Conservation Council *of* New Brunswick
Conseil de conservation *du* Nouveau-Brunswick
www.conservationcouncil.ca

February 19, 2021

Hon. Gary Crossman
Minister of Environment and Climate Change
P.O. Box 6000
Fredericton NB E3B 5H1

Sent via email to: gary.crossman@gnb.ca

Dear Minister Crossman,

We write today to propose a package of greenhouse-gas-reduction options the Government can fund in 2021-2022 using provincial carbon pricing revenue. As Canada and the world rapidly lower greenhouse gas emissions, the Province has an opportunity to prepare to decarbonize by ensuring households and small businesses avoid the rising cost of carbon. The best way to do that is to ramp up investments to minimize the use of fossil fuels.

Ramping up investments in decarbonization

Global climate action is set to ramp up in the near term, driven by renewed commitment in the United States, the upcoming United Nations climate negotiations in the UK and growing demand from citizens around the world. The best strategy for New Brunswick is to update its climate plan and turn it into a provincial decarbonisation strategy and implementation plan.

We can support the process now by announcing a package of investments, using carbon pricing revenue to ensure that household and business costs for energy bills go down, while the cost of carbon pollution goes up. Fortunately, we can match federal incentives for a number of actions and use existing infrastructure to avoid creating provincial programming. We can:

1. Significantly increase our commitment to low-income energy efficiency retrofits with a focus on Deep Retrofits. A deep retrofit improves a home's EnerGuide rating by 50 per cent or more. Currently, retrofits are achieving shallow improvements. We propose that the provincial contribution to NB Power's Low-Income Retrofit program increase so larger grants are allocated to deep retrofits of low-income households. The province could consider up to $5-million/year.
2. Increase investment in deep retrofits of households and buildings owned by small business, including getting off oil. The program would focus on achieving at least a 50 per cent improvement in the EnerGuide rating. As you know, the federal government has committed to offering up to $5,000 to retrofit 700,000 homes across the country

(https://www.nrcan.gc.ca/science-and-data/funding-partnerships/funding-opportunities/funding-grants-incentives/our-action-starts-home-home-energy-retrofit-initiative/23230). If NB and NB Power matched this incentive, up to $10,000 could be available for the deepest retrofits (50% improvement or more). The province could also consider creating a pool of funds to offer low-interest loans that include a forgivable portion scaled to deep retrofits. Like with electric vehicle incentives, we have an opportunity to collaborate with the Government of Canada and utilities to use existing relationships and EnerGuide infrastructure. New provincial funding would allow NB Power to expand its current programming using the EnerGuide system (as is the case across the country; https://www.saveenergynb.ca/en/save-energy/residential/total-home-energy-savings-program/). Our opportunity now is, through partnerships, to target deep retrofits to achieve the greatest reduction in energy bills. If we target 2,500 homes and buildings a year at up to $5,000 per upgrade, the investment would be $10-million.

3. Use existing federal programming to deliver electric vehicle (EVs) incentives through dealerships to put 4,000 EVs a year on the road over the next three to five years. Incentives at $2,500/vehicle would match federal grants of up to $5,000 per vehicle. Dealerships currently handle all the paperwork for consumers under the federal program; we can deliver New Brunswick's incentive the same way. We could aim to invest $10- million/year, with a review in 2025-2026 when we expect cost parity with internal combustion engine (ICE) vehicles. (To see how the federal program works, go here: https://tc.canada.ca/en/road-transportation/innovative-technologies/zero-emission-vehicles). Provincially, British Columbia (https://electricvehicles.bchydro.com/incentives/EV-incentives-in-BC) and Quebec (https://vehiculeselectriques.gouv.qc.ca/english/rabais/ve-neuf/procedure-rabais-vehicule-neuf.asp). Both programs deliver rebates through dealerships.

4. Target provincial fleets for EV conversion: government (municipal and provincial, transit), as well as taxis and delivery vehicles for a total of $10-million (if we assume an average cost of $50k per vehicle, we could aim to reach 200 electric vehicles per year).

Adaptation

5. Infrastructure programming is suited for the kind of upgrades required to community assets that increase resilience to climate change extreme events. What's lacking is household-focused programming to prevent sewer back up (e.g., in NB cities where sewers exist) and flood prevention. The province could consider launching a province-wide backflow incentive as called for by the Intact Centre at the University of Waterloo (https://www.intactcentreclimateadaptation.ca/wp-content/uploads/2021/02/16-Cities-Flood-Preparedness.pdf). In New Brunswick, only Moncton offers incentives to install backflow valves in basements. The provincial program could match Moncton or improve on it (https://www.intactcentreclimateadaptation.ca/wp-content/uploads/2019/09/

Canadian-Municipal-Subsidy-Program_Sept-17-1.pdf). Moncton offers $500 for backflow valves, with $150 if connected to separate sewer. If the province offered incentives at this level, New Brunswick could aim to reach 3,800 homes a year for a total investment of $2.5 million.

These investments could reach just over $37-million. It is a start in terms of decarbonizing our economy. Clearly, other investments are required to modernize our electricity system and industrial processes. With carbon pricing revenue set to rise, and with a strategic decarbonisation and implementation plan, the province can create five-year investment plans to cover all sectors, including ensuring indigenous communities receive their fair share of carbon pricing revenue (https://www2.gnb.ca/content/gnb/en/news/news_release.2021.02.0113.html).

We look forward to working with you to advance an effective decarbonisation plan for the province, including launching a process to create the plan, update our climate action plan, and build a green economic recovery. We believe tasking the Standing Committee on Climate Change and Environmental Stewardship to deliver the strategic decarbonisation and climate action plan update no later than May 2021 would position the province well to engage in national federal-provincial discussions about Canada's deeper commitment to greenhouse gas reductions. Canada's new nationally determined contribution proposal is required for the upcoming climate negotiations in Edinburgh, Scotland, later this year.

Respectfully,

Lois Corbett
Executive Director

Louise Comeau
Director Climate Change and Energy

Appendix

In addition to CCNB's comments on the *Reduction of Greenhouse Gas Emissions Regulation – Climate Change Act*, we wish to re-iterate our overall concerns with New Brunswick's weak approach to cutting greenhouse gas pollution from large industrial emitters. These concerns were submitted in July 2019:

- 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.

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 (tCO2e/GWh)	Gas: 0 (tCO2e/GWh) by 2030
Liquid (oil) standard: 2019, 800; 2020: 795; 2021, 790; 2022, 785	Liquid fuel: 550 tCO2e/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