

Backgrounder – Climate Change Act

In 2014, the provincial government committed to strengthen New Brunswick's climate change action plan.

In December 2015, 195 countries, including Canada, adopted the Paris Agreement under the United Nations Framework Convention on Climate Change. This agreement requires substantial and permanent cuts to greenhouse gas (GHG) emissions in order to limit global warming to less than 2 degrees Celsius.

In March 2016, following the Paris Agreement, Canadian premiers signed the Vancouver Declaration of First Ministers, which commits to promoting clean economic growth, increasing actions on adaptation, and delivering mitigation actions.

In April 2016, an all-party Select Committee of the Legislature was established to engage New Brunswickers on the issue of climate change. The committee held public consultations and presented its final report with its recommendations to the Legislative Assembly on October 24, 2016.

Around this time in October, the federal government announced that it will require all provinces and territories to have a price on carbon emissions by 2018. The announcement set certain conditions that must be met in choosing a carbon pricing approach.

In December 2016, the province released its strengthened Climate Change Action Plan, Transitioning to a Low-Carbon Economy. As part of the plan, government made a commitment to introduce a *Climate Change Act*, which would include, among other things, a made-in-New Brunswick carbon pricing approach that respects New Brunswick's unique economic realities.

The province of New Brunswick will be adopting a modified provincial/federal hybrid carbon pricing system. The hybrid will provide a long-term approach and allow for a smoother transition and greater market acceptance, while at the same time ensuring New Brunswick can still experience economic growth in the industrial sector. Under the modified hybrid approach the mechanism will be delivered as follows:

- The Province will deliver the carbon levy aspect of the pricing; and
- Environment and Climate Change Canada will deliver the output-based performance standards for New Brunswick's large industrial and electricity generation facilities.

Provincial Carbon Levy

With respect to the provincial carbon levy, a proportion of the provincial fuel tax revenue on gasoline and diesel fuel will be converted into a carbon levy. The province will achieve this by directing a portion of the tax revenue from these fuels to the Climate Change Fund. The carbon levy will be introduced in a way that would have no price impact on businesses and consumers.

Because the levy is being applied only to gasoline and diesel fuels used in transportation, all other fuels and sectors will be exempt, including fossil fuels used in

- providing heat and hot water to buildings (residential and commercial);
- small industry emitting under 50,000 tonnes of GHGs annually; and
- aviation, locomotives, marine transport, fisheries, forestry, mining/quarrying, aquaculture and silviculture, and waste and agriculture activities.

Federal Output-based Performance Standards

Industrial facilities emitting greater than 50,000 tonnes of GHGs annually will be subject to the federal output-based performance standards. While there are some unknowns at this stage in terms of how the performance standards will be designed, it is anticipated that the standards will be similar to those developed in Alberta's hybrid system, and therefore a significant financial impact on New Brunswick's largest emitters is not expected. In the initial years of carbon pricing it is expected that the standards will apply pressure for facilities to invest in energy efficiency or fuels switching as a means of lowering emissions as these are the most cost-effective investments to reduce emissions.

Overview of Sections of Act:	Location in Act
<u>Provincial Emission Targets</u> The new Act will include New Brunswick's Climate Change Action Plan emission targets for 2020, 2030, and 2050. Legislating targets will provide government with more authority to enforce actions intended to achieve the targets.	Section 2
<u>Climate Change Action Plan</u> The new Act will elevate the Climate Change Action Plan to a legislated requirement including a requirement for the Minister to report annually on the outcomes and the impacts of carbon pricing policies.	Section 3
<u>Climate Change Fund</u> The new Act will establish a Climate Change Fund, putting in place the foundation for a concentrated and focused fund to reinvest in measures that address climate change. Dedicated funding for climate change initiatives is essential to ensure sustained, ambitious and collaborative action to address climate change. The Fund will be administered by the Minister of Environment and Local Government who will be advised by a newly created Climate Change Fund Advisory Board. The Act includes a list of eligible expenditures under the Fund which ensures proceeds from the Fund are reinvested in measures to either reduce emissions or help New Brunswickers adapt to climate change. To ensure transparency and accountability, the Act includes a legislated requirement for the Minister of Environment and Local Government to report annually on the expenditures from the Fund.	Section 4 & section 7
<u>Carbon Levy</u> The Act will include a carbon levy on gasoline and diesel used in transportation. To achieve this, the Act directs a proportion of the provincial fuel tax revenue on gasoline and diesel fuel to the Climate Change Fund. In line with the federal rules, the proportion will be equivalent to \$10/tonne in 2018 increasing to \$50/tonne by 2022.	Section 6
<u>Agreements</u> The Act will include the authority to allow the province to enter into agreements	Section 8

Overview of Sections of Act:	Location in Act
<p>with the federal government. For example, agreements pertaining to:</p> <ul style="list-style-type: none"> • federal administration of the industrial output-based performance standards; • link a provincial offset program (should one be developed) with that of the federal government's performance standards carbon pricing program for New Brunswick's industrial emitters; and/or • share data gathered by the federal government with respect to New Brunswick's industrial emissions. 	
<p><u>Offsets</u> The Act includes regulation-making authority to establish a carbon offsets regulation. Carbon "offset credits", a feature of carbon pricing, are verified projects administered by people/ businesses/ organizations not directly subject to carbon pricing. These projects reduce or remove greenhouse gases from the atmosphere. Offsets build on the premise that emissions should be reduced wherever that can be achieved at the lowest cost.</p>	<p>Section 10</p>