

## BACKGROUND

# Evaluating Climate Leadership in British Columbia

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May 17, 2016

## OVERVIEW

British Columbia's carbon pollution is growing, despite the province's claims of "climate leadership". New action is needed to reverse this trend and get B.C. back on track to meet its legislated 2050 target.

This backgrounder outlines key criteria the province's next climate action plan needs to meet to be considered effective. It also answers some frequently asked questions about climate action in British Columbia and the recommendations made by the Climate Leadership Team.

## CURRENT STATUS OF B.C. CLIMATE ACTION

While the climate policies British Columbia adopted in 2007 and 2008 were rightfully considered "world-leading," the government froze the carbon tax and has not taken enough action since to maintain its status as a climate leader. As a result, B.C.'s carbon pollution is increasing. Between 2011 and 2013, it climbed by 1.7 megatonnes of CO<sub>2eq</sub>—the equivalent of adding 440,000 cars to our roads. It is forecast to grow by 32 per cent between 2013 and 2030, according to Canada's Ministry of Environment and Climate Change.<sup>1</sup>

The B.C. government is currently developing a new climate action plan that will determine B.C.'s efforts to reduce carbon pollution and grow the clean economy over the next five to 10 years. A cabinet committee including ministers of the environment, natural gas, jobs, energy and mines, transportation, finance and communities will decide on the plan.

One year ago, the government established a Climate Leadership Team—including representatives of industry, First Nations, academia, policy advocates and local and provincial governments—to develop a package of recommendations that would:

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

In November 2015, the Climate Leadership Team produced 32 recommended policies and programs that, adopted as a package, would deliver climate leadership and economic prosperity.<sup>2</sup> The group achieved consensus on all but the carbon tax increase recommendations with one member unable to support the carbon tax recommendation.

The key elements of the Team's recommendations include:

**Fiscal Package:** A fiscal package which includes a plan to continue cutting carbon pollution by increasing and expanding B.C.'s carbon tax, while creating targeted support for emissions-intensive trade-exposed industries and vulnerable citizens. The package would also see a portion of the revenue used to reduce the provincial sales tax (PST), helping citizens and businesses adjust.

**2030 Target:** Setting a new legislated 2030 target to reduce carbon pollution by 40 per cent below 2007 levels, which would put B.C. on track to meet its 2050 target.

**Other Recommendations:** Other recommendations would increase energy efficiency requirements in the province’s building code, support the transition to electric vehicles, promote the shift to 100 per cent clean electricity, reduce methane leakage in the gas sector, and support municipal and indigenous governments to undertake projects to cut carbon pollution.

**2020 target:** Even if B.C. adopts the leadership team’s recommendations immediately, the province has not taken the action required to date to meet its 2020 climate target. This is true with or without LNG.

**LNG:** If some LNG development went ahead, the 2050 target (as well as a new 2030 target) could still be met if the climate policies recommended by the Climate Leadership Team are implemented.

## CRITERIA FOR “CLIMATE LEADERSHIP”

The government has not indicated whether it will adopt all, or even some, of the Climate Leadership Team’s recommendations. Thus, as the deadline approaches for the release of B.C.’s next climate plan, we have identified three criteria by which the government’s plan should be evaluated.

Leadership is measured by action and results. For B.C. to qualify as a climate leader, the province’s 2016 climate plan must:

1. Stop the growth in carbon pollution and put B.C. on a credible pathway to meet its legislated 2050 climate target.
2. Create jobs and economic prosperity across the province and throughout the economy, while ensuring energy remains affordable for all British Columbians.
3. Put the carbon tax back on a predictable schedule to increase gradually over time, to a rate that will create the incentives (and generate the revenue) needed for businesses and households to choose cleaner and more efficient energy.

## BENEFITS OF CLIMATE LEADERSHIP

If implemented as a package, the Climate Leadership Team’s recommendations are designed to ensure British Columbians prosper as a result of climate leadership. Specific benefits are outlined in the sections below.

### JOB CREATION AND ECONOMIC GROWTH

B.C.’s carbon tax and other climate policies help attract businesses and workers in the “clean economy”—which includes green buildings, clean energy, professional services, waste management, and more, and contributed \$6.3 billion to B.C.’s GDP in 2014. This sector currently employs more than 68,000 people in British Columbia, and employment has grown by 12.5 per cent since 2010.<sup>3</sup>

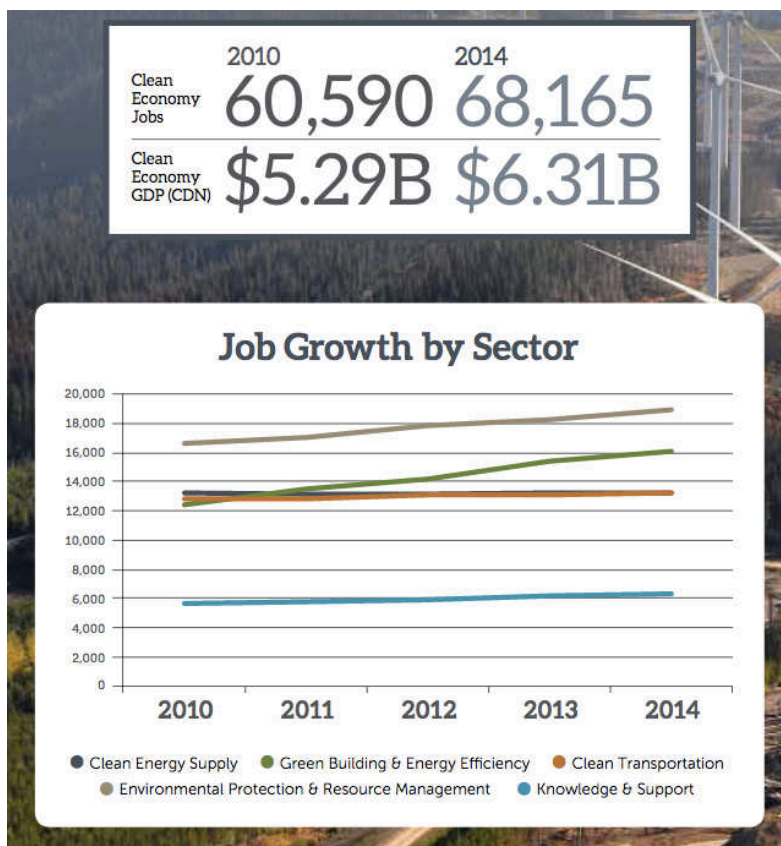


Figure 1: Clean economy job growth in British Columbia, from 2010-2014. Source: Delphi Group.<sup>4</sup>

Economic analysis found the Team's recommendations would have little measurable impact on economic growth.<sup>5</sup> Navius Research modelled the impact policies very similar to the Climate Leadership Team's recommendations would have on jobs and B.C.'s economy.<sup>6</sup> Meantime, 270,000 new jobs would be created across the province within the next 10 years, and close to a million by 2050.

As Figure 2 illustrates, those jobs show up in emerging sectors, like clean technology—but also in more traditional sectors like forestry, agriculture and services. With stronger climate leadership, B.C. would attract up to \$5 billion in additional investment for renewable energy development alone over the next 10 years, according to Clean Energy Canada analysis.<sup>7</sup>

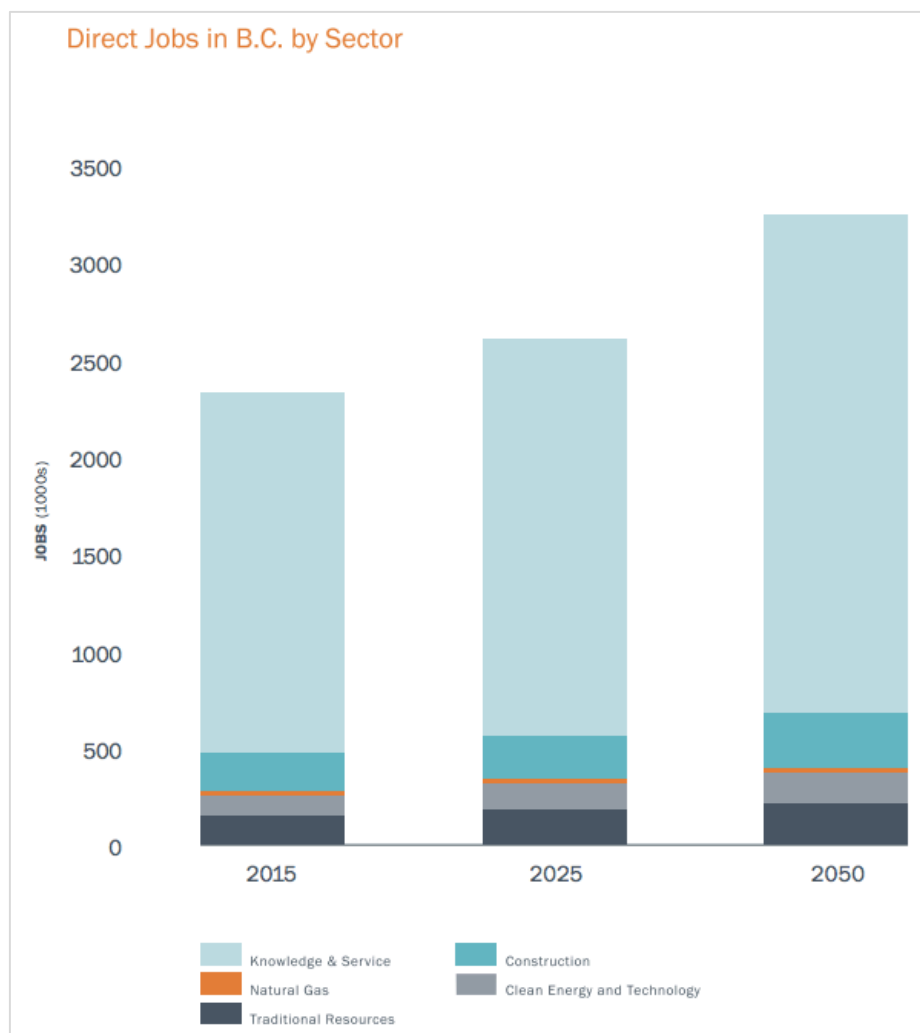


Figure 2: Projected job growth in B.C. by sector from 2015-2050, in a policy scenario similar to the Climate Leadership Team's recommendations. Source: Navius Research for Clean Energy Canada.<sup>8</sup>

## COMPETITIVENESS AND THE CARBON TAX

The carbon tax recommendation includes five supportive recommendations to mitigate economic and affordability issues.

1. Lower the PST from 7% to 6%.
2. Mitigate competitiveness issues for emission-intensive, trade-exposed sectors.
3. Scale up the current low income and rural and northern tax credits to ensure the most vulnerable individuals and families are not adversely impacted.
4. Eliminate the PST on electricity.
5. Use additional revenues to fund technology and innovation that reduces carbon pollution.

The Team's recommendation to develop targeted support for emissions-intensive, trade-exposed sectors was intended to address competitiveness risks that could occur if B.C.'s climate policies were materially stronger than the climate policies in competing jurisdictions. The Team further recommended that any support be developed in a way that maintains the incentive to reduce carbon pollution. An example of this type of targeted support is found in B.C.'s 2014-2015 budget, which included funding to help cement facilities transition to cleaner-burning fuels.

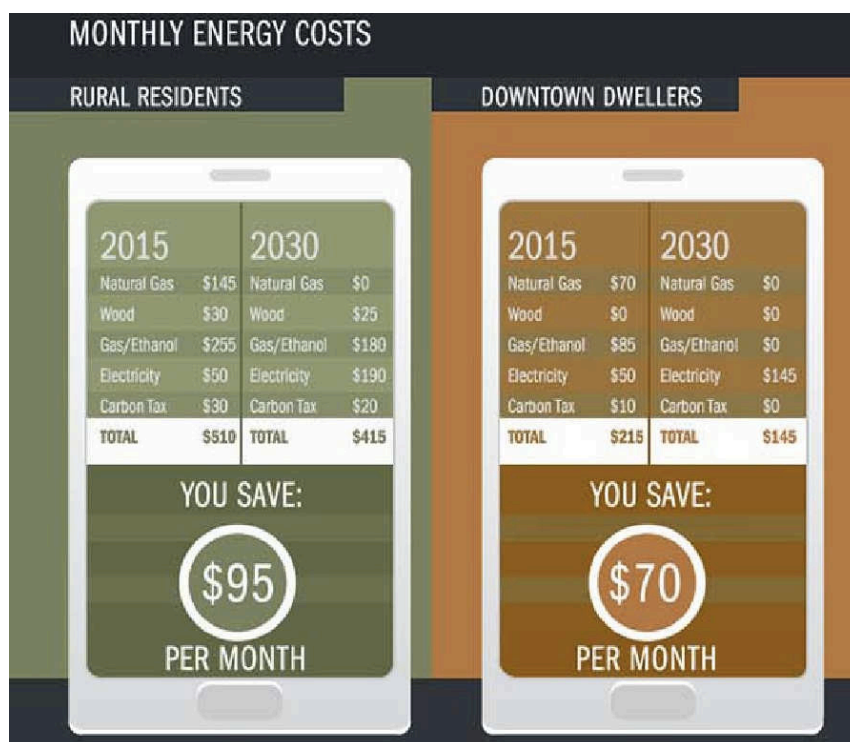
## NORTHERN AND RURAL COMMUNITIES

The climate leadership team recommendations include specific measures to support households, workers and businesses in rural and northern communities.

**Forestry:** The recommendations include smarter forestry practices to account for climate change impacts, and increasing the use of forestry by-products to generate energy.

**Clean Energy:** The team recommended the government develop a strategy (and provide funding) to transition remote communities from diesel to locally generated renewable energy by 2025.

**Cost savings:** Northerners stand to save money from the transition to energy-saving technologies. Today, living in the Peace River region typically means driving a truck, living in a house and spending up to \$6,000 a year on energy—mainly gasoline and natural gas for heating. However, stronger climate action would make more efficient vehicle choices, homes and heating systems available over the next 15 years. By switching to a hybrid truck and heat-pump system, rural households can cut energy costs by \$1,200 per year by 2030 (see Figure 3).<sup>9</sup> The climate leadership team has recommended offsetting the costs of these purchases with incentives, resulting in further savings.



**Figure 3: A household's energy savings will depend on how efficient their homes and vehicles are and the type of fuel they use. Increasing the carbon tax creates incentives to switch to technologies that pay for themselves through energy savings over time. Source: Clean Energy Canada.<sup>10</sup>**

**Employment:** Distributed renewable energy projects provide long-term employment that would be less susceptible to boom-bust cycles. According to the Pembina Institute, clean energy projects currently employ more than 14,000 people across British Columbia,<sup>11</sup> while more than 23,000 British Columbians work in green building development, manufacturing and supply<sup>12</sup> (see Figure 4). More jobs would be created in these sectors if the Climate Leadership Team recommendations are implemented.

Modelling by Navius Research, which examined the effect a climate leadership policy scenario (similar to what the Climate Leadership Team recommended) would have on employment in B.C.'s traditional resource sectors found job growth through to 2050 comparable to what the province would see without new climate action (see Figure 5).

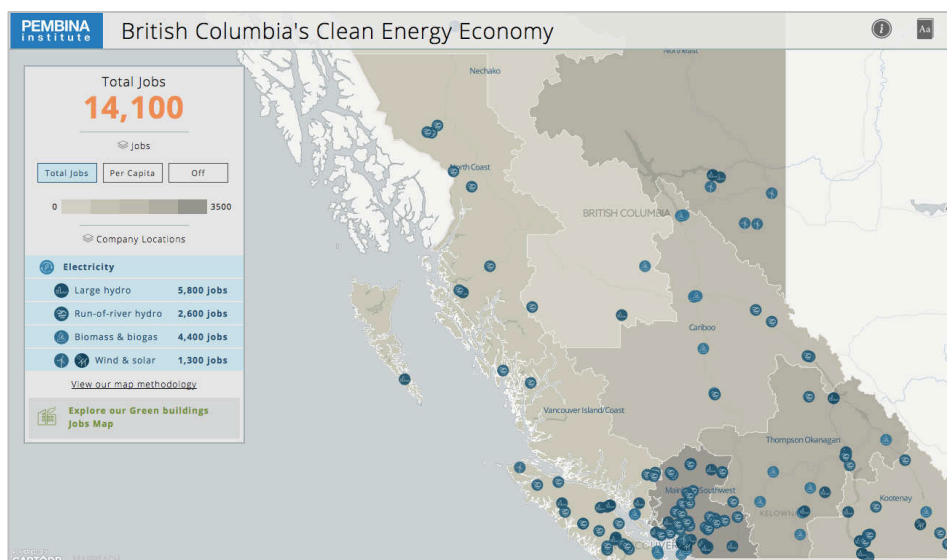


Figure 4: More than 14,000 people work in clean energy generation across British Columbia. That number is expected to grow if the province takes new action to reach its climate targets and promote clean energy generation.

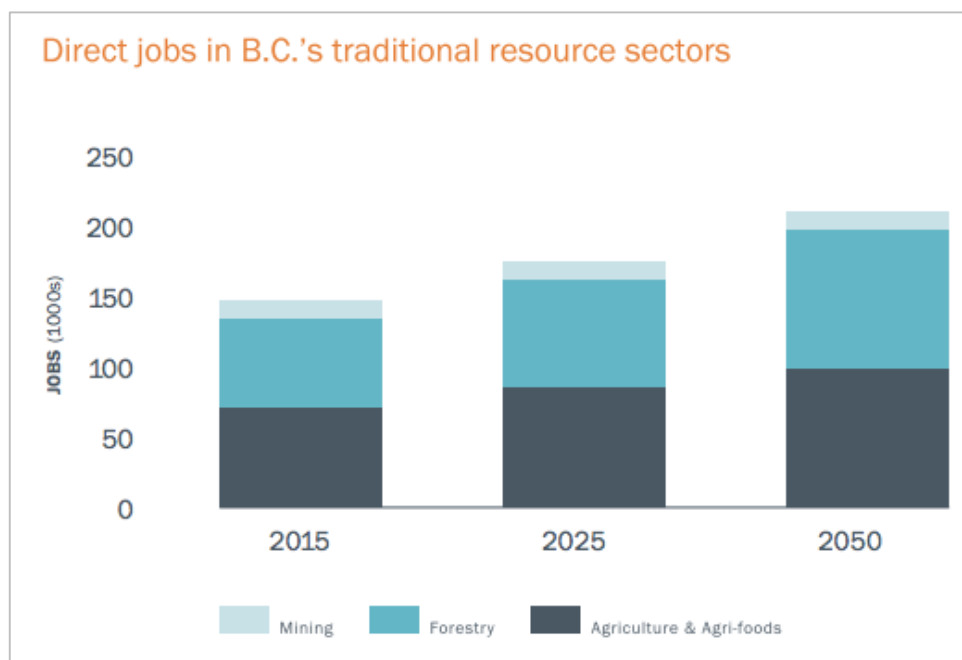


Figure 5: B.C. would continue to see job growth in traditional resource sectors between now and 2050 in a scenario where the province took new climate action. Source: Navius Research and Clean Energy Canada.<sup>13</sup>

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## CONTACT

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<sup>1</sup> Environment and Climate Change Canada. “Canada’s Second Biennial Report on Climate Change.” Government of Canada (2016). Available at: <https://www.ec.gc.ca/GES-GHG/default.asp?lang=En&n=02D095CB-1>

<sup>2</sup> The full recommendations report from the Climate Leadership Team is available at [http://qa.engage.gov.bc.ca/climateleadership/files/2015/11/CLT-recommendations-to-government\\_Final.pdf](http://qa.engage.gov.bc.ca/climateleadership/files/2015/11/CLT-recommendations-to-government_Final.pdf)

<sup>3</sup> Delphi Group (2015). *West Coast Clean Economy: 2010-2014 Jobs Update*. Pacific Coast Collaborative. <http://delphi.ca/wp-content/uploads/2015/12/PCC-Clean-Economy-Report-FINAL.pdf>

<sup>4</sup> Ibid.

<sup>5</sup> The maximum difference between a reference scenario and the recommendations scenario is that the growth in jobs and GDP are both 0.4% lower between 2015 and 2050 in the recommendations scenario. The Climate Leadership Team’s *Recommendations to Government* are available at: [http://engage.gov.bc.ca/climateleadership/files/2015/11/CLT-recommendations-to-government\\_Final.pdf](http://engage.gov.bc.ca/climateleadership/files/2015/11/CLT-recommendations-to-government_Final.pdf)

<sup>6</sup> The key findings of the Navius Research study are outlined in Clean Energy Canada’s report, *A Clean Economy and Jobs Plan for British Columbia* (2015). Both the summary and full modelling results are available here: <http://cleanenergycanada.org/work/a-clean-economy-and-jobs-plan-for-british-columbia/>

<sup>7</sup> Jeremy Moorhouse. “Next steps on climate change could see British Columbians spending less on energy.” Published in the *Vancouver Sun* (2015). Available at: <http://cleanenergycanada.org/opinion-next-steps-on-climate-change-could-see-british-columbians-spending-less-on-energy/>

<sup>8</sup> Clean Energy Canada (2015). *A Clean Economy and Jobs Plan for British Columbia*. Available at: <http://cleanenergycanada.org/work/a-clean-economy-and-jobs-plan-for-british-columbia/>

<sup>9</sup> Jeremy Moorhouse. “Next steps on climate change could see British Columbians spending less on energy.” Published in the *Vancouver Sun* (2015). Available at: <http://cleanenergycanada.org/opinion-next-steps-on-climate-change-could-see-british-columbians-spending-less-on-energy/>

<sup>10</sup> See the full infographic at <http://cleanenergycanada.org/work/a-clean-economy-and-jobs-plan-for-british-columbia/>

<sup>11</sup> Pembina Institute. British Columbia’s Clean Energy Economy Jobs Map. <http://www.pembina.org/bcjobsmap/>

<sup>12</sup> Pembina Institute. British Columbia Green Buildings Map. <http://www.pembina.org/bcgreenbuildings/>

<sup>13</sup> Clean Energy Canada (2015). *A Clean Economy and Jobs Plan for British Columbia*. Available at: <http://cleanenergycanada.org/work/a-clean-economy-and-jobs-plan-for-british-columbia/>