



## ***Green Budget Coalition's Recommendations for Budget 2017***

**Submission to  
House of Commons Standing Committee on Finance  
2016 pre-budget consultations  
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*GBC Members:*

**Bird Studies Canada  
Canadian Environmental Law  
Association  
Canadian Parks and Wilderness Society  
David Suzuki Foundation  
Ducks Unlimited Canada  
Ecojustice Canada  
Ecology Action Centre  
Environmental Defence  
Friends of the Earth Canada  
Greenpeace Canada**

**International Institute for  
Sustainable Development  
Nature Canada  
Nature Conservancy of Canada  
Sierra Club Canada Foundation  
WWF-Canada  
West Coast Environmental Law  
Association  
Wilderness Committee  
Wildlife Habitat Canada**





## **Executive Summary and Introduction:**

### **Canada's environment is central to Canadians' prosperity.**

The **Green Budget Coalition (GBC)**, active since 1999, brings together eighteen of Canada's leading environmental and conservation organizations (*listed on front cover*), representing over 600,000 Canadians, to present an analysis of the most pressing issues regarding environmental sustainability in Canada and to make recommendations to the federal government regarding strategic fiscal and budgetary opportunities.

**For Budget 2017, the GBC recommends that the Government of Canada emphasize a suite of fiscal tools and funding to achieve its climate change mitigation and adaptation goals, and related nature conservation objectives.**

Specifically, the GBC recommends Budget 2017 ensure action to:

- **Implement a well-designed, pan-Canadian carbon price:**
  - Starting at a price level that respects the social cost of carbon, with appreciable annual increases for several years;
  - Directing the revenues from carbon pricing to strategic purposes:
    - Compensating low-income and other vulnerable individuals and families;
    - Supporting emission reductions and clean economic growth; and
    - Supporting adaptation to climate change, including natural solutions.
- **Phase-out exploration and development subsidies to the fossil fuel industry** through a number of measures listed on page 5.
- **Take strategic, nation-wide, multi-year conservation action in three areas:**
  - Terrestrial protected areas - Expand and better protect our terrestrial protected areas system;
  - Working landscapes – Expand measures to conserve unique and ecologically significant wildlife habitat, and to ensure ecological connectivity; and
  - Oceans and fisheries – To fulfill Canada's commitments to reach and exceed international marine protection targets and to ensure ocean health and sustainable fisheries.
- **Renew several important freshwater programs** that are sunsetting in March 2017, and **invest in reversing the trends of insufficient and inaccessible freshwater monitoring data.**

## Detailed Recommendations

### Climate Change Mitigation

#### **Carbon Pricing**

The GBC commends the Government's commitment to implementing a price on greenhouse gas emissions (a "carbon price"), long recognized by economists and climate change experts as an effective policy tool. Implementing a pan-Canadian carbon price will create a level playing field between provinces, and maintain downward pressure on carbon emissions by giving emitters incentives to shift towards cleaner sources.

A carbon price has already been introduced by a number of jurisdictions, both within Canada and internationally, and has been widely supported, including by governments at the March 2016 First Ministers' meeting and by companies across economic sectors, including the Carbon Pricing Leadership Coalition.

In order for a pan-Canadian price on carbon to be effective, it needs to be set at a level that at least matches the social cost of burning fossil fuels. Putting a price on carbon emissions that is equivalent to the full costs of those emissions—including the costs of mitigating both climate and air pollution impacts—provides benefits that are ten times the cost of applying that carbon price. It is also important to price carbon on a predictable escalating scale at a rate that will provide long-term economic and regulatory certainty, helping to drive emissions downward over the longer-term.

Environment and Climate Change Canada estimates the Social Cost of Carbon—the cost of climate change impacts caused by those emissions at a 3% discount rate—at about \$40/tonne in 2016 and rising,<sup>1</sup> and the cost of local air pollution is, on its own, even higher.<sup>2</sup> An appropriate carbon price could therefore start at a level equivalent to at least the social cost of carbon and increase annually to reach the price needed to achieve climate objectives.

#### *Revenues*

The GBC recommends directing revenues generated by pricing carbon to a few key purposes:

- Reinvesting into measures that stimulate clean economic growth while maintaining continued downward pressure on carbon emissions, such as for public transit, electric vehicles, and buildings;
- Ensuring low-income and other vulnerable individuals and families are compensated for the extra costs they face, and have opportunities to participate in the transition to a low-carbon economy; and
- Financing adaptation measures, including investments in upgraded infrastructure and in nature conservation solutions to increase the resiliency and adaptability of Canadian ecosystems.

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<sup>1</sup> Environment and Climate Change Canada (March 2016), *Technical Update to Environment and Climate Change Canada's Social Cost of Greenhouse Gas Estimates*, <http://ec.gc.ca/cc/default.asp?lang=En&n=BE705779-1>

<sup>2</sup> Sawyer, Dave. (2015). "The Benefits of Climate Action to Hard Working Canadian Families." EnviroEconomics. <http://www.enviroeconomics.org/#!/The-Benefits-of-Climate-Action-to-Hard-Working-Canadian-Families/c1uize/55380e170cf21fee1339c111>

## Fossil fuel subsidy reform

The GBC encourages the Government to build on its past commitments and actions to phase out inefficient fossil fuel subsidies, including its election platform, endorsing the G20 commitment,<sup>3</sup> as a signatory to the Friends of Fossil Fuel Subsidy Reform communiqué,<sup>4</sup> as a member of the G7, the G20 and the APEC commitments on subsidy reform, and in ministerial mandate letters.<sup>5</sup> At the North American Leader's Summit (NALS) in Ottawa in June 2016, the Government of Canada restated its commitment to phase out such subsidies by 2025.<sup>6</sup>

The GBC suggests that more clarity is needed on what is meant by the term 'inefficient' and its implications for the timely removal of all fossil fuel subsidies in Canada. The GBC recommends that **all** direct subsidies, tax preferences measures, public finance, and other fiscal instruments provided to producers of coal, oil, and natural gas (including liquefied natural gas) be removed by 2020, ahead of the G7 and NALS timeline.

The GBC recommends that the Government of Canada phase-out exploration and development subsidies to the fossil fuel industry starting in Budget 2017 by:

- Removing, ahead of schedule, the Accelerated Capital Cost Allowance (ACCA) provided to Liquefied Natural Gas projects, that was introduced in Budget 2015;<sup>7</sup>
- Removing the tax preferences provided to oil and gas producers for Canadian Development Expense;
- Removing Flow-through Share Deductions available to investors in coal, oil, and gas projects; and
- Announcing a clear timeline to phase out the fossil fuel component of all remaining federal tax credits, production subsidies, fiscal instruments by 2020 that support coal, oil and gas (including liquefied natural gas), including:
  - Canadian Exploration Expenses;
  - Exploration Limited Partnerships;
  - Duty Exemption for Imports of Mobile Offshore Drilling Units in the Atlantic and Arctic;
  - Canadian Oil and Gas Property Expense;
  - Foreign Resource Expense, and Foreign Exploration and Development Expense (FEDE); and
  - Research Funding in Cleaner Oil and Gas Technologies.

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<sup>3</sup> IISD. 2015. *Fossil fuel subsidy reform in Canada: A post-partisan issue*, <https://www.iisd.org/blog/fossil-fuel-subsidy-reform-canada-post-partisan-issue>

<sup>4</sup> *Fossil-Fuel Subsidy Reform Communiqué*, 2016, <http://fffsr.org/communique/>

<sup>5</sup> Canada, Office of the Prime Minister. 2015. *Minister of Environment and Climate Change Mandate Letter*, <https://pm.gc.ca/eng/minister-environment-and-climate-change-mandate-letter>; *Minister of Finance Mandate Letter*, <https://pm.gc.ca/eng/minister-finance-mandate-letter>; and *President of the Treasury Board of Canada Mandate Letter*, <https://pm.gc.ca/eng/president-treasury-board-canada-mandate-letter>

<sup>6</sup> NALS. 2016, 29 June. *Leaders' Statement on a North American Climate, Clean Energy, and Environment Partnership*, <http://pm.gc.ca/eng/news/2016/06/29/leaders-statement-north-american-climate-clean-energy-and-environment-partnership>

<sup>7</sup> This new ACCA is currently set to expire in 2025.

## **Public Transit**

The GBC recommends Budget 2017 build on the government's commitment to public transit by:

- Allocating an average of \$2 billion/year over ten years for a total of \$20 billion in funding, additional to the previous government's \$1 billion/year Public Transit Fund commitment in 2015.

## **Adaptation to Climate Change**

New federal investments will be vital to ensuring that Canada is able to adapt to the impacts of climate change. Many measures contained under a national adaptation plan would require significant public spending to implement across a range of climate-sensitive sectors, including upgrading infrastructure for roads and water, assisting provinces and municipalities in their adaptation efforts, and conserving healthy ecosystems in the face of changing climatic conditions. Natural infrastructure could also play an important role and merits appropriate funding from federal infrastructure programs.

## **Nature Conservation**

Healthy terrestrial, freshwater and marine ecosystems are the foundation for Canada's well-being, now and in the future. However, habitat loss, climate change, invasive species and other pressures increasingly threaten these ecosystems. Strategic conservation actions, building on investments made in Budget 2016, are urgently needed to ensure that Canada's ecosystems remain resilient and benefit future generations.

Importantly, conservation actions, including completing a national network of protected land and seascapes, can play a key role in reducing and adapting to the impacts of climate change, by strengthening the resilience of Canada's ecosystems, utilizing natural infrastructure to safeguard Canadian communities, and helping prevent carbon stored in forests, oceans, tundra and other ecosystems from being emitted.

An important next step is for Canada to prioritize delivering on its international commitments to biodiversity conservation. The federal government has an important role to play in delivering on these commitments by taking action in areas of federal jurisdiction (e.g., fisheries and oceans, migratory birds, federal protected areas, species at risk and aquatic invasive species), and by leading nation-wide efforts in areas of shared jurisdiction, including protected areas on land and sea.

The GBC recommends taking strategic, nation-wide, multi-year conservation action in three areas:

- 1) Terrestrial protected areas – Leading a coordinated effort to expand our terrestrial protected areas system to help safeguard nature and people in the face of climate

change—including by: delivering on the mandate letter to develop and protect Canada’s national parks system, National Wildlife Areas and Migratory Bird Sanctuaries; new funding to lead a nation-wide systematic conservation planning effort; and providing support for Indigenous partnerships in conservation.

- 2) Working landscapes – Strategic funding to support landscape scale measures to conserve unique and ecologically significant wildlife habitat on working and private lands, and to ensure ecological connectivity, including through protection, inventories and monitoring.
- 3) Oceans and fisheries – To fulfill Canada’s commitments to reach and exceed international marine protection targets and to ensure long-term ocean health and sustainable fisheries, invest in marine use planning for conservation and development, ocean science and monitoring and management capacity, and improved fisheries management, ensuring transparency of data and decision-making, and use new and existing tools, for both oceans and freshwater operations.

An important complement is to continue to help connect Canadians with nature and to empower them to conserve their natural environment through supporting stewardship, citizen science and environmental education.

To continue improvements to Canada’s laws and regulations, the GBC also recommends that the Government of Canada invest in a process to establish federal environmental rights legislation that would support Canadians’ rights to a healthy environment.

## **Freshwater**

Many important national freshwater programs are sunseting this year and merit renewal. These include important initiatives to protect Canada's freshwaters against invasive species, nutrient run-off and accompanying toxic algal blooms, and toxic contaminants emitted to our lakes and waterways.

### **Water Monitoring**

The GBC is pleased that the government is committed to water resource management. However, data insufficiency and inaccessibility is a common trend in both lesser populated areas and some of Canada’s most densely populated areas, and there is a lack of standard protocol in freshwater sampling and online resources for groups to pool data. The GBC recommends:

- Providing long-term monitoring funding for data openness and accessibility, to ensure that availability challenges get resolved, and to reduce the loss of data over time due to programs being disjointed or discontinued;

- Further standardizing data collection and reporting (especially at the local level) via hubs, and mitigating hurdles to allow for greater local-regional-national integration and comparison across regions;
- Extending coverage of monitoring stations to historically underrepresented, and in some cases high-risk, areas (e.g. Saskatchewan, Nunavut, Northern Ontario, Northern Quebec); and
- Facilitating information sharing between those who are collecting the data and those who are tasked with monitoring watersheds.

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*The above recommendations, with other complementary recommendations, will be further detailed in the GBC's Recommendations for Budget 2017, forthcoming in fall 2016, with a preliminary version circulated in September 2016.*

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