



RE: Comments on New Brunswick's Proposed Output-Based Pricing System

DATE: July 11, 019

VIA: Email: NBOBPS-STFRNB@gnb.ca

To Whom It May Concern:

The Conservation Council of New Brunswick respectfully submits our comments on New Brunswick's proposal for an industrial output-based carbon pricing system. Our key messages are:

- Provincial greenhouse gas emissions reductions must accelerate to maximize the health and well-being benefits of solving climate change. Recent analysis by the Intergovernmental Panel on Climate change (IPCC) notes that global reductions of carbon dioxide emissions must fall by at least 45 per cent by 2030 to have any hope of keeping global warming to 1.5 degrees Celsius. Considering all greenhouse gases and the need for developed countries to do their fair share, national reductions of at least 60 per cent by 2030 reaching net zero by 2050 are required to prevent the worst effects of climate change.
- The New Brunswick proposal for regulating industry is too weak, with the annual reduction of 0.85 per cent in the proposed performance standard too low to drive innovation. We disagree that the federal output-based pricing system fails to consider trade exposure. In fact, the point of the federal system is to do just that. If the federal system aims to minimize competitiveness effects for any sector with trade exposures of more than 30 per cent, it clearly accommodates provincial industries with trade exposures of 60 per cent or more.
- Where the federal system accommodates fixed emissions, New Brunswick does more, further weakening emissions reductions potential. Lime production, for example, receives a 100 per cent rebate, rather than the federal rebate of 95 per cent. The recognition of bioenergy in the pulp and paper sector is a concern if it leads to zero future emissions reductions from this sector. Refinery emissions improvements are important given it represents 22 per cent of provincial emissions. Most important of all, however, is the approach to electricity, representing 31 per cent of provincial emissions.
- New Brunswick must reform the electricity system if the province is to meet and exceed the provincial 10.7 Mt target by 2030. As noted, a science-based target for keeping

temperature to no more than 1.5 degrees Celsius implies a target for New Brunswick closer to 8 Mt by 2030 and net zero emissions by 2050. Table 1 (Appendix) summarizes the difference between New Brunswick's proposed industrial output-based pricing system and the federal government's system. The province's proposed system weakens the incentive for NB Power to prepare for coal phase-out by 2030 and to invest in lower-cost renewable energy. We propose instead that the province prepare the province for an electrified future by matching federal output-based pricing system levels and by changes in policy, the Electricity and Energy Utilities Board Acts. The goal of the output-based pricing system, policy, legislative, and regulatory changes would be to:

- Increase provincial renewable target to at least 60% of total supply by 2030
 - Electrify transportation (at least 20,000 electric vehicles by 2030)
 - Commit to full coal phase-out by 2030, with no equivalency agreement
 - Expand investment in efficiency, with a requirement for at least a 2 per cent reduction in electricity demand per year
- New Brunswick should meet or exceed the federal pricing standard for industry and transportation fuels and redirect proceeds to consumer and industry incentives. This is what New Brunswickers want. Table 2 (Appendix) summarizes recent June 2019 survey results based on 306 New Brunswick interviews. When asked how carbon pricing revenue should be used in the province 80 per cent opted for either household rebates (10.8%), lower taxes (12.7%), household, business and industry incentives (28.1%), or a mix of these three options (20.6%). Less than 20 per cent of New Brunswickers opted for none of these options in favour of no carbon pricing at all.

We appreciate the Government's motivation to minimize electricity rate impacts. The province, however, has based its electricity proposal on a goal of low rates rather than a goal of low electricity bills. Investing in energy efficiency and renewable energy programs drives electricity bills lower. Rate impacts are only half the story.

We also appreciate concerns about Atlantic pricing parity. Differences carbon pricing approaches among Atlantic Provinces in 2019 are not practical over the long term. No province can reduce excise taxes year over year as PEI, and Newfoundland and Labrador have done. We encourage the Government to engage with Atlantic Provinces to coordinate carbon pricing increases and exemptions starting in 2020 and a regional approach to electrifying the economy and increasing renewable energy supply. The goal should be, at minimum, to reach parity at the federal pricing schedule for transportation fuels and to minimize exemptions for industry. With respect to industrial emissions, reform of the electricity sector should be the priority and the output-based pricing system should not undermine the shift to a zero-emitting electricity system and electrified transportation and industrial processes.

Without changes, the Conservation Council of New Brunswick believes the federal government should not approve New Brunswick's proposed industrial output-based pricing system. We need a made-in-New Brunswick carbon pricing system to give us control of funds raised, and investments based on the proceeds. We need to cut emissions and to invest in adaptation to keep our citizens healthy and safe. The provincial climate action plan provides good guidance about how we should move forward in term of investments. Industrial and transportation carbon pricing revenue is critical to implementing the climate plan and positioning the province for the zero-emitting global economy that is upon us.

Respectfully,

A handwritten signature in black ink that reads "Lois Corbett". The signature is written in a cursive, flowing style.

Lois Corbett
Executive Director

Appendix

Table 1. Comparison of federal and provincial electricity performance targets

New Brunswick: OBPS schedule: Solid fuel (tCO₂/GWh)	Federal: OBPS schedule: Solid fuel (tCO₂/GWh)
2019: 820	2019: 800
2020: 811	2020: 650
2021: 802	2021: 622
2022: 793	2022: 594
No schedule post 2022	2023: 566; 2024: 538; 2025: 510; 2026: 482; 2027: 454; 2028: 426; 2029: 398; 2030 and after: 370
Gas: 420 (tCO ₂ e/GWh)	Gas: 0 (tCO ₂ e/GWh) by 2030
Liquid (oil) standard: 2019, 800; 2020: 795; 2021, 790; 2022, 785	Liquid fuel: 550 tCO ₂ e/GWh

Table 2. Provincial June 2019 poll, 306 respondents.

Please indicate which statement is closest to your own point of view. If New Brunswick had its own carbon-price program, the province should use the money to... (%)	
Give households rebates that offset the higher cost of fuel	10.8
Lower other taxes (like income, property and/or corporate taxes)	12.7
Create incentives to help households, businesses and industry reduce their energy use and adapt to climate change	28.1
A combination of rebates, tax cuts and incentives	20.6
None of the above, I don't want carbon pricing	19.9
Not sure	7.8