

CLIMATE WATCH NL

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Climate Watch NL Responds to Newfoundland and Labrador Carbon Pricing

The government of Newfoundland and Labrador has released its plan to put a price on carbon. This comes right after the latest report from the Intergovernmental Panel on Climate Change (IPCC) and the current climate talks in Poland.

The IPCC report confirms the need to immediately reign in greenhouse-gas-emissions and calls for decisive action from governments around the world over the next 12 years to avoid the worst effects of climate change. The climate talks in Poland highlighted that Canada is currently not meeting its climate commitment from the Paris Accord.

Putting a price on carbon is actually a misstatement. Carbon comes with a price whether we pay it now, in the form of money, or later through climate change impacts and their resulting damage to human life and our economies.

Globally, droughts, forest fires, and severe weather are already causing mass damage, displacement, and loss of life. Local impacts for Newfoundland and Labrador include higher sea levels (which means more coastal erosion), changing oceans (which will impact our fisheries), and more severe weather events like the ones we saw early this year on the west coast of NL. These weather events, as illustrated this past January, in turn have severe ramifications for geo-hazards and infrastructure in communities. Many communities in NL are already struggling to maintain their assets, while protecting human life and wellbeing, due to diminished capacity; climate change will add to this challenge.

The world is starting to take real action on climate change. New Zealand is the most recent country to ban any further offshore oil and gas production. Paying a price on carbon and reducing greenhouse-gas emissions is simply what must be done. It soon will be the norm around the world and industry is aware of it. Countries that are already moving forward more aggressively, including those with oil sectors like Denmark, Scotland, and Norway, are seizing on the low-carbon transition as an opportunity for economic and social innovation. Developing countries are taking advantage of green technologies to leap-frog ahead of the carbon-intensive development that defined our nation's development in the past. By *not* taking action we risk lagging behind, while the real innovators and leaders of 21st century low-carbon economies jump ahead.

Climate Watch NL envisions a minimal carbon economy by 2050. Climate change adaptation is a necessary focus, but so is ensuring that our climate change planning accounts for fossil fuel extraction and the burning of fuels. We need to quickly achieve a low-carbon transition in a manner that protects vulnerable members of our communities, such as low-income families, and that means that we must work to ensure policies are both effective and fair.

The NL provincial government convinced the federal government to approve the recently released carbon pricing policy – despite its many exemptions – by arguing that Muskrat Falls will already put a burden on the tax payer. They also argued that Muskrat Falls will provide 98% renewable energy to the

province once online, allowing us to take Holyrood off the grid. But Muskrat Falls cannot be simplified in such terms without acknowledging the profound effects it has on nearby communities and landscapes, nor without recognizing that mega hydro projects are not as green as they are often advertised to be. Therefore, Muskrat Falls can certainly not be ignored in this context for the significant environmental impact, compared to other forms of renewable energy, it has, and will continue to have.

Government plans to double oil production also cannot be ignored in terms of their environmental impacts, particularly as most of our *known* reserves of fossil fuel globally must stay in the ground to reach current climate change targets.

While we are pleased that the government has put forward a plan to put a price on carbon there are aspects of their pricing plan that raise some questions. The most pressing of these questions are:

- How can this plan ensure a transition to a minimal-carbon economy while exempting so many large industry greenhouse gas emitters, including the oil and gas industry who are exploring for even *more* reserves of fossil fuels past those that are currently known?
- How are we ensuring that our transition to a minimal carbon economy is socially just?
- How much will this plan actually change peoples' behaviour?
- How will we use the money from a price on carbon to support community adaptation to climate change, while building a green economy?

Making the price of carbon an upfront cost of burning fossil fuels is necessary to reduce greenhouse-gas emissions, if we want to uphold our commitments to the Paris agreement and keep global temperature rise to 1.5 degrees. Exempting large industry - and the oil and gas industry in particular - makes no sense in this context. Not charging a major industry, like oil and gas, for the price of carbon is effectively giving them a subsidy. Any subsidies we hand out to industry in this respect should be driving us towards a minimal carbon economy, not further into dependence on a carbon intensive economy.

A price on carbon for large industry should be set and then increased over time, giving industry time to adapt their operations to reduce their carbon emissions. Money collected from large scale industry should be used to directly help communities in their efforts to adapt their infrastructure to the effects of climate change.

This approach will also encourage large industry to put effort into identifying solutions to reduce their emissions. Performance standards to reduce GHG emissions, which are harder to regulate, make little sense as an alternative and result only in lost revenue. Even if performance standards would achieve the same reductions as a price on carbon for large industry, then it is better that the money gained be reinvested here where communities will face the impacts of climate change. Incentives to decarbonize our economy need to be present in every aspect of society to clearly demonstrate our commitment and establish new pathways for the future. Otherwise we also send the message that there is one rule for industry in NL, and one for its citizens.

Of course, we appreciate the economic argument the province is making, as we try to keep the local economy competitive and protect taxpayers from additional costs in the context of increasing electricity prices due to Muskrat Falls. However, exemptions for the largest GHG emitters are not the solutions here. A tailored rebate program should be implemented instead, so vulnerable parts of the local economy can be identified and rebates issued where appropriate. Rebates for low income individuals

and families, and those in rural area, should be used to negate the social impacts of carbon pricing.

We identified the transportation sector as a unique opportunity to reduce GHG emissions, use power from Muskrat Falls, and entice real behavioural action on climate change. In 2015 road transportation made up approximately 20% of GHG emissions in NL.

Using electric vehicles or at least hybrids in this province is currently challenging, but addressing these challenges would signal that climate change needs to be taken seriously and that we all have to do our part. As the prices on these vehicles decrease, and as incentive programs elsewhere increase their uptake by consumers, a move to policies supporting electric vehicles in our province also aligns us with global trends and can help us to support local communities in attracting future tourism from those using such vehicles.

There are a number of barriers to overcome. The limited range and the limited availability and variety of electric vehicles is a challenge. However, the advancements made in the sector in the last decade alone, combined with the world's apparent momentum to advance green technologies in general, would suggest that both range and availability in the years to come will continue to improve.

Electric vehicles need charging infrastructure. Such infrastructure needs to be in place first, otherwise people will not invest in electric vehicles. The cost of paying for that infrastructure can either be built into the price of the electricity at the charging stations and/or offset in part with money from the carbon tax.

Though prices are generally decreasing and maintenance can be less expensive than with standard vehicles, electric vehicles currently have higher upfront costs than gasoline vehicles, creating another barrier for residents to make the switch. This will require additional financial incentive. Such an incentive could take the form of a rebate program, a tax break (either provincially or federally), or a zero-interest loan for a period of time.

While we face barriers, none are unsurmountable, particularly when put into the context of how much it will cost us if we don't act decisively on climate-change.