluting activities by businesses – and by all Canadians – bear a more appropriate charge for the use of air, water and land"[5]

In actual fact, the Department of Finance has already started to reform fuel taxes, to take into account ecological considerations, by removing the excise tax on ethanol. This is in order to promote fuel switching towards a more climate friendly fuel (which, unfortunately, is only true with certain types of ethanol). Nevertheless, as a general rule the level of taxation does not reflect health and environmental costs.[6] The federal gasoline tax is 10 cents per litre, and there are a number of other fuels that include an excise tax: aviation gasoline: 11 cents per litre, unleaded aviation gasoline: 10 cents; diesel fuel: 4 cents; aviation fuel: 4 cents. However coal, the dirtiest fuel, does not even have a federal excise tax applied to it[7] (while at the same time most provinces apply a sales tax to coal).[8]

The current level of taxation on gasoline should be considered the benchmark for initially phasing in taxes. Most of the new revenue could, therefore, be generated from tax increases on the other fuels. The largest source of new revenue would come from including a modest excise tax on coal. The public recognizes that burning coal is bad for the environment and human health and, hence, would be responsive to investing this revenue in health care and sustainable industry development.

Assessments of environmental tax shifting policies in Europe, which include the introduction of carbon taxes, have shown that the effect on the economy is minimal or even somewhat positive, through lower costs in labour-intensive sectors, energy substitution and increased energy

[1] Air pollution mortality rates in: Burnett R.,Cakmak S., and Brook JR. 1998. "The Effect of the Urban Ambient Air Pollution Mix on Daily Mortality Rates in 11 Canadian Cities," *Canadian Journal of Public Health* vol. 89:152-156; Traffic mortality rates from Transport Canada: http://www.tc.gc.ca/roadsafety/tp/tp3322/2000/pdf/st2000e.pdf (Retrieved 25.06.04); Breast cancer mortality rates from: http://www.ontario.cancer.ca/ccs/internet/standard/0,3182,3543_14435__langId-en,00.html (Retrieved 25.06.04).

[2] Ontario Medical Association. 2000. *The Illness Costs of Air Pollution in Ontario*. http://www.oma.org/phealth/icap.htm

[3] Andrea Baranzini, Jose Goldemberg and Stefan Speck, "A Future for Carbon Taxes" Ecological Economics, 32(2000), p.395-412

[4] http://europa.eu.int/comm/energy_transport/atlas/htmlu/pfbsweden.html

[5] Technical Committee on Business Taxation. 1998. *Report of the Technical Committee on Business Taxation*. Prepared for the Department of Finance, Government of Canada http://www.fin.gc.ca/taxstudy/brief1_e.html

[6] Canada Customs and Revenue Agency. November 2003. Current rates of excise tax. http://www.cra-arc.gc.ca/E/pub/et/currate/currate-e.pdf

[7] Ibid

[8] Western Mining Engineering. State/Provincial mining taxes. http://www.westernmine.com/westernmine/taxcost.htm

efficiency. In addition, there is no evidence that environmental measures, including carbon taxes, have had a negative impact on the international competitiveness of firms.[9] Given the fact that energy prices are low and energy use per capita is significantly higher in Canada than in United States or Europe, there is enormous potential for low-cost energy conservation measures, which will mitigate the negative impact, if any, that new environmental fuel taxes will have on the economy.

The burden of environmental taxes on the economies of countries where they have been introduced, has been minimized by introducing taxes at low levels and implementing gradual increases according to a set schedule so that firms have been able to adjust their investment decisions according to phased-in tax increases. Also, countries have granted exemptions or tax rebates to firms in energy-intensive sectors in exchange for commitments to meet increased energy efficiency targets.[10]

Environmental taxes are globally recognized as a cost-effective means of reducing pollutants since firms are given the flexibility to decide how and to what extent they will reduce their emissions. Germany's "ecotax" on fuels is considered a decisive factor in reducing the country's greenhouse gas emissions by 18 per cent and, in particular, flattening transportation emissions (1990-2001). Because the revenue was used to reduce state pension contributions, the tax shift yielded double dividends: i.e. reduced pollution and reduced tax burden. Environmental taxes on fuels have the additional benefit, over many regulated emissions standards, of providing on-going incentives for increasing efficiency, fuel switching and ultimately reducing emissions.

It is essential that clear criteria be established for spending money from the 21st Century Economy Fund. Much climate protection spending to date has been invested in voluntary programs and some very capital-intensive technological fixes with limited success in reducing emissions, e.g. carbon storage. Clear criteria have to be established to ensure investment is focused on practical, cost-effective technologies that, with relatively small investments, will enter the marketplace and immediately start reducing or displacing greenhouse gas emissions and air pollution.

Recommendation

Adjust excise taxes on all fuels to reflect their health and environmental costs. This would include assessing the cost of carbon, mercury, nitrogen oxides, sulphur dioxide, and particulate matter emissions as well as emissions from embedded energy in fuels. Half of all revenue generated (including new money generated from the adjustment) would be split into two funds: 1) a health care sector fund, with emphasis on preventive health care, and 2) a *21st Century Economy Fund* for deployment of technologies and infrastructure that are environmentally restorative, such as advanced low-impact renewable energy, energy efficiency, and public transit.

Alternative and Complementary Policies

Some European countries have designed environmental tax reforms to yield 'double dividends' since revenues from taxes on environmentally harmful substances can be used to reduce the tax burden on labour or personal income. This provides the double benefit of reduced pollution and increased employment, as well as income at no net cost to the government. For example in Denmark, average annual green tax revenues of (US)$600 million, over the period 1994-1998, has been used to reduce personal income tax rates by 10 per cent and employer payroll contributions by 2 per cent, while at the same time lowering total greenhouse gas emissions.[11] Alternatives for introducing this tax, therefore, include:

- an increase in tax revenue could be alternatively offset by an equivalent reduction in GST, income tax or payroll taxes

[9] OECD, "Environmental Taxes and Competitiveness: an overview off issues, policy, options and research needs", June 2003, http://www.olis.oecd.org/olis/2001doc.nsf/LinkTo/com-env-epoc-daffe-cfa(2001)90-final

[10] ibid

[11] Andrew Hoerner and Benoit Bosquet, "Environmental Tax Reform: The European Experience", Center for a Sustainable Economy, February 2001, http://www.sustainableeconomy.org/eurosurvey.htm
Information on environmental tax rates and revenues are available from the OECD/EU Environmentally Related Taxes database at: http://www1.oecd.org/scripts/env/ecoInst/index.htm

- all the revenue could be distributed to the provinces who could choose how to invest it — including, returning it to taxpayers

The Large Final Emitters system — if designed correctly — will also reduce consumption of fossil fuels and in turn air pollution and greenhouse gas emissions.[12] As in Europe where emissions trading will begin in earnest in 2005 alongside environmental taxes found in many jurisdictions, these two regimes can complement one another. Because the LFE system will primarily cover the oil, gas, mining and manufacturing industries, the burden of the pollution dividend would have to be considered in the design of both regimes. In Europe, many of these industries are either exempt from paying ecological taxes or eligible to receive tax rebates in exchange for making commitments to meet energy efficiency targets. Nevertheless, the pollution dividend has the advantage of passing on the external costs to all fuel consumers, and importantly it begins to incorporates all emission costs, not just carbon. The pollution dividend on fuels is complemented by other efforts to strengthen the energy efficiency of the Canadian economy, for example: improved standards for consumer goods such as appliances and cars, incentives for manufacturers to produce more energy efficient products, and investments in alternatives to automobile use like public transit. Moreover, as the efficiency of the economy is improved and consumers have more energy efficient choices, the federal government can phase in, with least disruption, increased levels of tax on the various fuels, including gasoline. This phased increase can be done in such a way to ensure that net spending on energy remains relatively stable.

The federal government's *Sustainable Development Technology Canada* program, focusing on research and development, would complement the 21st Century Economy Fund, focusing on deployment of innovations and infrastructure.

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[12] For a review of the loopholes in the LFE system see: Boston, Alex. 2004. *Planning for the Next Generation: 10 Principles for Climate Protection and Innovation.* David Suzuki Foundation.

Green Cars — Priority Recommendation
Protecting the Climate and Canadian Jobs

"Canadians will not understand why the auto industry was able to commit to an agreement [to increase vehicle fuel efficiency] in Europe, Japan and Australia, and not in Canada . . . We know they can do it and that's what's frustrating. We know the technology is out there."

Hon. Stéphane Dion, CBC News, November 17, 2004

Summary

The global campaign against climate change is going to dramatically alter the domestic auto industry, a pillar of Canada's economy. The federal government must ensure that this sector remains competitive by creating demand for more climate friendly vehicles while supporting the made-in-Canada manufacture of these same vehicles.

Investment

$500+ million over five years.

Benefits for Canadians

- meet Canada's Kyoto target for passenger vehicles
- reduce smog causing pollutants such as sulphur dioxide, nitrogen oxides and particulate matter and protect the health of Canadians
- reinforce global progress toward reducing greenhouse gas emissions, spurring investment and employment in fuel cell and hybrid vehicle manufacturing and R&D
- ensure that Canada's auto industry is strengthened by the global trend toward more climate friendly vehicles

Background and Rationale

Cars and light trucks produce 12 per cent of Canada's greenhouse gas emissions and are the largest single source of emissions in the transportation sector. Because fuel economy standards have not changed since the mid-1980s, carmakers have directed design improvements to everything but fuel efficiency. Worse, carmakers have also marketed vehicles such as SUVs as passenger vehicles, pushing emissions up still higher. Emissions from light-duty trucks, such as SUVs, have increased 80 per cent since 1990.

The federal government's Climate Change Plan 2002 commits the federal government to reducing greenhouse gas emissions from passenger vehicles by 5.2 megatonnes by 2010.[13] To achieve this target, the federal government sought to negotiate a voluntary reduction with carmakers, but

[13] Based on the deployment of available and affordable technologies, the government's target for passenger vehicles foresees 5.2 MT reduction in greenhouse gas emissions vehicles fleets in 2010 and increasing to a 14.1 MT reduction in 2020 as older vehicles are taken off the road. Please see: "Progress on Canada's Greenhouse Gas Strategy," Peter Reilly-Roe, Assistant Director, Transportation Energy Use Division, Office of Energy Efficiency, Natural Resources Canada

after four years of negotiations carmakers have refused to do their part for Kyoto.

Canada should look to California for a new policy framework for getting more climate friendly vehicles on Canadian roads. In 2002, California enacted legislation requiring carmakers to reduce greenhouse gas emissions from their vehicles and is currently considering regulations that set an emissions reduction target of 30 per cent by 2015.[14] North Eastern U.S. states such as New York, Vermont and Massachusetts have already expressed their intention to adopt California's new regulations, comprising approximately 30 per cent of the North American auto market.[15] Canada would help drive a continental shift to cleaner vehicles by enacting regulations similar to California's.

This movement toward cleaner cars at the state level in the U.S. should also be a wake-up call for Canada. The auto industry accounts for approximately one-quarter of total Canadian exports, making it Canada's largest export sector — with 97 per cent of our automotive exports going to the United States. Internationally, Japan, the European Union and Australia are already reducing greenhouse gas emissions from their vehicle fleet.

Automakers are attempting to resist and forestall these global trends toward more climate friendly vehicles. To protect Canadian jobs and the environment, the federal government must be proactive and develop a strategy to ensure that Canada's auto industry adapts and is strengthened by the global campaign against climate change.

Regulation is key to any policy package that aims to reduce greenhouse gas emissions from vehicles, especially if the federal government is to ensure fair competition among carmakers. The federal government also has a role to play in building demand for more climate friendly vehicles. Both consumer incentives and an effective government procurement policy are two means of building demand.

On the supply side, the federal government should encourage the production of greener vehicles in Canada by supporting investment in manufacturing facilities for the production of climate friendly vehicles. Opportunities already exist - General Motors is evaluating whether to build hybrid vehicles at both its Ingersoll and Oshawa facilities.

Recommendations

- Establish regulations to reduce greenhouse gas emissions from passenger vehicles, co-ordinating efforts with California and other U.S. states.

- Speed the market penetration of cleaner vehicles by mandating that all government vehicle purchases be low emission vehicles (any car that emits less than 130 grams of GHG per km). Presently less than 15 per cent of the 3,000 vehicles purchased annually by the federal government meet its own definition of a green vehicle.

- Establish a 100,000 "Green Car" campaign (any car that emits less than 130 grams of GHG per km or any light-truck that emits less than 190 grams of GHG per km[16])

[14] Bill 1493, or the Pavley Law as it is popularly known, directs the California Air Resources Board (CARB) to adopt regulations to achieve the "maximum feasible and cost-effective reduction of greenhouse gas emissions from motor vehicles." CARB's cost and feasibility analysis assumes the adoption of similar regulations by Canada and other North Eastern American states for a market of approximately 4 to 5 million vehicles. Both California's and Canada's auto markets sell approximately 1.7 million vehicles each annually. For information on California's greenhouse gas emission targets, please see the California Air Resources Board's staff report on the feasible reductions in greenhouse gas emissions from vehicles. Available at: http://www.arb.ca.gov/cc/cc.htm

[15] Section 177 of the U.S. Clean Air Act allows any state that does not meet one of the National Ambient Air Quality Standards to adopt California's auto emission standards. Maine, Massachusetts, New York, Vermont, Connecticut, New Jersey and Rhode Island have all chosen to adopt California's LEV II standard over the U.S. federal Tier 2 standard. LEV II calls for reductions in nitrogen oxide, hydrocarbons and particulate matter over and above the Tier 2 standard. LEV II standards will be in full effect when California's new greenhouse gas emission standard takes effect in 2009. The California Air Resources Board has accounted for this in its technical analysis. Consequently, any state that wishes to adopt California's greenhouse gas emission standards must also adopt the LEV II.

[16] These emission ratings approximate the emissions from hybrid vehicles.

providing $4,000 to consumers as well as a $500 incentive to dealer for the purchase of a low-emission vehicles. This performance based rebate would be eliminated when Canada's regulations limiting greenhouse gas emissions from passenger vehicles come into effect in 2010. This measure would cost approximately $450 million over 5 years.

- Provide businesses with an immediate tax deduction of 100 per cent of the cost of vehicles that emit less than 130 grams of carbon dioxide per kilometre. Under current rules low-emission vehicles are treated the same as inefficient vehicles and can be expensed at the rate of 30 per cent per year (40 per cent for taxis and rental vehicles). The UK introduced such a measure in 2002.

- Introduce a sliding scale for the inclusion into income of the use of a company car by an employee. Currently 24 per cent of the vehicle list price is added to an employee's taxable income for the personal use of a company vehicle. All vehicles are currently treated the same from the dirtiest to the most efficient. The UK recently introduced a tax measure whereby inefficient vehicles, such as the Ford Expedition, are taxed at 35 per cent and lower emission vehicles, such as the Honda Civic, are taxed at only 15 per cent.

- Support and encourage investment in climate friendly car manufacturing in Canada. General Motors is evaluating whether to produce hybrid vehicles at its Ingersoll and Oshawa plants. (The federal government has established a $500 million fund for supporting auto investment in Canada. Ontario has matched that amount.)

Alternative and Complimentary Policies

The federal government is already pursuing a number of policy initiatives to increase the market penetration of climate friendly vehicles and to encourage better fuel consumption habits among Canadians. The effectiveness of these initiatives will dramatically increased by implementing regulation and incentive programs as outlined above.

Aside from the aforementioned fiscal recommendations, the federal government could enact market share regulations similar to California whereby carmakers must meet increasingly stringent minimum sales criteria for specific vehicle types. California's Zero Emission Vehicle (ZEV) program, for instance, requires that 10 per cent of each carmaker's sales must meet ZEV equivalency.[17] A feebate system could also be implemented to increase market penetration of low emission vehicles. Under this policy, a fee is placed on the sale of inefficient vehicles and the revenue from the fee is used to finance a rebate for the purchase of climate friendly vehicles. The rebate for "Green Cars" as described in this text, would support and enhance all of these policy alternatives.

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[17] Under the ZEV program, carmakers meet their ZEV quota by selling certain low-emission technologies. Carmakers can meet 4 per cent of the ZEV quota, for instance, by selling hybrid electric vehicles. Carmakers must also make 250 zero emission vehicles nationwide between 2005 and 2008. For more information, please see: http://www.arb.ca.gov/msprog/zevprog/zevprog.htm

Toxic Substances Tax

Priority Recommendation

Summary

Recommendation: Create a dedicated tax on chemical substances listed as Toxic Substances under the *Canadian Environmental Protection Act* (CEPA) in order to make Canada's premier anti-pollution law work.

Revenue

Revenue from the tax, estimated at $170 million per year, will be used to build the capacity of the federal government to "make CEPA work". Revenue will be used to measure, monitor and understand the presence of toxics in our environment, and sustain research on better ways to prevent pollution with a new focus on reducing toxics throughout the complete product life cycle.

Benefits for Canadians

- promote pollution prevention
- contribute to protection of human health
- reduce public health costs
- create employment in research, development and implementation of better emission control and best industrial practices
- lower the cost to government, communities, and industry of expensive cleanup and remediation, and lost ecological services such as water quality

Background and Rationale

The *Canadian Environmental Protection Act* is not working. Despite the federal government's commitment to safeguarding Canadians from toxics through pollution prevention, regulatory action has yet to be taken in connection with most substances declared toxic under CEPA.

The capacity of the federal government to deliver its toxic substance control mandate as required by law is in a deficit situation and continues to decline. Incredibly, an Environment Canada internal operational assessment of CEPA admits that if current levels of funding remain unchanged, it will be 25 years before all substances on the Domestic Substances List are screened for persistence, bioaccumulation and toxicity (*Canadian Environmental Protection Act, 1999 (CEPA 1999) Health Canada — Safe Environment Programme Operational Review. October 2002*). In other words, it will be a full generation before the harmful characteristics of chemicals currently in commerce are understood, let alone new chemicals entering the market.

In order for Canada to get off this "Toxics Treadmill", the federal government urgently needs an enhanced capacity to measure, understand and take control of actions regarding the presence of toxic chemicals in the environment

"The rules of doing business need to be changed so that it pays to protect the environment and so that it costs to pollute and deplete resources."

Paul Martin, *The Environment: A Liberal Vision*, 1992

and in all phases of the life-cycle of consumer products. In accordance with worldwide trends in business and environmental management, the government needs to move its attention "up the pipe" and devote more resources to product life-cycle assessment and management approaches.

Canadian industry continues to generate enormous quantities of toxic substances as waste. Releases and transfers (not including recycling) of substances declared toxic for the purposes of CEPA and reported under the National Pollutant Release Inventory (NPRI) in 2002, include:

- More than **45,766 tonnes** of heavy metals;
- **811,701 kilograms** of Polyaromatic Hydrocarbons (PAHs);
- **452,181 kilograms** of hexachlorobenzene;
- **263.226 g** TEQ dioxins and furans; and
- **39,960 tonnes** of CEPA toxic substances.

In addition, releases of criteria air contaminants, such as carbon monoxide, sulphur dioxide, nitrogen oxides, particulate matter and volatile organic compounds have major impacts on the health of Canadians. Reported industrial releases of these substances under NPRI in 2002 included:

- **953,721 tonnes** of carbon monoxide;
- **576,739 tonnes** of nitrogen oxides;
- **61,150 tonnes** of PM2.5;
- **108,889 tonnes** of PM10;
- **1,978,934 tonnes** of sulphur dioxide;
- **227,900 tonnes** of total particulate matter; and
- **267,553 tonnes** of volatile organic compounds.

Mining operations are not required to report releases and transfers of toxic substances under the NPRI. As a result, releases and transfers of CEPA toxic substances from mining operations are not included in these estimates. The exemptions from reporting for the coal and metal mining sectors were lifted from the US Toxics Release Inventory (TRI) beginning in 1998. As a result, the metal mining sector in the US emerged as the largest source of total on- and off-site disposal and other releases of TRI substances, constituting 27 per cent of all releases reported to the TRI in 2002.

Pollution Taxes in Other Jurisdictions

Other countries have successfully used pollution tax measures to reduce toxic emissions. For instance, the US Superfund Polluter Pays Taxes included:

- A crude oil tax (9.7 cents per barrel tax on purchase);
- A chemical feedstock tax on the purchase of 42 toxic chemicals ranging from $0.22 to $10.13 per ton;
- A Toxic Chemicals Importation tax on the importation of 113 dangerous products made from chemicals covered by the feedstock tax; and
- A Corporate environmental income tax on the profits of large corporations (rate of 0.12 per cent on taxable profits in excess of $2 million; $12 per $10,000).

In addition, many U.S. states, including Delaware, Massachusetts, New Jersey and Rhode Island now tax various toxic substances to fund pollution prevention programs and the remediation of contaminated sites.

Recommendation

Establish an excise tax on the release and transfer of toxic pollutants designated under CEPA. The tax should also be applied to criteria air contaminants that have been added to the CEPA list of toxic substances, including nitrogen oxides, PM2.5 and PM10, and volatile organic compounds. The tax should be weighted based on the level of toxicity for each substance.

Pollutant	NPRI Threshold	Tax Rate
CEPA Toxic Substances		
Base Rate: CEPA Toxics	10 tonnes	$100/tonne
Mercury and Cadmium	5kg	$10/kg
Other Heavy Metals	50 kg	$1/kg
PAH's	50 kg	$5/kg
HCB	Level of Quantification	$500/gram
Dioxins and Furans	Level of Quantification	$1000/gram
Criteria Air Pollutants		
Total Particulate Matter (PM)	300kg and 500kg	$100/tonne
VOCs	10 tonnes	$50/tonne
Oxides of Nitrogen	20 tonnes	$25/tonne

The tax will create an incentive to reduce the use, generation or release of the specific pollutants. The net result is an incentive for pollution prevention on a much wider basis than the federal government currently regulates.

The toxic tax would be calculated from a base tax of $100 per tonne for substances listed as toxic by CEPA. For illustrative purposes, the tax is applied according to the classifications of substances for the purposes of NPRI reporting thresholds, which provides a rough indication of their toxicity and policy priority. The thresholds and rates upon which potential revenues are calculated are in the table above.

These calculations are for illustrative purposes, to indicate a potential weighted approach to the application of the tax. Tax rates could be varied to reflect the level of priority assigned to different types of substances, and to ensure impacts on the users of substances that are sufficient to modify behaviour.

Revenue from the tax ought to be used for the following activities:

- program administration/enforcement
- implementation of CEPA, in particular CEPA Part V, including the Domestic Substances List screening process for Persistence, Bioaccumulation and Toxicity characteristics and subsequent toxic substance management measures
- measure, monitor and understand the presence of toxics in our environment
- pollution Prevention Research Fund with a focus on product life cycle

The government should also review and remove the exemptions for the mining sector from reporting to the National Pollutant Release Inventory. Given the scale of the potential contributions to releases and transfers of hazardous pollutants, criteria air contaminants and greenhouse gases, the exemption for the mining sector constitutes a major gap in the NPRI reporting structure - particularly with respect to on-site land releases, which may ultimately result in water pollution.

Alternative and Complementary Policies

The federal government maintains that it is committed to safeguarding Canadians from toxics through pollution prevention. However, regulatory action has yet to be taken in connection with most substances declared toxic under CEPA. The government needs to enhance its capacity to regulate where appropriate and to take complementary action where other non-regulatory approaches are warranted.

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Oceans Action Plan

Unfortunately the Oceans Strategy is currently an un-funded mandate and the Oceans Act has no regulatory framework to give it teeth.

Summary

Recommendation: That the federal government fund its Speech from the Throne commitment to *"move forward on its Oceans Action Plan…establishing a network of marine protected areas"*. The next step is to provide funding and measurable targets and timelines to implement this commitment. Our proposal will establish eight *Oceans Act* marine protected areas (MPAs) by 2006, and an additional 30 marine protected areas by 2011, as well as implement integrated management plans, and enhance enforcement of rules governing oceans and fisheries, also committed to in the Speech.

Investment

$500 million over five years to implement an Oceans Action Plan with strong science-based conservation measures, including, as a priority, establishment of a network of marine protected areas.

Benefits for Canadians

- the opportunity to regain global leadership on oceans management
- conservation of commercial and non-commercial fisheries resources and resultant support for coastal communities
- protection of marine wildlife habitat, contributing to Canada's commitments to protect biodiversity and species at risk
- additional economic benefits for coastal communities from ecotourism

Background and Rationale

The world's oceans are in crisis. In recent years the signs have become unmistakeable in Canada - the disappearance of cod on the east coast, and of rockfish and some salmon stocks on the west coast, the decline in west coast orca populations, the closing of beaches due to sewage contamination, and trawling destruction of many important benthic habitats including thousands of year old sponge reefs on the west coast and coral forests on the east and west coasts.

Canada's marine ecosystems are under increasing stress from over-fishing, transportation, invasive species, physical damage caused by trawlers, oil and gas development and physical infrastructure, land-based sources of pollution, and climate change.

With the passage of the *Oceans Act* in 1997, Canada became the first country with legislation that explicitly addressed the need for a comprehensive and coordinated approach to oceans management. The *Oceans Act* is in keeping with Canada's past leadership on oceans issues, such as during the negotiations on the United Nations Law of the Sea. Seven years later Canada is only marginally closer to achieving the vision of the *Oceans Act*. Canada's *Oceans Act* and Oceans Strategy define the vision, principles and policy objectives of oceans management in Canada including scientific research that supports ecosystem-based management and the establishment of marine protected areas. Unfortunately the Oceans Strategy is currently an un-funded mandate and

Oceans Act MPA proposals (Fisheries and Oceans Canada)	National Marine Conservation Areas proposals (Parks Canada Agency)	Marine Wildlife Areas proposals (Environment Canada)
• Basin Head, PEI • Bowie Seamount, BC • Eastport, NL • Gabriola Passage, BC • Gilbert Bay, NL (Labrador) • Leading Tickles, NL • Manicouagan, QC • Musquash Estuary, NB • Race Rocks, BC • Hecate Strait Sponge Reefs	• Lake Superior, ON • Gwaii Haanas, BC • Southern Strait of Georgia, BC • Magdalen Islands, QC • One other being identified for completion by 2007	• Akpait (Reid Bay) NU • Igaliqtuug (Isabella Bay)NU • Qaqalluit (Cape Searle), NU • Sable Island, NS • Scott Islands, BC

the *Oceans Act* has no regulatory framework to give it teeth. To date, despite commitments dating back to 1998 to establish 10 proposed marine protected areas under the Oceans Act, only two have been designated — the Endeavour Hydrothermal Vents off the coast of Vancouver Island and The Gully on the Scotian Shelf.

Together with funding allocated to the Parks Canada Agency in 2003, the proposed investment of $500 million over five years would result in the establishment of: eight new *Oceans Act* MPAs by 2006 and an additional ten sites by 2011, including as a high priority the Hecate Strait sponge reefs in BC; five new national marine conservation areas by 2007, and ten additional sites by 2011; and five new marine wildlife areas by 2007, for a total of 38 new marine protected areas. (See table above)

Recommendations

- $20 million over two years (2005-06) to establish eight priority Marine Protected Areas under the *Oceans Act*
- $480 million over five years (2007-2011) to implement Canada's Oceans Action Plan, with a focus on establishing 30 additional marine protected areas under the Oceans Act (Fisheries and Oceans Canada); National Marine Conservation Areas Act (Parks Canada Agency); and Canada Wildlife Act (Environment Canada)

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Transit Renewal and Sustainable Cities Strategy

"If we are not careful, if patterns don't change our lives may become filled with too much cement and not enough trees. Filled with too much time spent in traffic and not enough spent at home with the family. That is why we have to make public transit more than just an alternative choice — it has to be compelling. It has to become the first choice."

Rt. Hon. Paul Martin, Toronto Transit Commission 50th Anniversary Address, March 2004

Benefits for Canadians

- support the development of world-class cities
- strengthen the competitiveness of the economy and improve Canadian living standards
- reduce per capita transportation costs by shifting investments to more cost-effective modes
- foster sustainability in Canadian cities, notably, reducing air pollution and human health costs from reduced fossil fuel combustion, and curbing urban sprawl
- create employment in construction, engineering, design and operation
- contribute to Canada's international commitment under the Kyoto Protocol
- reduce travel times and congestions for Canadians

Summary

Establish a National Public Transit Renewal Program by allocating an annual $1.5 billion fund from revenue generated from the excise tax on gasoline, and subject all urban infrastructure grants to strong criteria to ensure transit investments enhance human health and the environment.

Investment

$1.5 billion annual investment in public transit which would come from the federal excise tax on gasoline.

Background and Rationale

Now, more than ever, Canada's city regions are central to the country's economic, social, cultural and environmental development. They play a pivotal role in economic growth. The largest 22 cities generate nearly 60 per cent of Canada's GDP and two-thirds of the population lives, works and plays in these cities.[18]

At the same time Canadian cities confront immense funding, planning and capacity inadequacies which result in economic underperformance and immense social and environmental costs. The Ontario Medical Association estimates

[18] Declaration of the 22 big city mayors. June 11, 2004. http://www.cmm.qc.ca/bc22/documents/pdf/declaration_ang_signee.pdf

that air pollution alone is responsible for in excess of $1 billion provincially in direct costs such as hospital room admissions and absenteeism and another $9 billion in indirect costs, such as mortality, in Ontario alone.

Urban sprawl, a function of poor urban planning and inadequate public transit investment, is the major driver of air pollution and greenhouse gas emission growth in most urban areas of Canada. Public transit is the most urgent infrastructure crisis facing our cities with a $9 billion shortfall in revenue over the next five years.

Sustainable development is considered a central pillar of the New Deal for communities.[19] To safeguard this commitment, it is essential to ensure the urgent priority of public transit renewal is fully addressed and that the "new deal" infrastructure investment does not entrench old problems such as congestion, air pollution, greenhouse gas emissions, urban sprawl, compromised water quality, etc.

Strong public transit ridership closely correlates to strong economic performance and high living standards.[20] Transportation — most of which is road-based — accounts for one-quarter of Canada's greenhouse gas emissions and is a major contributor to urban smog. Urban transit in Canada is facing major infrastructure needs totaling $21 billion over the next five years.[21] Public investment in transit is proportionally higher in virtually every other industrial country.[22]

About 70 per cent of greenhouse gas emissions in transportation are road-based, and two-thirds of these emissions are generated in urban areas. Congestion is a significant and growing cost to businesses, particularly in Ontario and Quebec – this has significant economic implications at a time when competition south of the border is benefiting from new investments in public transit.[23] Without additional transit investment, commuting times in the Greater Toronto area are forecast to grow 50 per cent by 2021, adding $7 billion annually to congestion costs.[24]

Despite the social, environmental and economic benefits of public transit, the average number of transit trips per person declined 25 per cent between 1989 and 1996.[25] There are many reasons for this including failure to invest in public transit and the proliferation of land-use patterns that do not support cost-effective urban transit.

The federal government has begun to reinvest in public transit on an ad hoc basis through its infrastructure programs. However, to effectively address this crisis, a long-term, coherent strategy is essential. A study for Transport Canada concluded that $1.4 billion per year in capital funding and $300 million per year in operating funding is required to significantly increase ridership.[26]

The Canadian Urban Transit Association's recently released survey of infrastructure needs suggests a $9 billion shortfall in funding for the period 2004-2008. Just to keep existing equipment in good repair, $6.9 billion during this period — this alone is approximately $1.7 billion per year.

Recommendations

- establish a National Public Transit Renewal Program by allocating an annual $1.5 billion fund from revenue generated from the excise tax on gasoline and subject grants to a strong criteria to ensure transit investments enhance human health and the environment

[19] New Deal is based on principles of sustainable development in *Moving Canada Forward.* June, 2004. http://www.liberal.ca/platform_e_3.aspx;

[20] Kenworthy, J et al. 1997. *Indicators of Transit Efficiency in 37 Global Cities*. Prepared for the World Bank.

[21] Canadian Urban Transit Association. February, 2004. p. 2-3. Report on a Survey of Transit Infrastructure Needs for the Period 2004-2008.

[22] Canadian Urban Transit Association. 2001. *Moving to the Front of the Bus — Urban Transit and a More Competitive Canada.*

[23] Urban Development Institute — Ontario. 2002. *Investing in an Urban Transportation Infrastructure Agenda — Strong Cities & Public Transit: the Need for Investment* (presentation to the Standing Committee on Finance).

[24] McCormick Rankin Corporation with Metropolitan Knowledge International. 2002. *Central Ontario Highway Transportation Perspective*. Prepared for the Ontario Ministry of Transportation.

[25] Pollution Probe. 2001. p. 8. *Transaction 2001.* http://www.pollutionprobe.org/Reports/TransAction2001.pdf

[26] McCormick Rankin, *Urban Transit in Canada — Taking Stock*, prepared for Transport Canada.

- ensure all municipal infrastructure initiatives funded by the federal government are consistently subjected to strong criteria to ensure they meet the government's goals of environmentally sustainability

Alternative and Complementary Policies

There are numerous policy instruments that can support urban sustainability and strengthened public transit.

The federal government encourages the use of the private automobile by treating employer-provided parking spaces for employees as a non-taxable benefit. However, employer provided transit passes are treated as taxable benefits.

- The *Income Tax Act* should be amended to make employer-provided transit passes a non-taxable benefit.

Many municipalities, particularly smaller ones, would benefit from new tools and training to move toward more cost-effective and environmentally sustainable infrastructure decisions and long-term integrated planning.

- Invest in the Capacity Building for Sustainable Community Planning program recommended by the Federation of Canadian Municipalities.

The Federal House in Order initiative and the Sustainable Development in Government Operations initiative are solid foundations for strengthening sustainability in cities, particularly in transportation. There are a number of opportunities to make these good programs even better, for example:

- federal government could strengthen its transportation demand management programs for employees and adopt a more ambitious, targeted approach to greening the federal fleet
- adopt sustainability guidelines governing site and location of federal facilities, specifically including reduced travel for workers and suppliers

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Shifting Tax Incentives from Virgin Mineral Extraction to Recycling of Metals

"We need to abandon the very concept of waste. . . . The traditional model takes in virgin materials at one end, creates waste and emissions during production, and throws away potentially valuable materials after consumer use. But nature long ago came up with a superior design. One where all waste is reused as food or energy elsewhere."

Hon. Paul Martin, Speech to Federation of Canadian Municipalities, June 5, 2000

Summary

Recommendation: that the federal government shift tax incentives from the extraction of virgin minerals to measures favouring the recycling and conservation of minerals.

Investment

This is a tax shift and will result in no net loss or gain.

Benefits for Canadians

pollution prevention – mining produces one million tones of waste rock and 950,000 tonnes of toxic tailings annually, often requiring perpetual care and maintenance. This is more than twenty times the amount of municipal solid waste generated each year by all of the residences, industries, commercial establishments, and institutions in Canada combined.[27] According to the US Institute of Scrap Recycling Industries, recycling steel results on a 97 per cent mining waste reduction and a 76 per cent water pollution reduction energy savings on metal production: zinc– 60 per cent, Steel– 74 per cent, copper– 85 per cent[28]. Falconbridge Nickel mines in Ontario presently consumes as much electricity as 250,000 homes[29] reductions in GHG emissions: a tonne of aluminum produces four tonnes of GHGs and a tonne of steel produces 0.8 tonnes of GHGs.[30] Small increases in their rates of recycling would yield substantial reductions in GHG emissions reduce human health risk and associated public health costs. Heavy metals released by mining are a significant contributor to poor health in communities such as Sudbury, Port Colborne, Lynn Lake, Trail, Labrador City and Rouyn

[27] Total municipal solid waste generation in Canada is estimated to be approximately 30 million tonnes per year.

[28] US Environmental Protection Agency

[29] Carol Mulligan, The Sudbury Star, *Mining can't afford hydro hike: hearing*, August 25, 2004

[30] R. Sage, "Implications of Canada's GHG Programs for Metals and Recycling Industries", CANMET-CARI-European Commission Environmentally Clean Technologies for Sustainable Production and Consumption Workshop Proceedings, NRCan, 2003.

Noranda. Over 60,000 tonnes of particulate matter are released into the atmosphere from tailings in Canada each year, while the metal smelting sector is a leading source of a range of heavy metals, including cadmium, mercury, lead, nickel and arsenic, as well as acid rain precursors, such as sulphur dioxide[31]

Background and Rationale

The enormous negative externalities of the minerals we take for granted must be considered in government policy and industry practice. This means treasuring the minerals that have already been extracted and reducing the need for mining wherever possible. Many more jobs and more sustainable economies can be created in the minerals industry if the focus shifts from mining to the re-use of minerals already taken from the ground and to value-added production in Canada.

In the last decade a number of voices have been expressing growing concern about Canada's special tax treatment for the extraction of virgin minerals:

- The Organization for Economic Cooperation and Development recommended in its 2000 report on Canada that, "the preferential tax treatment of conventional resource sectors, such as oil and gas, and minerals and metals should be eliminated" on both environmental and economic grounds.[32]
- Principle 8 of the 1992 Rio Declaration and Chapter 4 of Agenda 21 — Changing Consumption Patterns committed the parties to the elimination of unsustainable patterns of production and consumption.[33] It has been estimated that, to achieve sustainability worldwide, the material intensity of each unit of economic output will need to be reduced by 50 per cent and, in industrial countries like Canada, it will have to fall by factors of between four and ten.[34]
- A 1995 Report prepared for the Canadian Council of Ministers of the Environment that found tax expenditure provided by federal and provincial governments displays a bias against recycling, and stated that recycled materials would have to taxed 13 per cent lower than virgin material for optimal waste reduction
- A peer-reviewed article by Kimberley Sharf of the University of Warwick, drew the following conclusions: "The Canadian tax system significantly favours the use of virgin materials rather than recycled materials in the case of metal and glass products…". Sharf found that "Metal produced with virgin material has a Canada-wide weighted average tax rate of 23.4 per cent, while metal produced with recycled material has a rate of 27.9 per cent"[35]

Metals are especially good candidates for recycling and conservation. Metals do not lose their mechanical or metallurgical properties when recycled, while retaining their economic value. As a result metals can be re-used and recycled through the economy almost without limit.[36]

[31] Ibid., pp.8–10.

[32] The report of the High-Level Advisory Group on the Environment to the Secretary-General of the OECD; November 25, 1997. http://www.oecd.org/subject/sustdev/hlage.htm, p.10.

[33] See, in particular, Art. 4.18.

[34] The need for a 90 per cent reduction in material intensity in OECD countries was acknowledged in the October 1994 Carnoules Declaration, endorsed by prominent individuals including the former executive directors of the Business Council for Sustainable Development and the Brundtland Commission (in T. Green, "Lasting Benefits from Beneath the Earth," 1998:69).

[35] Sharf, K, " Tax Incentives for the Extraction and Recycling of Basic Materials in Canada", Fiscal Studies, (1999) vol. 20, no.4, pp.451-477

[36] Natural Resources Canada, "Metals and Minerals Policy of Canada," (Ottawa: Government of Canada, 1996), p.12.

Even while a mine is operating, employment and income potential is likely to be relatively short term. This trend is the result of a decline in the average operating period for new mines, and the technological developments that are constantly displacing workers. Most new mines only last 10-15 years.[37] Mining also results in socio-economic costs including: health impacts; work injuries; boom and bust economic cycles; the destruction of indigenous livelihoods; and dramatic changes in regional cultures.[38]

According to the 1998 report of the Minister of Finance's Technical Committee on Business Taxation, the federal tax rate on Canada's mining and oil and gas sectors is the lowest of all sectors.[39] The marginal tax rate is 8.7 per cent, and the federal effective corporate tax rate is 6 per cent. Although the February 2003 budget discontinued the Resource Allowance for mining, it also phased in a reduction of the corporate tax rate to 21 per cent. Federal subsidies for the exploration and development of new mines in Canada have historically been justified because of the resulting employment and other economic benefits. However, the number of workers employed in mining has fallen dramatically, from a high of 70,038 in 1974 to 29,248 in 2000.[40] Contribution to GDP of metal mining fell by eight per cent from 1994-2000.

Recommendation

Shift federal government support for mining exploration to tax measures supporting the recycling and conservation of metals.

Alternative and Complementary Policies

The Green Budget Coalition also recommends: an environmental and long-term social impact assessment process that includes an evaluation of the need for the material in a given mining proposal; incentives and legislation to encourage the recycling of metals from landfills and obsolete industrial and commercial structures; the use of bar codes and other identifiers to enable the separation of complex alloys; legislation forbidding the use of certain toxic metals (e.g. cadmium, mercury and lead) in steel production in order to facilitate recycling.

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[37] Pembina Institute: "Looking Beneath the Surface," 2002

[38] see "Mining and Communities : a Literature Review and Annotated bibliography" (Ottawa: MiningWatch Canada, 2000)

[39] Technical Committee on Business Taxation report (Ottawa Department of Finance 1998, Tables 3.10 and 4.1)

[40] Canadian Minerals Yearbook

Assessing the Sustainability of Federal Budget Measures

"We found that Finance Canada did not conduct a strategic environmental assessment of the environmental implications, negative or positive, of the changes set out in Bill C-48 [reducing the corporate income tax rate in the non-renewable resource sector from 28 to 21 per cent]. Such an analysis is required by Cabinet Directive."

The 2004 Report of the Commissioner of the Environment and Sustainable Development to the House of Commons, c. 3, p. 14

Summary

Recommendation: assess selected fiscal measures announced in the 2004 federal budget with a view to determining their environmental effects; and use this information in revising fiscal measures in future budgets.

Investment

$1 million over three years.

Benefits for Canadians

- ensure that fiscal policies are environmentally sustainable
- demonstrate to the public that the budget-making process is increasingly rigorous in ensuing that budgets are sustainable
- enhance the analytical capacity of the Department of Finance to assess the sustainability of federal budgets

Background and Rationale

How does the Department of Finance determine the potential contribution of fiscal measures to meet the government's environmental objectives? How does the Department evaluate the sustainability potential of different economic instruments? The Green Budget Coalition is not aware of any rigorous attempt to measure the sustainability of budgets or to compare them with previous budgets using sustainability indicators.

Recent budgets have included many green fiscal measures, including significant funding to implement the Kyoto Protocol, establish and protect National Parks, and clean up contaminated sites. However, budgets have also included other measures (e.g. extension of the Mineral Exploration Tax Credit for the mining industry, tax reduction for company cars) likely to have adverse environmental effects, yet which have been subject to no transparent or rigorous assessment of their sustainability.

The Green Budget Coalition notes that a 1999 Cabinet Directive issued by the Privy Council Office provides that "Ministers expect that policy, plan and program proposals of departments and agencies will consider, when appropriate, poten-

tial environmental effects." In our view, the Cabinet Directive applies to the federal budget, usually the most important federal policy in any year.

In 2004, the Commissioner of the Environment and Sustainable Development decried the failure of the Finance Department, in carrying out its pledge under the Sustainable Development Strategy, to give "greater consideration in its analysis to the environmental impacts of proposed tax measures."[41]

Cabinet confidentiality and budget secrecy requirements represent a serious constraint on departments, including Finance, that seek to undertake strategic environmental assessments before decisions are made under the Cabinet Directive. Sharing of information on environmental effects of proposed policies or budget measures with the public is difficult if not contrary to important principles of Canadian governance.

To circumvent this difficulty, the Green Budget Coalition proposes that the Department of Finance adopt an approach to strategic EAs modeled on that of Agriculture and Agrifood Canada with respect to crop insurance programs under the Farm Income Protection Act. Strategic EAs of these programs are done after the program is in place, with a view to learning what environmental harm has been caused, so that the next generation of crop insurance programs are more environmentally sustainable.

Strategic EAs conducted following budget announcements do not run afoul of Cabinet or budget confidentiality issues, so information can be shared publicly. These after-the-fact strategic EAs recognize a crucial distinction between projects on the one hand, and policies, programs and plans on the other. An environmental assessment of a hydroelectric dam project must be completed before construction begins; once the project is constructed environmental damage is done, and reversing the project is typically impossible. Policies, programs and plans change frequently and are usually reversible, so that it is feasible to carry out strategic environmental assessments after the fact.

Recommendation

Select several fiscal measures announced in the 2004 federal budget and assess the environmental effects of these measures. The Green Budget Coalition recommends that the measures selected be limited to tax measures and not include direct spending measures. One obvious measure for consideration is the above-noted taxation regime relating to mining tax credits.

A strategic environmental assessment would then be carried out for certain fiscal measures, with public participation. It is likely that these strategic EAs would take one to two years to complete, depending on the complexity of the issues and availability of information. Once the reports are completed, information and recommendations to enhance, eliminate or continue the fiscal measure would be used to develop future budgets.

Alternative and Complementary Policies

The departmental Sustainable Development Strategy (SDS) process is perhaps another mechanism through which to assess the federal budget. If the department were to address the deficiencies the Commissioner of the Environment and Sustainable Development set out in her 2004 report, an SDS assessment of policies, including the budget, could provide an indication of the environmental effects of federal spending.

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[41] 2004 Report of the Commissioner of the Environment and Sustainable Development, Chapter 3, p. 13

National Green Power Strategy

"In spite of its flaws, Kyoto is an important step along the way to a better environment."

Hon. Paul Martin, statement to the House of Commons, December 2, 2002

Summary

Low-impact renewable energy is the fastest growing source of energy in the world. It has the technical potential to meet half of Canada's electricity needs in the long-term. To catch up with other countries that are developing their green power resources and take advantage of tremendous international and domestic market opportunities, Canada should establish and implement a National Green Power Strategy. In particular, the federal government should:

- expand, increase and extend the existing Wind Power Production Incentive (WPPI)
- establish a Green Power Production Incentive for other green power technologies
- expand and extend the existing Market Incentive Program
- establish funding for a comprehensive program to engage Canadians in supporting, investing in and purchasing green power
- refocus and enhance investment in R&D to support the development of innovative Canadian technologies for low-impact renewable energy
- increase federal government procurement for EcoLogo certified low-impact renewable energy
- establish a 100,000 roof program for solar PV

Investment

- expand the Wind Power Production Incentive from a target of 1,000 MW to 4,000 MW. Extend the program from 2007 to 2010 and provide a minimum $.01 per kWh incentive for the full term. — the total cost of the additional 3,000 MW is $780 million to 2020
- establish a Green Power Production Incentive for low-impact renewable energy technologies — approximately $23 million per year
- expand the Market Incentive Program — $30 million per year until 2012
- establish a comprehensive program to engage Canadians — $5 million per year;
- refocus and enhance funding for R&D — $50 million per year
- increase federal government procurement for EcoLogo certified renewable energy to 30 per cent by 2010 and 80 per cent by 2020 – $90 million over 15 years
- establish a 100,000 Solar Roof program — $250 million over 10 years

Benefits for Canadians

- significantly lower barriers to the development of low-impact renewable energy supplies
- attract substantial private sector investment in innovative, forward-looking technologies
- make an essential contribution to a strengthened federal plan for implementation of the Kyoto Protocol

- reduce regional air pollutants and consequent human health impacts and their related costs, from fossil fuel energy use[42]
- stimulate regional economic development in those parts of Canada with substantial renewable resources
- create new, highly-skilled employment opportunities for Canadians
- strengthen the resilience of Canada's electricity system through distributed energy

Background and Rationale

Green Power, low-impact renewable energy used to produce electricity, must play a central role in addressing both global climate change and regional air pollution starting today and escalating over the coming decades. Development of green power is supported by all parties in Canada's minority government. Yet it is being developed slowly in Canada, in spite of its significant potential. A study by Shell International concluded that renewables could supply 50 per cent of the world's energy needs by 2050 and that they represent the fastest growing source of energy production worldwide. Wind power has been growing at 30 per cent per year for the past five years.

At the end of 2003, worldwide wind generation capacity was more than 39,000 MW, with more than 90 per cent of wind capacity located in Europe and the United States. This expansion is occurring because governments of many industrialized and developing countries recognize the central role of green power, and are taking aggressive steps to position themselves advantageously with respect to growing environmental requirements while benefiting from the rapidly expanding market. Substantial market-based policy mechanisms to support the implementation of low-impact renewable energy are already in place in the United States, United Kingdom, Germany, Denmark, Spain, Japan, France, Brazil, China and India.

In comparison to these efforts, Canada is doing little to develop its green power resources, with the result that it is failing to position itself adequately to address climate change over the long term and, in this important area of technological innovation, abandoning leadership to others. For example, Canada has access to one of the largest wind energy resources in the world, yet most other industrialized countries produce more wind power than Canada. Denmark generates more than 16 per cent of its annual electricity needs with wind power while other European countries have similar targets. In contrast, wind contributes only 0.2 per cent of Canada's current electricity needs with just 439 MW of capacity. The Canadian Wind Energy Association has targeted the development of 10,000 MW of wind power by 2010 — a modest five per cent of anticipated electricity needs in that year.

Canada also needs to make a serious commitment to the development of other green power sources such as solar, biomass, wave, tidal and run-of-river hydropower, all of which offer considerable economic and environmental benefits and opportunities in a world seeking cleaner energy sources. The federal government already recognizes the benefits of low-impact renewable technologies as a category through the EcoLogo (Environmental Choice) program and Market Incentive Program. Canada now requires a concerted, effective Green Power Strategy to support this full range of relevant technologies. Such a strategy is essential to meet the broadly recognized need to strengthen the current federal plan for implementation of the Kyoto Protocol.

The federal government is ideally positioned to play a leadership role in establishing a strong renewable energy presence in Canada, and leverage the engagement of provincial governments. This proposed strategy would build on and extend the federal government's existing mechanisms. Over the past decades, billions of dollars have been spent to develop fossil fuel technologies and nuclear power. It is now time for the federal government to invest in green power in the same way. A half-hearted effort will only increase the percentage of green power in the electricity portfolio by a fraction of its potential.

A serious effort to develop green power in Canada, with long-term commitment, offers

[42] Federal government studies show that several thousand premature deaths per year can be attributed to air pollution, and, according to the Ontario Medical Association, air pollution costs more than $1 billion a year in hospital admissions, emergency room visits and absenteeism in Ontario alone.

progress towards the Kyoto target, more smog-free days with related reductions in hospital admissions, a Made-in-Canada manufacturing base, a skilled labour force and export opportunities. The window of opportunity for Canada to join world leaders in green power development is open now.

Recommendation

1) Wind Power Production Incentive (WPPI)
Expand WPPI from 1,000 MW to 4,000 MW and extend to 2010. Maintain the incentive at a minimum of $0.01/kWh — approximately $780 million for the additional 3000 MW.

The WPPI, introduced in the December 2001 federal budget, targeted the development of 1,000 MW of wind power capacity by 2007. The WPPI is providing 20-60 per cent of the "producer gap" for developing wind power in Canadian provinces. This gap refers to the difference between wholesale electricity prices and the cost of developing a wind farm by the private sector.[43] These wind subsidies are critical to level the playing field with conventional energy sources that are well subsidized and that externalize their human health and environmental costs. The federal government should support a long-term commitment to wind power at a level that will attract domestic manufacturing and help Canada develop expertise in this field. The government should operationalize its strong commitment in the Throne Speech by expanding the WPPI from 1,000 MW to 4,000 MW, increasing the incentive to $0.01/kWh, and maintaining the program until 2010. The federal government should also use its commitment to wind energy to leverage provincial and territorial governments into strengthening their commitment to advancing wind energy development.

Expanding the existing target will not require new funding initially, as WPPI still has existing resources available. Initial program costs would be incurred in 2006, increase until 2010, then decline from 2016 to 2020.

2) Green Power Production Incentive
Establish a Green Power Production Incentive for low-impact renewable energy technologies — approximately $23 million per year to 2020.

The federal government should develop new fiscal incentives, similar to the existing Wind Power Production Incentive (WPPI), that would encourage the development of other green power technologies at a pre-commercial level, including solar, wave energy, tidal, hydro, and biogas energy.[44] These incentives should be structured in a similar fashion to the WPPI with electricity production incentive levels that reflect the marginal development costs of each technology. The incentive for solar and other smaller-scale technologies could be structured as a capital cost rebate for ease of administration.

3) Market Incentive Program (MIP)
Expand the Market Incentive Program from $25 million over 5 years to $30 million per year to 2012.

To attain expanded use of green power in Canada, the government has already recognized, through its establishment of the MIP, the critical importance of providing an incentive for retailers to undertake consumer education programs. As the federal government takes on a stronger leadership role through aggressive green power procurement and interest in green power purchasing increases, the MIP will play an important role in leading to incremental reductions in greenhouse gas emissions. The MIP should be extended to 2012 and the incentives should be tied to actual sales volume, rewarding those retailers who do adequate marketing and education such that actual, additional sales over and above existing sales volumes are realized.

[43] Assumed to be $89/MWh for a 30 per cent capacity factor wind power facility using an 11 per cent rate for cost of capital, including a rate of return for the developer.

[44] Combustion of biogas that is generated from wood, agricultural, landfill or sewage wastes with emissions levels that are equal to, or lower than the best available combustion technologies for natural gas or other fuels.

4) Comprehensive program to engage Canadians
Fund a comprehensive program to inform Canadians about how they can support, invest in and purchase low-impact renewable energy — annual investment of $5 million.

If Canada is to take full advantage of its tremendous resources for low-impact renewable energy, it will require a comprehensive public education and outreach program. This is needed to do market research, produce public education and outreach materials for targeted constituencies, including the building sector, planners and community leaders, on the benefits that low-impact renewable energy sources offer and to show them how they can become engaged in supporting, investing in and purchasing green power.

5) Investment in R&D
Refocus and enhance investment in R&D — $50 million per year.

There is an opportunity for Canada to be among world leaders in the development of innovative technologies for green power, particularly in such areas as solar, biomass and ocean-based technologies. These are the technologies that will be increasingly required to meet the needs of a world moving toward cleaner energy sources at a rapid pace. To develop a competitive edge, however, Canada, will have to provide substantive investments in research and development, at levels comparable to some of the leading European countries. Annual investments of $50 million, with long-term commitment, could put Canada among the world leaders. Some of this could be achieved by refocusing current R&D programs away from conventional sources of energy.

6) Federal procurement of green power
Increase the targets for federal government procurement of EcoLogo certified renewable energy to 30 per cent by 2010 and 80 per cent by 2020 and offer long-term contracts – $90 million over 15 years

The federal government should play a leadership role by setting aggressive long-term targets for green power procurement to help support the development of domestic markets for green power and related technologies. The current government target is 20 per cent for 2006. In contrast, the Alberta government has committed to meeting 90 per cent of its electricity needs through green power starting in 2005. The federal government should increase its commitment to 30 per cent by 2020 and 80 per cent by 2020. In addition to aggressive targets, the program needs to offer ten-year contracts to build confidence in the green power sector. This program would help bring down green power costs through economies of scale. Over the longer term, as the cost of green power declines and the cost of conventional electricity rises, the premium rate may not be required.

7) Solar Roof Program
Establish a 100,000 Solar Roof Program — $250 million for the period 2005-2015

In the past, green power programs often overlooked distributed generation (that is green power generation units located where the electricity will be used), such as solar PV. However, this is changing. Japan established a program and set a target to install 70,000 solar roofs in 1994 and installed 168,000 by 2003. Germany has a target of 100,000 solar roofs. Canada has the same opportunity to support its solar industry. The approach needed is different from the WPPI. Canada will need to introduce a buy-down program that restores 30 per cent of the purchasing costs to support the development of a viable solar PV industry in Canada. The recommendation is for the program to be established in 2005 and run until 2015, at which time it is expected that solar PV will be more cost competitive.

Alternative and Complementary Policies

The above set of policy recommendations are necessary components of a green power strategy for Canada. They build on and extend existing federal programs, and address both the producer and consumer sides of this innovative sector. Other policy options also exist for increasing green power consumption in Canada, especially incentives provided directly to consumers and/or equipment manufacturers, and provincial measures such as renewable portfolio standards (RPS), guaranteed grid access and fair prices for renewable energy. In addition, significant support will be required for programs to prepare the labour force and for resource mapping of all renewable energy resources to assess the best options for low impact renewable energy to meet Canada's energy needs. These priorities would also be ideal areas for the federal government to assert itself.

Also, with the sale of Petro-Canada planned for this fiscal year, there is a unique opportunity to create a secure, long-term source of funding to help with the transition towards a 21st century economy that genuinely protects human health and ecological sustainability. Proceeds from the Petro-Canada sale should be placed in a permanent trust from which proceeds generated would be limited to those that move us toward a low-carbon economy, including substantive support for the development and deployment of low-impact renewable energy.

While this set of recommendations is focused predominantly on low-impact renewable energy for electricity generation, there is tremendous potential for low-impact renewable energy in heating and cooling as well as distributed (at source) electricity use. Such systems include combusting agricultural and wood residues for heat and power, using biogas (manure) digesters for heat and power, heating and cooling buildings with ground source heat pumps and solar thermal systems. Some of these technologies are very inexpensive sources of energy but there are significant barriers to their deployment including consumer and builder knowledge gaps, as well as larger upfront capital costs. To deploy these technologies, federal support is essential and will help meet numerous national priorities, e.g.: climate protection; improved air quality; electricity system resilience; economic development in rural areas and agriculture and forestry sectors; support innovative forward-looking industries.

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National Energy Efficiency Strategy

Summary

Establish stable funding for the commercial and institutional retrofit program to realize the program objectives. Re-design the residential retrofit program as a permanent annual investment and strengthen delivery of the auditing portion by using community-based non-profits that deliver other educational programs. Enhance NRCan's Office of Energy Efficiency capacity to update efficiency standards and codes for appliances, equipment, building components and buildings, and strengthen integration with other measures and departments.

Investment

- earmark an additional $100 million per year for a residential energy assessment and retrofit program that can meet the federal government's targets
- establish stable funding for commercial and institutional retrofits until the federal target is achieved – a revolving fund of $250 million could meet this objective
- increase resources for NRCan's Office of Energy Efficiency to comprehensively and systematically implement minimum energy efficiency standards and coordinate with other policy measures and departments

Benefits for Canadians

- improve opportunities for manufacturers to develop efficient products with significant market opportunities
- strengthen the competitiveness of the Canadian economy by increasing economic efficiency
- reduce electricity costs for businesses, institutions and individuals who in turn spend these savings in more productive parts of the economy
- leverage climate protection support from provinces with electricity demand-supply crunches
- reduce air pollution and human health impacts from reduced fossil fuel combustion

"Canada should be the place to which the world will look for the best efficiency ideas, products and practices, services, and technologies to export, backed up by the best efficiency track record."

Hon. Ralph Goodale, Speech to the Annual Energy Efficiency Awards, May 1999

- create employment — investing in efficiency creates more jobs than investing in new supply
- contribute to Canada's international commitment under the Kyoto Protocol

Background and Rationale

Canadians annually consume 6.19 tonnes of oil equivalent per capita, almost double the OECD average of 3.18, and five times the world average. Canada's energy and carbon-intensive economy carries tremendous social costs. The Ontario Medical Association estimates that air pollution is

responsible for in excess of $1 billion provincially in direct costs such as hospital room admissions and absenteeism and another $9 billion in indirect costs, such as mortality.

Improving the efficiency of the economy will strengthen competitiveness and create opportunities for industries manufacturing efficient products. Investing in efficiency creates jobs. Per unit of investment, efficiency creates five times as many jobs as investing in new supply.[45]
Other countries around the world are integrating climate protection and industrial innovation strategies. The United Kingdom intends to achieve half of its Kyoto target and half its 60 per cent emission reduction target from energy efficiency improvements and has mapped out the industrial opportunities.[46] This proposal focuses on strengthening efficiency in the built environment and should be complemented by efforts in transportation and industrial sectors –elements of which are referenced in other budget proposals. Buildings account for one quarter of Canada's greenhouse gas emissions and represent a significant opportunity for reductions.[47] The federal energy assessment and retrofit programs for residential and commercial/institutional provide a solid foundation on which to achieve significant reductions in this area.

The current programs, however, are insufficiently robust to meet the Climate Change Plan for Canada's goals. The $79.4 million committed in the 2003 budget could enable the retrofit of approximately 73,400 residential homes, about 0.9 percent of eligible households at $1000 per household, significantly short of the 20 per cent objective. Similar conclusions could be reached for the penetration of the commercial/institutional building program.

A permanent annual investment of $100 million into residential retrofits should be established until the Plan's objectives are met. The auditing portion of the program should be strengthened by engaging community non-profits. The Green Communities program has demonstrated that this approach is effective in maximizing other climate and energy educational opportunities. The commercial/institutional building program could be enhanced by increasing the target to 30 per cent improvements in efficiency for 20 per cent of buildings. The current 1.2 MT reduction estimate appears to be based on only 10 per cent improvements in performance, falling far short of the practical potential. More stable financing is required to realize this program, and a revolving fund, similar to the Toronto Atmospheric Fund, should be investigated as potentially more cost effective.

This proposal expands the federal government's immensely popular building retrofit programs to meet the objectives of the Climate Change Plan for Canada of retrofitting 20 per cent of the residential and 20 per cent of the commercial/institutional building stock by 2010.

Investing in improving the efficiency of existing infrastructure is important. However, every day Canadians spend millions of dollars on equipment, appliances and infrastructure whose efficiency standards are obsolete.

Canada's overall energy efficiency can be significantly augmented by ensuring that the next generation of capital investments is for the most energy efficient goods that can be practically brought to the market. This will involve more comprehensively updating minimum efficiency standards for appliances, office and industrial equipment, building components and urban infrastructure – everything from office, residential and street lighting to escalators to windows and doors – and building codes, themselves.

NRCan's Office of Energy Efficiency has a well-respected program in advancing energy efficiency through standards and market transformation. However, the breadth of opportunities are not fully exploited because of insufficient resources and inadequate political support. The Climate

[45] Campbell, Barbara, Larry Dufay and Rob Macintosh. 1997. *Comparative Analysis of Employment from Air Emission Reduction Measures*. Pembina Institute prepared for Environment Canada, Global Air Issues Branch

[46] Department of Trade and Industry. 2003. *Our Energy Future: Creating a low carbon economy (Energy White Paper).*

[47] Residential and commercial/institutional buildings account for respectively 14 per cent and 10 per cent of Canada's greenhouse gas emissions based on energy end-use allocation from: Torrie, Ralph, Richard Parfett and Paul Steenhof. 2002. p. 15. Kyoto and Beyond: The Low Emission Path to Innovation and Efficiency. David Suzuki Foundation and Climate Action Network

Change Plan for Canada's target of 1.6 MT worth of reductions from standards for equipment and appliances far underestimates the potential. California's comprehensive program to update appliance and building regulations has – by itself – reduced utility bills of Californians by at least $15.8 billion since 1978, and by 2011 residents will save an additional $43 billion in energy costs.[48]

There are numerous products whose standards could be improved. High efficiency furnaces can convert up to 97 per cent of a fuel's energy into space heat, but furnaces with efficiencies of 78-80 per cent are still on the market in Canada.[49] The efficiency of traffic lights, standby power of electronic equipment, and commercial freezers can be improved by 90 per cent, 75 per cent and 50 per cent respectively.[50]

Greater political will and more resources are required to enable the Office of Energy Efficiency to significantly augment its work in improving standards and advancing market transformation. There is a particular need to integrate regulations with other policy instruments to maximize impact. For example, a minimum standard can phase out inefficient refrigerators, a social marketing program and a GST rebate can incent consumers to purchase a refrigerator significantly above the new standard to drive market penetration of the next innovative technology, and a capital cost allowance can incent manufacturers to invest in assembly line technology to meet the upcoming standard. Currently these policy tools aren't fully integrated, compromising the synergies, and in turn slowing market transformation. By demonstrating leadership in efficiency, it will be easier for the federal government to engage provinces in promoting demand side management, particularly jurisdictions facing electricity insecurity. Provinces can be encouraged specifically to advance building standards. Current technology allows construction of commercial buildings with 50 per cent or more improvements in efficiency with no increased economic cost.

Recommendations

- establish stable funding for the existing commercial and institutional retrofit program and improve program efficacy for the 20 per cent of targeted buildings by increasing the efficiency improvement to 30 per cent from 10 per cent
- extend the residential retrofit program to a permanent annual investment to successfully meet the federal goal of 20 per cent of current housing stock and strengthen delivery of the energy assessment portion by using community-based groups delivering rich educational programs
- enhance NRCan's Office of Energy Efficiency capacity to comprehensively update efficiency standards and codes for appliances, equipment, building components, and buildings and strengthen integration with social marketing, taxation, industrial innovation programs which includes coordination with other departments

Alternative and Complementary Policies

There are numerous policies that could reinforce a commitment to energy efficiency. Tax policy is

[48] California Energy Commission analysis. See http://www.energy.ca.gov/efficiency/buildings_appliances.html

[49] Torrie, Ralph, et al. op.cit. p. 32-47.

[50] Appliance Standard Awareness Project. 2001. "Candidates for New Efficiency Standards" adapted from an article by ACEEE entitled "Opportunities for New Appliance and Equipment Standards" http://www.standardsasap.org/candidate.pdf

used to advance industrial goals, but has not been fully taken advantage of to advance efficiency. The federal government encourages the construction of inferior energy standard homes by offering a GST rebate for all new homes. And while buyers of new homes are eligible for a GST rebate, homeowners investing in energy efficient renovations do not. The following are some tax changes that would be helpful for individuals:[51]

- shift the GST rebate for all new homes exclusively to premium energy efficiency homes, e.g. R 2000, LEAD silver or equivalent standard homes
- amend the Excise Tax Act to enable purchasing recognized efficiency products, e.g. appliances 30 per cent above the minimum standard, to qualify for GST rebates
- amend Class 43.1 of the Income Tax Regulations to make investments in community energy systems eligible for the accelerated capital cost allowance

To strengthen opportunities for manufacturing 21st century products in Canada, the federal government should keep efficiency, in mind with all major initiatives. The tax system can also be used to encourage innovation, for example:

- offer incentives to Canadian companies shifting to manufacturing high-efficiency products, e.g. capital cost allowances for assembly line investments for premium efficiency products

A source of revenue for advancing efficiency is the $1 billion of proceeds from the Petro-Canada sale earmarked for "sustainable development technologies." There is a risk this fund could be depleted by expensive technological fixes, e.g. clean coal or carbon capture, squeezing out practical efficiency technologies that can be deployed today with greater co-benefits.

Proceeds from the Petro-Canada sale should be placed in a trust from which proceeds would be invested in sustainable energy *deployment* and subject to strict criteria that includes cost-effectiveness, contribution to reducing carbon dependence, immediate and long-term contributions to reducing GHG emissions and air pollution.

When integrated with other policy instruments, social marketing can significantly influence consumer demand, and in turn accelerate market transformation:

- Integrate the "one tonne challenge" with targeted incentives and disincentives, and targeted programs to drive demand for premium efficiency products that will become the next minimum standard.

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[51] A discussion of these policies is at: National Roundtable on the Environment and the Economy. 2003. The State of the Debate on the Environment and the Economy: environmental quality in Canadian cities: the federal role.

Shifting Subsidies from Fossil Fuel and Nuclear Power to Renewable Energy and Energy Efficiency

Summary

Recommendation: phase out government subsidies and tax exemptions for fossil fuel and nuclear power and shift support to new incentives for the research and development of renewable energy and energy efficiency.

Estimated Funds for Shift[52]

- $260 million — annual corporate tax reduction for oil & gas sector (and mining) introduced in 2003 budget[53]
- $163.8 million — federal subsidy to Atomic Energy of Canada Ltd. in 2004/05[54]

Benefits for Canadians

- position Canada as a world leader in renewable energy
- expand regional economies in parts of Canada with substantial renewable resources
- create new, high-tech employment opportunities for Canadians
- achieve substantial reductions in greenhouse gas emissions in Canada
- reduce other air pollutant emissions resulting in associated reductions in Canada's health impacts and healthcare costs from fossil fuel energy use
- reduce radioactive waste, emissions and accident risk at nuclear power plants

Background and Rationale

One problem that has plagued the federal budget for a very long time is the policy of providing environmentally harmful subsidies to polluters. Polluter subsidies come in various forms, though today the most common is the tax break or tax expenditure.

Atomic Energy Canada Limited has proposed cleaning up Chalk River Laboratories over a 100 to 300 year period.

Two of the most environmentally harmful sectors of the economy, fossil fuel and nuclear power, have historically been among the largest recipients of federal polluter subsidies.

Fossil Fuel

According to the Auditor General's office, the fossil fuel sector has received more than $40 billion in federal subsides over the course of the last three decades. Current annual federal subsidies to the oil and gas sector are in the hundreds of millions of dollars.

[52] There are several hundred million dollars in additional annual subsidies for which the government does not provide disaggregated figures.

[53] Bill C-48 (Royal Assent November 7, 2003), projected loss of federal tax revenue: $55 million in 2003/04, $100 million in 2004/05, $260 million in 2007/08, source: Department of Finance, "Improving the Income Taxation of the Resource Sector in Canada," March 2003.

[54] Main Estimate, Government of Canada Estimates, Parts I and II, Supplementary Estimate

The Green Budget Coalition believes, and many Canadians would agree, that enormous government subsides to a sector that not only routinely experiences record profits, but threatens our health and the health of our children, are not warranted.

Furthermore, purely in terms of government policy, these subsidies fly in the face of what the federal government has committed to achieving under the Kyoto protocol. Kyoto has been adopted as official government policy and imposes binding international treaty obligations on Canada from 2005 onward. This, presumably, is why the federal government has committed $4.7 billion toward climate change measures over the course of the last five budgets.

Yet, by continuing to subsidize the fossil fuel sector, the government stimulates and accelerates greenhouse gas emissions. In essence, therefore, the government is working at cross purposes with itself.

Nuclear Power

A history of high costs, poor performance and serious environmental problems has hampered the construction of new nuclear reactors since the early 1980s. With few new reactors under construction, it is estimated that eighty per cent of the world's current nuclear capacity will be shut down by 2030 as ageing reactors are closed.

A number of countries have decided to take a proactive approach by cutting subsidies to the nuclear industry and by instead developing renewable energy sources to replace their nuclear facilities. Germany, for instance, is phasing out all of its nuclear reactors by planning for their permanent closure at the end of their operational lives. Belgium, which depends on nuclear power for well over half of its electricity generation, will shut down all of its reactors by 2025.

Keeping Candu on Life-support: Federal Nuclear Subsidies

Fifty years of direct taxpayer subsidies to Atomic Energy of Canada Limited (AECL) from 1953 to today now total more than $17.5 billion.[55] In the 1996 budget, the government committed to cap AECL's subsidy at $100 million per year, beginning with the 1998/99 fiscal year.[56] This budgetary commitment was never kept.

As Table 1 demonstrates, budgeted subsidies to AECL are routinely increased through supplementary estimates. In 2003/04, for instance, the government provided an additional allocation of $46 million for R&D on a new Candu model, the Advanced Candu Reactor.[57] The use of the supplementary budget to increase AECL funding in an ad hoc manner thwarts good planning and reduces the opportunity for parliamentary and public input.

Table 1
Federal Nuclear Subsidies to Atomic Energy of Canada Limited

millions of dollars

Fiscal Year	Main Estimates	Additional Subsidies	Total Subsidies
1999/00	110.3	27.5	$137.8
2000/01	104.8	17.1	$121.9
2001/02	121.6	89.6	$211.2
2002/03	135.9	8.7	$144.6
2003/04	132.8	46	$178.8
2004/05	127.8	36	$163.8
Total	**$733.2**	**$224.9**	**$958.1**

[55] David H. Martin, "Canadian Nuclear Subsidies: Fifty Years of Futile Funding," Campaign for Nuclear Phaseout, January 2003.

[56] Department of Finance (Canada) Budget Plan, Tabled in the House of Commons by the Hon. Paul Martin, Minister of Finance, March 6, 1996, p. 45

[57] The full development costs for the Advanced Candu reactors are unknown but are estimated at over $200 million dollars. (Peter Calamai, "Federal cabinet weighs funding for AECL", *Toronto Star*, June 4 2001)

Nuclear Liabilities

AECL conducts most of its research and development work at Chalk River Laboratories (CRL), approximately 100 km north of Ottawa. There are seven reactors at CRL in various stages of construction and operation as well as several radioactive waste storage areas.

AECL currently estimates the cost of decommissioning CRL at $2.2 billion.[58] The actual cost of cleaning up this facility, however, will probably be much higher. AECL has proposed cleaning up CRL over a 100 to 300 year period, probably as a means of shielding the corporation from a full accounting of the real cost of decommissioning.

In 2002, the Auditor General noted that "[t]here is no consensus between the Corporation and the government on how best to manage these [decommissioning] activities, or which federal department or agency will be financially responsible for them beyond the five-year period." While the federal government has acknowledged that it is responsible for AECL's liabilities,[59] it has not set aside any funds for the clean up of Chalk River.

Recommendation

In May 2001 member countries of the OECD, including Canada, adopted an environmental strategy that includes the phase out of environmentally harmful subsidies and tax exemptions. Accordingly, the Green Budget Coalition recommends a shift in government support from subsidies and tax exemptions for the fossil fuel and nuclear industries, to new incentives for the research and development of renewable energy and energy efficiency.

Alternative and Complementary Policies

Federal government subsidies to the nuclear industry are funneled through its crown corporation AECL. The Green Budget Coalition recommends that subsidies to the nuclear industry be ended. These subsidies could stop immediately or be phased-out over several years. The federal government should also stop using the supplementary estimates to increase the annual AECL subsidy.

As a matter of principle, we do not believe that the federal government should continue to support nuclear power through a crown corporation. However, the government could allow AECL to attempt to exist on a non-subsidized basis. As another policy alternative, there is an historical precedent for privatization of AECL. In 1988 Nordion, a former subsidiary of AECL, was sold to MDS Inc. for $165 million.

The federal government also has an obligation to clean up Chalk River Laboratories in a timely and transparent manner. AECL and the federal government should establish a fund to cover the future costs of radioactive waste management and decommissioning of AECL's various facilities after the end of their service lives. The total cost (allowing for accrual of interest over time) should be paid into this fund during the active operating life of the facilities. This fund should be separate from the operations of AECL, and should be managed and accounted for by an independent body.

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58 Submission from AECL to the CNSC, "Financial guarantee for decommissioning AECL's Chalk River Laboratories Site, including the MAPLE Reactors and the New Processing Facility" CMD 04-H21.1, September 16, 2004.

59 In a letter to Linda Keen, president of the Canadian Nuclear Safety Commission, former Natural Resources Minister Herb Dhaliwal stated that "As an agent of Her Majesty in Right of Canada, AECL's liabilities are ultimately liabilities of Her Majesty in Right of Canada. It is the policy of the Department of Finance that when Her Majesty states that Her Majesty will pay the debts of Her agents, Her Majesty need not, and should not, restate that commitment in the form of a guarantee. To do so might suggest that Her Majesty's initial commitment is insufficient."

Building Capacity for Municipalities to Protect Water from Source to Tap

Municipalities of all sizes are on the front line when it comes to protecting water.

Summary

As part of the "New Deal" for cities and communities, the federal government should provide financial assistance to municipalities for building the capacity to develop and implement watershed based source water protection plans.

Investment

$110 Million over 5 years

Benefits for Canadians

- safe drinking water
- a reduction in illness resulting from waterborne disease outbreaks and reduced chronic health problems resulting from long-term exposure to drinking water contaminants?
- decreased health care costs and lost work costs due to drinking water related illness
- increased environmental protection of wetlands, aquifers and other source water areas

Background and Rationale

Water issues are a priority for all Canadians. We are all concerned with the health of our aquatic ecosystems, the quality of the water we drink, and protecting our properties from floods and droughts. Recently, safeguarding drinking water has taken a more holistic approach that includes source water protection as a key component to water quality management. Source water is supplied from a myriad of surface streams and lakes as well as from wetlands and underground aquifers. These waters often flow in a connected and continuous fashion which transcends jurisdictional boundaries.

Water is contaminated by a full range of point, non-point and cumulative pollution sources. Microorganisms, heavy metals, endocrine disrupters and nutrients such as phosphorous and nitrogen can all accumulate within a watershed. As a result, pollution monitoring and mitigation necessarily involves collaboration and the sharing of information between a broad range of actors.

The most significant participant in source water protection is usually the municipality. Municipalities of all sizes are at the front lines when it comes to protecting water. True protection, from source to tap, requires collaboration between rural municipalities, their urban neighbours, as well as provincial and federal authorities. However, municipalities rarely have the means or the resources necessary to coordinate such complex inter-jurisdictional issues.

Source to tap programs involve protecting, monitoring and treating water through its full delivery cycle. Source protection involves conservation of wetlands and aquifers to prevent pollution at source. Monitoring involves collaboration between various environmental and health agencies to share data on water quality across and between watersheds. Pollution abatement/

mitigation involves effective enforcement of pollution laws to prevent emitters from contaminating water as well as a range of treatment efforts to address both natural and anthropogenic contaminants that infiltrate water supply. A holistic source to tap program encompasses all of these functions within a proper governance framework.

Implementation of source to tap programs typically involves the development of comprehensive water management plans. These plans explicitly identify source protection, monitoring, and pollution abatement/mitigation measures and targets. They are only successful:

- if they are created by the jurisdictions responsible for implementing them
- if these jurisdictions have the proper inter-jurisdictional governance mechanisms in place to coordinate this implementation and
- if these jurisdictions have the necessary capacity to complete implementation

Resolution of these issues is complex and often requires partnerships formed between various levels of government and others. Decision making can be improved with technologies to access and integrate quality information across these areas. The Government of Canada can promote watershed sustainability objectives by supporting cities and communities with a range of fiscal and technological measures — extending their capacity with innovation as well as dollars.[60]

Both urban centres and rural communities are using geomatics technologies increasingly to plan and manage infrastructure to meet social, cultural, economic and environmental objectives. In fact, these technologies, which include remote sensing, geographic information systems and global positioning systems, provide essential tools to align federal, provincial and local objectives. Whether a city or community is accommodating green spaces and Kyoto emission targets while planning transportation corridors, designing the delivery of social services, working in regional partnerships to protect watersheds, or coordinating emergency response and disease surveillance with other levels of government, these tools provide the geographic context for decision-making.

Recommendation

Through matched equal contributions by both provincial and municipal government partners, the federal government should help build this capacity through:

- the provision of financial assistance to municipalities for developing and implementing watershed based source water protection plans
- requiring that a watershed based source water protection plan is in place as a condition of receiving federal infrastructure funding
- working with the Federation of Canadian Municipalities to develop governance models and management frameworks and to share best practices among municipalities
- providing geomatics capacity through a renewed NRCan GeoConnections program to develop and implement regional source water protection plans. Using GeoConnections technology, NRCan and other federal departments can improve municipal capacity to develop and share monitoring, planning and inventory information on water, wetlands and pollutants

Alternative and Complementary Policies

To date, the federal government has undertaken a range of policy efforts to improve watershed protection. Environment Canada has worked through the CCME and its health counterparts to develop "From Source to Tap: the Multi-Barrier Approach to Safe Drinking Water" guidance document. Agriculture and AgriFood Canada has made water a cornerstone of its departmental policy framework. Natural Resources Canada is developing a "Collaborative Framework for Groundwater". However implementation of source water protection relies heavily on coordination with provinces and municipalities and on significant capacity building at the municipal level.

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[60] Michael Harcourt, Chair of Prime Minister's Advisory Committee on Cities, Speech to Federation of Canadian Municipalities June 1st, 2004.

Removal of GST Pesticide Exemption

Municipalities across Canada have passed by-laws phasing out or prohibiting the non-essential or aesthetic use of pesticides on public and private property.

Summary

Recommendation: remove the zero-rated GST status for all pesticides, and only permit agricultural pesticide users to claim the Input Tax Credit. Use the revenue generated from GST on pesticides to create a national non-essential pesticide reduction program.

Revenue

$8 million per year.[61]

Benefits for Canadians

- promote healthy and innovative pesticide-free alternatives
- reduce human health risks, particularly in children
- capture international market opportunities for organic pest control products
- reduce the amount of pollutants that run-off into waterways, improve water quality, prevent fish kills
- limit health risks to wildlife
- decrease medical costs associated with pesticide exposure

Background and Rationale

In 2002, Canadian pesticide sales totalled $1.27billion.[62] Of these sales, approximately 9 per cent was used for non-agricultural purposes,[63] valued at $114 million. Municipalities across Canada have heeded the warnings about the detrimental health effects attributed to pesticide use and are working towards reducing non-essential pesticide use within their jurisdictions. Bolstered by the Supreme Court's landmark decision in *Hudson*[64] municipalities across Canada have passed by-laws phasing out or prohibiting the non-essential or aesthetic use of pesticides on public and private property.[65] As a result, 11 million Canadians or approximately 35 per cent of Canada's population will be protected from the unnecessary exposure to harmful chemicals, when all the by-laws are fully implemented.[66] Relying on the decision in *Hudson*, the Ontario

[61] This number was determined by calculating the GST that would be collected on estimated pesticide sales for non-agricultural purposes.

[62] CropLife, "Industry Performance 2002". Available on-line: <www.croplife.ca/English/aboutcpi/industrystatistics.html>.

[63] Standing Committee on Environment and Sustainable Development, House of Commons Canada, "Pesticides: Making the Right Choice for the Protection of Health and the Environment," May 2000, Figure 3.3. Data is for 1997.

[64] 114957 Canada Ltée (Spraytech, Société d'arrosage) v. Hudson (Town), [2001] 2 S.C.R. 241, 2001 SCC 40. Available on-line <www.canlii.org/ca/cas/scc/2001/2001scc40.html>.

[65] Pesticide By-laws in Canada: Population Statistics by Municipality. Available on-line: <www.stopcancer.org/action/bylaw.org>. Since the publication of this article, Montreal approved their pesticide by-law in March of 2004 bringing the total number of municipalities in Canada with a pesticide by-law to 67.

[66] Ibid.

[67] Croplife Canada v. Toronto (City) (2003), 68 O.R. (3d) 520. Available on-line: <www.canlii.org/on/cas/onsc/2003/2003onsc11943.html>. The trade association is currently appealing the decision.

Superior Court recently upheld Toronto's pesticides by-law, making Toronto the largest Canadian city to have such a by-law.[67]

The federal government should assist municipalities in achieving their goals by changing the current tax structure to create an economic disincentive for the use of pesticides. Currently, pesticides labelled in accordance with the *Pest Control Products Regulations* as having a purpose that includes agricultural use and a product class designation other than "domestic" benefit from a zero-rated GST status.[68] In other words, certain pesticides listed under the pesticide regulations as having a primarily agricultural purpose are not subject to GST when any person purchases them. Furthermore, lawn-care companies or other companies who use pesticides in the course of their business are entitled to apply for an Input Tax Credit and be refunded the GST they paid on non-agricultural pesticide products.

Homeowners annually apply pesticides at a rate greater than agricultural pesticide users. The Canadian Environmental Law Association estimates that urban residential users apply between 1.97 and 3.65 times more pesticides per hectare than their counterparts in agricultural settings.[69]

Some studies have suggested that there are economic benefits to pesticide use. However, of the studies routinely cited, none have quantified the enormous social costs associated with pesticides. Evaluating pesticides solely on the basis of crop output or aesthetic attraction is incomplete and misleading.

Pesticides have consistently been shown to be associated with brain cancer, prostate cancer, kidney cancer, pancreatic cancer, non-Hodgkin's lymphoma, leukemia, and nervous system, dermatological and neurological effects.[70] Furthermore, occupational exposure to pesticides has been linked to adverse reproductive effects including birth defects, fetal death, intrauterine growth retardation, decreased fertility, and endocrine disruption.[71]

The high concentration of pesticide use in residential areas places children at particular risk because they tend to play where pesticides are applied. The Ontario College of Family Physicians has reviewed studies that demonstrate an elevated risk of kidney and brain cancer, hematologic tumours (including non-Hodgkin's lymphoma and leukemia) and acute leukemia.[72]

The increased risk of developing clinical illnesses as a result of pesticide exposure translates into hidden costs for Canadians including: increased trips to emergency rooms for asthma attacks; the long-term cost of treating environmentally-induced cancers, asthma and diseases relating to endocrine disruption; general increases in clinical illness due to decreased cell mediated immunity; the associated medical and educational costs of the increased prevalence of learning disabilities; and decreased workplace productivity and increased absenteeism due to illness.

The federal government should join municipalities and employ the precautionary principle to prevent the non-essential use of pesticides.

Recommendation

The Green Budget Coalition recommends that the Canadian government remove the zero-rated GST status on all pesticides, and only permit agricultural pesticide users to claim the Input Tax Credit to offset the GST payments, thereby making non-agricultural pesticide users ineligible to claim the Input Tax Credit. Agricultural pesticides users could be identified as being owners and/or operators of agricultural operations.

Removing the zero-rated GST status on pesticides will result in $8 million in tax revenue from pesticide sales. The government should match the

[68] Canada Revenue Agency GST/HST technical inquiries 1-800-959-8287. GST/HST Memorandum Series, Chapter 4.4, Agriculture and Fishing, September 1998. Available on-line: <www.cra-arc.gc.ca/E/pub/gm/4-4/4-4-e.pdf>.

[69] Linda Pim, Kathleen Cooper and Karyn Keenan, "Urban versus Agricultural: Pinning Down the Numbers on Pesticide Use" Intervenor, vol. 27, no.1, January – June 2002. Available on-line: <www.cela.ca/newsletter/detail_art.shtml?x=1260>.

[70] Margaret Sanborn, Donald Cole, Kathleen Kerr, Cathy Vakil, Luz Helena Sanin, Kate Bassil, Pesticide Literature Review, Ontario College of Family Physicians, April 23, 2004. Available on-line: <www.ocfp.on.ca/English/OCFP/Communications/CurrentIssues/Pesticides/default.asp?s=1>. See also Canadian Environmental Law Association "Pesticides Used in Our Communities—Human Health and Environmental Impacts" September 2003. Available on-line: <www.cela.ca/publications/cardfile.shtml?x=988>

[71] *Ibid.*

[72] *Ibid.*

GST revenue generated on pesticide sales to create a national non-essential pesticide reduction program, which will:

- assist municipalities to adopt and implement pesticide by-laws
- promote alternative pest management techniques, product knowledge training, and research to assist pesticide wholesalers, retail outlets, lawn care companies, and agricultural operations to substitute current pest control practices for organic and environmentally friendly integrated pest management techniques
- create business incentives and provide financial assistance for organic lawn care and agricultural operations employing organic or integrated pest management techniques
- support marketing partnerships and programs to increase international market demand for organic pest control products
- invest in research and development of natural pest control methods, and re-evaluate pesticides currently sold to the public
- develop a national organic food certification and labelling programme
- implement a pesticide education campaign targeted at physicians, policy makers, schools and daycares, and homeowners to encourage pesticide reduction, promote environmental pest control, and warn people of the harms associated with pesticide use

Alternative and Complimentary Policies

The Green Budget Coalition also recommends that the federal government take a leadership role in encouraging all provinces to enact legislation preventing the non-essential use of pesticides.

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Clean Canada Fund

Summary

In the February 2004 budget, the government committed $3.5 billion to the clean up of sites under federal jurisdiction and an additional $500 million for shared jurisdiction sites such as the Sydney Tar Ponds. These commitments are substantial, however, there is still a need to address a number of policy gaps in order to ensure the funds will be well spent. The key areas requiring more work include:

- there is no over-arching policy framework or criteria for implementation in connection with shared jurisdiction sites
- there is no way to implement the "polluter pays" principle in the current framework. There has not been any attempt to claw back funds from responsible parties
- there is no commitment to the application of the Best Available Technology in toxic clean-ups. In addition, we are concerned that there will be inadequate research to determine what are the most environmentally effective technologies for use in the clean up

Without appropriate policy direction and further funding for shared jurisdiction sites, Canada risks squandering the approved 2004 budget allocations on inadequate clean-ups, while failing to seize the opportunity to demonstrate cutting edge Canadian technology. A perfect example of this risk can be found by examining the current status of the Sydney Tar Ponds clean-up. To the government's credit, $280 million federal dollars have been set aside for the tar ponds remediation, with $120 million contribution from the provincial government. Yet, despite this progress and good will, the current provincial plan is to use out-dated technology which is no longer recommended by the U.S. E.P.A. (mobile incineration of PCBs and mixing the remaining 700,000 tonnes of toxic waste in cement and burying it). The clean-up may increase the health risks to the adjacent community. Yet, due to the lack of guidelines, the federal government is essentially turning over the dollars without insisting on environmentally advanced technologies.

Over the long term, the fund must have as an objective the cleanup of all toxic waste sites across Canada.

Investment

$200 million to Environment Canada to enable it to develop a shared jurisdiction fund and a long-range plan, with consistent criteria emphasising the protection of human health and the environment, while demonstrating innovative environmental technologies for the cleanup of contaminated sites of federal, provincial and shared jurisdiction.

64. Environment Canada; www.ec.gc.ca/nature/indirect.htm.
65. Ibid.

Benefits for Canadians

- creates employment and the promotion of technological innovation in the environmental cleanup and remediation industry
- mechanism to eliminate federal and provincial environmental and financial liabilities for contaminated sites
- development of policy and mechanism for sites with shared jurisdiction
- improve quality of life: decrease in human health risk and illness, and lower associated public health costs
- increase community and business property values
- promote economic development in communities near cleanup sites
- restoration of ecological systems, fisheries, and vital ecosystem services such as water quality

Background and Rationale

Contaminated federal sites include ports, mine sites, defunct industrial facilities, abandoned hazardous waste dumps, old Distant Early Warning line sites, and nuclear power plants. In the 2004 budget, the government committed $3.5 billion to the clean up of sites under federal jurisdiction and up to $500 million for sites of shared jurisdiction such as the Sydney Tar Ponds. Treasury Board has recently issued two policies, one on accounting for costs and liabilities related to federal contaminated sites and the second on the management of federal contaminated sites with several best practices advisories and guidelines.

The inter-departmental Contaminated Sites Management Working Group (CSMWG), co-chaired by the Department of National Defence and Environment Canada, has developed a Federal Contaminated Sites Framework to coordinate planning and remediation. The estimated cost of remediation of these sites will now be shown as a liability on the real property accounts of the government.

We applaud these initiatives, and urge the federal government to continue its leadership in this area by facilitating a federal-provincial Clean Canada Fund.

Currently, Canadian environmental industries export about $1.6 billion per year, generate over $26 billion in total sales, and employ more than 221,000 workers – making it the third largest employment sector in Canada. The global waste cleanup market is estimated at $100 billion per year, with some countries, such as Spain, experiencing annual growth in the 20 per cent range.

With targeted investments, the potential of this emerging sector can be realized. Such investments are not only economically viable; they can also address several issues that Canadians are highly concerned about. Namely, the protection of our air, water, soil, and food, which is key to ensuring healthy communities and a high quality of life for Canadians.

As we learn more about the effects of heavy metals and endocrine disruptors on human health, the perceived need to clean up toxic sites will continue to grow. An Environics October 2000 poll showed that 84 per cent of Canadians felt cleaning up communities affected by toxic waste was very important; and an overwhelming majority felt it was more important than cutting personal income taxes (78 per cent of those polled) or corporate taxes (91 per cent of those polled).

Recommendation

Allocate $200 million in the next budget to begin the establishment of a coherent framework for the clean up of priority contaminated sites under shared jurisdiction - in collaboration with provincial, territorial, or municipal authorities where necessary – as well as for cleanup in emergencies, and for the relocation of communities at risk where warranted. The federal government can play a leadership role with the provinces in reviving the Canadian Council of Ministers of the Environment National Contaminated Sites program, or a similar program.

Although the fund would be drawn from general revenues, we anticipate that those allocations will be partially replenished by:

- a toxic substances tax on those sectors which have indirectly profited from the creation of contaminated sites (e.g. orphaned mine and tailings sites, chemical research stations)
- monies obtained through settlements with polluters that can be identified
- the sale or lease of properties that have been remediated

The fund should include an annual allocation for the development and application of technologies for remediation of contaminated sites. The program should also include research and evaluation of the effectiveness of the technologies used for cleanup.

Although the allocation of government resources to the clean-up of contaminated sites is a very important step, it is a serious concern that Canadian taxpayers have picked up the liability for contamination which has contributed to the growth and earnings of many existing Canadian companies. There is no clear government policy to recover the costs of remediation from those who have benefited from the sites. In October 2003, the Supreme Court upheld crucial the Quebec government's power to protect the environment and public health by ordering Imperial Oil to clean up a contaminated fuel depot in Levis Quebec. The court reinforce the importance of ensuring that polluters, and not the community, bear the full cost of cleaning up contaminated brownfield sites.

Over the long-term, the fund must have as an objective the cleanup of all toxic waste sites across Canada.

Alternative and Complementary Policies

In addition to the establishment of the fund, the creation of further toxic sites can be prevented by appropriate regulation and enforcement of legislation preventing the release of toxics in the environment, and by incentives to industry to refrain from the use and production of pollutants.

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66. The allocation of these funds should be informed by a public review of, and progress towards, reform of legislation, policy and management for NWAs,. The objective of the review and reforms would be to strengthen the protection provided by NWAs and to identify innovative, cost-effective means to establish and manage them.

National Wildlife Areas

"We must protect wildlife and wilderness for their own sake, as they have an intrinsic value."

Paul Martin, The Environment: A Liberal Vision, 1992

Summary

Recommendation: That the federal government invest in Canada's network of National Wildlife Areas, with a focus on delivering on the Throne Speech commitments to a northern strategy and a Great Lakes/ St. Lawrence Program. This proposal will result in 10 new national wildlife areas (NWAs) by 2006, an additional 11 NWAs by 2009, as well as provide the effective capacity to manage this protected areas network.

Investment

- $175 million over five years to expand the national wildlife area network and better protect existing NWAs
- $25 million per year thereafter in ongoing funding for the NWA network

Benefits for Canadians

- the opportunity to ensure global leadership on conservation , particularly in the North and Great Lake/St. Lawrence regions – both priority areas for the federal government
- providing a range of federal habitat conservation tools that can be applied regionally in such initiatives as the Northwest Territories Protected Areas Strategy
- protection of vital ecosystem services such as source water protection for communities
- protection of terrestrial wildlife habitat, contributing to Canada's commitments to protect biodiversity and species at risk
- contribution to Canada's Kyoto commitments through the protection of natural areas as carbon sinks
- economic benefits for rural and Aboriginal communities located near protected areas (In 1996 more than 200,000 jobs were supported and $11 billion spent on nature related activities, resulting in $16.3 billion in gross business production and $5.1 billion in revenue to local, provincial/territorial and federal governments[73])
- greater certainty for all sectors, including industry, regarding land use and terrestrial protected areas

Background and Rationale

As the federal government looks to position Canada as a global leader in bringing forth a new sustainable economy, an investment in National Wildlife Areas is critical to this objective, in particular towards meeting the government's Throne Speech commitments to a Strategy for the North, and a Great Lakes/St. Lawrence Program.

Canada is one of the few countries that still has the opportunity to protect large tracts of land with healthy intact ecosystems. This opportunity will be lost within a decade as industrial development pressures increase, if it is not acted upon immediately. Yet to date Canada has set aside less than 7 per cent of its land for protection. In global terms, our country ranks an embarrassing 61st in terms of the percentage of lands we protect, lagging behind the United States, Germany, Guatemala and Zimbabwe.

The federal government's network of 51 national wildlife areas and 92 migratory bird sanctuaries

[73] Environment Canada; www.ec.gc.ca/nature/indirect.htm

focuses on protecting Canada's most valuable wildlife habitat. This network of Environment Canada sites is, however, in a state of crisis, suffering from a series of on and off-site threats to their ecological integrity, as acknowledged by Canada's Auditor General and the National Roundtable on the Environment and the Economy. Environment Canada currently lacks the capacity to manage this protected areas network, with staff, capital and operating budgets amounting to a mere $1.9 million, less than one per cent of Canada's national parks budget.

Incredible short-term opportunities exist to expand this network, particularly in the north through the NWT Protected Areas Strategy. Such a strategy would support the unique role of Canada's Aboriginal communities (many of which have expressed a long-standing interest in protected areas establishment) providing for partnerships and employment opportunities in the planning and management of lands and waters in their traditional territories.

Our proposal will result in the establishment of ten new national wildlife areas in the first two years, namely two sites in NWT (Edezhie and the Ramparts Wetlands), two sites in Yukon (McClintock Bay and Tagish River), and six coastal properties in Atlantic Canada (Wolf Island, NB, Country Island, NS, St. Paul's Island, NS, Isle Haute, NS, and Grindstone Island, NB). It will also provide for eleven more new sites in the next three years (including four in the Great Lakes region), as well as a reduction in the number and severity of threats to existing national wildlife areas through more effective management and a stronger legislative and policy framework.

Recommendations:

- $40 million over two years (2005-06) to establish 10 new National Wildlife Areas, to address urgent management issues in existing NWAs, and to update the policy and legislative framework for NWAs
- $135 million over the subsequent three years (2007-09) to establish an additional 11 NWAs, support effective participation by aboriginal communities in related economic and tourism opportunities, and match private funds for the acquisition of adjacent ecologically significant lands
- thereafter, $25 million per year in ongoing funding to protect ecological integrity of NWA's and $10 million per year for new NWA establishment

Alternative and Complementary Policies

Conserving nature — our life support system — requires a range of legislative and policy tools. While the federal government invested in the national parks system in 2003, national parks alone cannot achieve Canada's environmental conservation goals as they focus primarily on representing natural regions as a goal. Other objectives such as conserving habitat for specific species, or conserving biodiversity hotspots need other legislative tools. Coordination between protected area initiatives and renewed support for National Wildlife Areas are next steps in the federal government's role in conserving nature in Canada.

While the legislative and policy framework for national parks and marine protected areas has been updated in recent years, the framework governing NWA's is more than 30 years old. Renewed investment in the NWA system provides an opportunity to review and update the outdated policy and legislative framework for NWA's to ensure that these areas will be properly protected for future generations. The Green Budget Coalition supports such a review over the next two years, concurrent with the establishment of 11 new NWAs and the addressing of urgent management issues in existing NWA's.

An investment in National Wildlife Areas will help significantly advance the completion and implementation of a Federal Protected Areas Strategy, and provide the federal government with the ability to effectively address their responsibilities under the Species at Risk Act by protecting the habitat of endangered wildlife. It will also help Canada meet its commitments under the Canadian Biodiversity Strategy, Kyoto Protocol, Canada's Oceans Strategy, Migratory Birds Convention, Accord for the Protection of Species at Risk, and the North American Bird Conservation Initiative.

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Realizing the Full Potential of the Ecological Gifts Program

Tax barriers still exist to fully engaging Canadians in conserving Canada's natural heritage.

Summary

Recommendation: Amend the *Income Tax Act* to: 1) reduce the capital gains inclusion rate for taxable income on ecological gifts from 25 per cent to zero; and 2) recognize all donations of ecologically significant lands as ecological gifts, including the donation of lands held as inventory.

Benefits for Canadians

- conserves land critical to maintaining the ecological integrity of Canada's national parks and other landscapes, which is essential for providing habitat for Canada's species at risk and other wildlife
- enables all owners of ecologically significant land to participate fully in the conservation of Canada's biodiversity and natural heritage through the Ecological Gifts program
- helps meet Canada's commitments such as those under the Canadian Biodiversity Strategy, the National Accord for the Protection of Species at Risk, etc.
- demonstrates the Government of Canada's desired approach of using stewardship and incentives to achieve conservation on private lands

Background and Rationale

Many of the healthy, functioning ecosystems that provide Canadians with clean water, clean air and other valuable ecological services, and which also provide habitat for Canada's diverse plants and animals, are found on private lands. These lands are being converted to other uses at unprecedented rates. It is essential that private landowners who wish to conserve their land in its natural state — for the benefit of all Canadians — be recognized and encouraged to do so through appropriate government incentives, legislation and policy.

The Government of Canada has made strong commitments to protecting species at risk, national parks, national heritage, and to supporting stewardship on private lands. Working with landowners to protect private lands is essential to meeting Canada's biodiversity conservation commitments as over 70 per cent of Canada's species at risk are found on private lands. In addition, the Panel on the Ecological Integrity of Canada's National Parks stated that conserving habitat on private lands around parks is essential for maintaining park integrity.

The Government of Canada has already taken some important steps to encourage private landowners to conserve their ecologically significant lands, most notably by reducing the capital gains inclusion rate for taxable income on donations of certified lands and easements by 50 per cent. In addition, "bargain sales" or "split receipting", whereby a donation is made with partial recompense, is also now allowed. The effectiveness of these changes is reflected in the increase in number of gifts donated over the years; for example, 22 in 1996, 49 in 2000 and 69 in 2003. Since the program began, over 400 donations have been made, conserving more than 31,200 ha valued at over $100 million-a highly cost effective way to conserve land.

However, as important as these measures have been in encouraging donations, certain donations of ecologically significant lands still do not qualify under the Ecological Gifts program and donors are still subject to a tax penalty in the form of capitals gains tax. Consequently, tax barriers still exist to realizing the program's full potential and to fully engaging Canadians in conserving Canada's natural heritage. The National Round Table on the Environment and the Economy, in its 2003 publication *Securing Canada's Natural Capital*, also recognized the need for further changes to enhance the Ecological Gifts program.

Recommendation

Amend the *Income Tax Act* to recognize all donations of ecologically significant lands as ecological gifts, as follows:

1) Remove the remaining capital gains tax from gifts of ecologically significant land and easements. Owners of ecologically significant lands have often stewarded their lands for generations and are frequently of modest financial means. The capital gain arising from the donation of their land — even at a 25 per cent inclusion rate — can result in the donor exceeding the current threshold income amount, above which partial or complete claw-back of Old Age Security benefits is triggered. Furthermore, donations of ecogifts require the same rigorous process as donations of cultural gifts (i.e., certification of value by government-appointed review board), yet the latter are completely capital gains tax exempt. The final report of the Task Force on Economic Instruments and Disincentives to Sound Environmental Practices, established by the federal Ministers of Environment and Finance in 1994, recommended that "the government should amend the *Income Tax Act* to exempt from capital gains all donations of ecologically sensitive land made in perpetuity to all levels of the government and charitable institutions." This recommendation has been echoed in numerous reports since then (see additional information below).

2) Include donations of ecologically significant lands held by corporations or individuals as inventory of their business under the federal Ecological Gifts program. The disposition of land held as inventory yields a profit rather than a capital gain (because it is not a "capital asset"), one hundred per cent of which is deemed income for income tax purposes.

The tax benefits of the Ecological Gifts program apply only to the capital gain associated with the gift. The Ecogifts program is intended to offer incentives to preserve significant ecological areas. It should, therefore, apply to all people and companies owning qualified lands regardless of how these lands are held. This is particularly relevant in areas such as the Oak Ridges Moraine near Toronto, where development companies often own ecologically significant lands, but the ecogift option is not available to conserve land in a cost-effective manner.

By removing these remaining barriers, the Government of Canada will enable all owners of ecologically significant lands to participate in the Ecological Gifts program and to contribute directly to the conservation of Canada's natural heritage.

Alternative and Complementary Policies

Private land conservation requires a diversity of approaches to be successful. Ecogifts—both outright donations of land and donations of conservation easements—are a key tool to be used in conjunction with other mechanisms including:

- outright purchase of lands by conservation organizations: land purchase remains a key tool for private land conservation, particularly of "core areas", but because of the expense and the wishes of landowners, must be supported by other approaches such as ecogifts. Relying solely on land purchase would greatly limit the amount of land conserved
- municipal restrictions on development: Restrictions can limit development and conserve lands in certain situations but have historically resulted in a patchwork of by-laws of varying effectiveness that have been subject to change with a change in municipal government. In addition, this option would not help to engage Canadians in conservation

Other approaches, because of the expense, precedence set or "optics", would be significantly less effective over time. These include ongoing incentive payments to encourage environmentally-friendly practices on private lands and the expropriation of lands deemed ecologically significant. Ensuring a diverse "tool box" of complementary

approaches is essential to achieving private land conservation in Canada.

Furthermore, Canada has a number of policies and programs in place that identify the need for private land conservation. For example, the *Species at Risk Act* (SARA), and associated Habitat Stewardship Program (HSP), stress cooperative approaches with landowners that promote stewardship to achieve the conservation of private lands harbouring species at risk. Similarly, the *Canada National Parks Act* identifies ecological integrity as a first priority when considering the management of national parks. Parks Canada's ecological integrity policy recognizes the need to integrate parks into their surrounding landscape so that they do not function as islands. Ecogifts are a key tool to support these policies and programs.

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Biodiversity Conservation Data Network

Summary

Recommendation: Establish a national network of federal, provincial and non-government agencies and organizations that collectively constitute the *Canadian Biodiversity Conservation Data Centre* — an accessible, coordinated, distributed, electronic and spatial database on the species, habitats and ecological systems of conservation concern across Canada — based on the vision that "you can manage and conserve what you can measure and locate".

Investment

$15 million over five years, to be distributed as:

- $5 million to upgrade, standardize and support the seven existing provincial and regional Conservation Data Centres (CDCs)
- $3 million seed money for the initial Yukon and eventual Nunavut and Northwest Territories CDCs
- $3 million for the development of "traditional use" methods to expand data assembly to serve the interests of First Nations
- $2 million in support of the Canadian National Vegetation Classification System; and
- $2 million to support citizen-based collection and monitoring of species and spaces at risk in order to update and validate existing data in the system

Benefits for Canadians

- establishes an accessible, coordinated network of agencies, groups, scientists, professionals and members of the public devoted to systematically collecting, receiving, and disseminating information on the plants and animals, their habitats and ecological systems of conservation concern across Canada
- provides an efficient and effective vehicle for integrating and coordinating existing investments in data assembly and validation, existing commitments to add to and verify data, and existing mandates of various agencies and organizations to apply such data to the conservation and management of species, habitats and places of ecological importance to Canadians
- puts Canada into the forefront of species and spaces conservation by supporting the hemispheric data centre network that all uses the same methodology to gather and exchange information on the threatened elements of biodiversity
- provides a range of landowners and users, including individuals, industries, governments, conservation groups and First Nations, with access to an integrated database containing with reliable, standardized ecological data and records to enable sound community-based decision-making, land use planning, monitoring, and management

"As a species, we need to recognize and act upon the understanding that we do not stand above creation, but are partners in its unfolding."

Paul Martin, The Environment: A Liberal Vision, 1992

Background and Rationale

The 1980s and 1990s saw the evolution of an array of biodiversity data-management systems at different geographic scales, from the international to the local. In Canada, the most comprehensive investments have been into the internationally standardized natural-heritage data centre network that now operates in all Canadian provinces and U.S. states, and in all countries of Central America and most of South America.

In Canada, the critical ingredients in establishing and institutionalizing this network have been: strong international commitment, along with solid government and non-government partnerships, to supporting standard software required for standard data assembly and evaluation, and the use new technologies (*viz*. NatureServe International, Biotics 4, etc.)

- strong commitment by field professionals and skilled naturalists to collect and invest data into the system of data centres — representing third-party data of inestimable value (*viz.*, Nature Canada and the members of their federated provincial affiliates)
- early start-up investments by non-government organizations (*viz.*,$2,000,000 from Nature Conservancy of Canada and others)
- formal partnership agreements between provincial and federal agencies and non-government groups regarding support for and services by such centres

This momentum of the early investments is now being reinforced by a variety of current initiatives:

- the Canadian Information System for the Environment (CISE) task force identified biodiversity data as a priority among the range of environmental information sectors deserving further federal-provincial-NGO development and investment
- in 2003, the federal government's Interdepartmental Assistant Deputy Minister's Nature Table, and the National Round Table on the Environment and the Economy, recommended that the biodiversity information community collectively assemble, validate, share and maintain the country's biodiversity knowledge
- the roll-up of Canada-wide data from provincial and regional data centres to provide wildlife status overviews, and the critical involvement of data-centre professionals in the data management and recovery planning for COSEWIC "Species At Risk"
- the Canadian National Vegetation Classification System (of habitat or vegetation types and ecological systems) is now recognised as critical to the establishment of cross-jurisdictional assessments of conservation priorities and achievements (*viz*., NatureServe Canada, Parks Canada, and Canadian Forestry Service partnering in forest and grassland classification, to international data-centre standards)
- the stockpiling of data on both species and "spaces" (*i.e.*, natural areas) by managing agencies (*viz.*, adoption of NatureServe software Biotics4 by Parks Canada)

Major gaps remain:

- tentative, early co-ordination among federal agencies on the support for and involvement of federal mandates by such a network of centre (viz., *Species at Risk Act*)
- the recognised under-funding of several of the provincial and regional data centres, and the lack of territorial biodiversity conservation data centres two in Nunavut and the Northwest Territories
- the lack of clear federal support, to date, for an accessible, coordinated, distributed, electronic and spatial database on the species, habitats and ecological systems of conservation concern across Canada

Recommendations

- Develop a seconded team of federal-agency professionals in the biodiversity sector to develop the protocols, agreements, standards, etc., in co-operation with provincial agencies and non-government agencies, to advance this program over a five-year period, with the goal of achieving concrete, delivered success on all funding fronts by the end of the five-year period.

- Develop the consultative, consensus-based advisory and partner groups to ensure a solid, enduring network of partners.
- Build on the existing investments and expertise in the existing programs (provincial and regional CDCs; Canadian Vegetation Classification, etc.); and overtly target the kind of co-operative outcome that would be expected by Canadians familiar with the successes (and failures) of confederal programs in Canada.

Alternative and Complementary Policies

Canada has made numerous international and national commitments to conserving its biodiversity and natural heritage (i.e., Biodiversity Convention) and is a member of the Global Biodiversity Information Facility, which purpose is to promote, coordinate, design and implement the compilation, linking, standardization, digitization, and global dissemination of the world's biodiversity information. Achieving these commitments will not be possible without sound knowledge of the biodiversity features of our country, which can only be obtained through a coordinated, standardized approach to data acquisition, verification and dissemination.

It is possible that a federal-only approach could be taken to establish comparable and competitive databases on species, habitats, ecosystems and natural areas, in support of federal mandates to protect endangered species and habitats, and support the conservation of Canada's biodiversity. However, a federal-only investment of this scale would be prohibitive and duplicative, and antagonistic to the extraordinary successes at the regional and provincial levels at building the partnerships inherent in the present network of biodiversity data centres.

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National Conservation Fund

"Protecting the environment is not an option — it is something that we simply must do. It is a fundamental value — beyond debate, beyond discussion."

Hon Paul Martin, Speech to NRTEE, May 25, 2001

Summary

Recommendation: that the federal government make a leadership investment of $250 million into a highly leveraged National Conservation Fund. This initial investment should be matched by all levels of governments, non-governmental organizations, community groups and others by a target of 3:1. The fund would support priority conservation initiatives on the ground on a project-by-project basis.

Investment

$250 million leadership investment to be leveraged by partners

Benefits for Canadians

- restore Canada's international leadership in nature conservation by helping fulfil existing commitments
- stretch Canadians' tax dollars to achieve Canada's conservation goals more efficiently and effectively on the ground
- engage hundreds of thousands of Canadians in conservation through partnerships with the voluntary sector
- contribute to a new and better relationship with aboriginal people by supporting their full participation in conservation and land-use planning on their traditional territories
- more certainty for all sectors, as a result of accelerated land use and conservation planning
- better protection for national parks and other protected areas by supporting stewardship of surrounding lands

Background and rationale:

"It is only by working together — as governments, industries, Aboriginal peoples and others — that we can secure our natural capital for our own and the world's benefit."[74]

Canada is recognized internationally for its natural wealth and diversity. We have committed on the world stage to strong conservation measures through such agreements as the United Nations Convention on Biological Diversity (CBD) and the CBD Programme of Work on Protected Areas, as well as the Canadian Biodiversity Strategy. Over the past decade there has been some progress on federal conservation initiatives, particularly on the legislative front[75]. However, these first steps alone are not enough to achieve strong conservation measures on the ground.

While the vision of conserving our national biological diversity can be articulated, encouraged and even led by the federal government, responsibilities for land management are shared with

[74] Securing Canada's Natural Capital: A Vision for Nature Conservation in the 21st Century. National Round Table on the Environment and the Economy, 2003, 125pp. (p 95).

[75] Since 2000, the federal government has committed to a five year action plan for national parks; passed a new National Parks Act, National Marine Conservation Areas Act, Species at Risk Act; and has implemented such measures as reducing capital gains tax on the donation of ecological gifts, and committing funds to clean up toxic sites.

provincial, territorial, municipal and First Nations governments. In addition, conservation groups, community groups, universities, private citizens and the private sector all have an important role to play in achieving conservation objectives. In other words, a national goal is not the exclusive responsibility of the federal government, but requires broad participation from all sectors of Canadian society.

Many Canadian organizations and individuals have valuable skills and resources to contribute to a shared goal of nature conservation. By investing in this leadership conservation fund, the federal government would provide an incentive to bring these potential partners to the table, as well as to leverage the funds to achieve greater results. Working together is clearly more effective than "going it alone".

Modeled in part on the existing federal-provincial infrastructure program, and supported by the National Round Table on Environment and Economy's report on Nature Conservation[76], our proposal for a leveraged National Conservation Fund will provide not only good economic value, but will encourage creativity and flexibility in conservation initiatives.

Partnership conservation programs such as the Natural Legacy 2000 initiative conserved hundreds of thousands of acres of Canada's vast wilderness areas, and conducted research on endangered species recovery and conservation planning. Furthermore, through this program, conservation groups levered a federal investment of $10 million and delivered a program worth almost $40 million on the ground. Applying this formula to a National Conservation Fund means that $1 billion of conservation value could be achieved from a $250 million federal leadership investment.

A National Conservation Fund should focus support on the following key priorities:

- supporting the participation of all interests in integrated science-based land use and conservation planning to ensure conservation decisions are made before opportunities are foreclosed by industrial development
- private land conservation and stewardship programs
- capacity building for aboriginal communities to lead land use planning and resource management processes in their traditional territories
- maintaining and restoring the ecological integrity of protected areas by supporting conservation initiatives on surrounding lands

Recommendation:

A $250 million federal leadership investment in a National Conservation Fund to be matched by all levels of governments, non-governmental organizations, community groups and others by a target of 3:1. This investment could result in conservation outcomes with a value of up to $1 billion — a strong return on taxpayers' investment.

Alternative and Complementary Policies

Canada has international and national commitments to conservation that have yet to be fulfilled. The federal government could work independently to fulfil the commitments for which there is clear federal jurisdiction. However, this approach would be less efficient and effective than working cooperatively with all interests. A leadership investment in a highly leveraged National Conservation Fund would support a cooperative, efficient approach to conservation that would complement existing federal programs.

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76 *Securing Canada's Natural Capital: A Vision for Nature Conservation in the 21st Century*. National Round Table on the Environment and the Economy, 2003, 125pp. see Recommendation 19 (p. 90)

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