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## Brief on Bill No. 15 and Nova Scotia's Cap and Trade Program

Oct 16, 2017

### Background

On Sept 29<sup>th</sup> [Bill No. 15 \(Amendment to the Environment Act\)](#) was introduced, and on October 10<sup>th</sup> the Bill reached [second reading](#). On Monday, October 16<sup>th</sup> the bill will be before the Law Amendments Committee, allowing Nova Scotia citizens and groups to comment on the Bill. This Bill is the enabling legislation for Nova Scotia's Cap and Trade system which aims to be operational by late 2018 and thus compliant with the federal government's [carbon pricing mandate](#).

Over the last ten years, Nova Scotia has done fantastic work on reducing emissions more than 30% below 2005 levels, building out the green economy and creating hundreds of green jobs. However, Nova Scotia remains among the most carbon-intensive regions in the world on a per-capita basis, and has not yet legislated greenhouse gas targets beyond what it has already achieved.

The Ecology Action Centre (EAC) and its many partners have been engaging in discussions, research and advocacy on carbon pricing in Nova Scotia for [more than three years](#). In November 2016, the Nova Scotia government chose a Cap and Trade system over a carbon tax, carbon levy or hybrid system. The EAC engaged dozens of stakeholders to develop our analysis and [position statements](#) on Nova Scotia's Cap and Trade proposal.

So far, the Nova Scotia government has signaled in its communications and [design options](#) that it will give carbon pollution credits away for free to polluters, and create a system internal to Nova Scotia with only 20 participants and with Nova Scotia Power at a significant advantage. Whether or not the proposed system will result in a reduction in Nova Scotia's emissions remains to be seen.

This legislation allows for a very weak cap and trade system in Nova Scotia. However, as written, the legislation also builds a framework that leaves the door open to a number of effective policies such as collecting revenue, creating a Green Fund and linking to other cap and trade jurisdictions.

The Ecology Action Centre's key items of concern are below:

### **Specific Recommended Changes to Bill No. 15**

- Mandate that greenhouse gas emissions caps must be clearly defined and declining below the business-as-usual case out to the year 2030.

### **Recommendations for the Development of Regulations and Policy**

- Auction carbon pollution credits, set a floor price and collect revenue
- Utilize revenue (through the Green Fund) for focused low- and middle-income support and low-carbon innovation for Nova Scotia businesses
- Link Nova Scotia's Cap and Trade System to other jurisdictions
- Engage in meaningful public consultation

More details on each of these key items are in the following pages.

## **Specific Recommended Changes to Bill No. 15**

### Set Clear, Declining Emissions Caps

A strong cap and trade system must include greenhouse gas emissions caps that actually ensure greenhouse gas emission reductions. The caps must be declining, and must represent a reduction in greenhouse gases when compared with [the business-as-usual case in Nova Scotia](#).

Specifically, under section 112B of Bill No. 15, we recommend that language be added to ensure that the *greenhouse gas emissions caps are declining*, and that they are *more stringent when compared with Nova Scotia's business-as-usual case out to 2030*.

We feel that this long-term increase in stringency better complies with the Federal Government's [Carbon Pricing Benchmark](#), and gives Nova Scotian businesses more clarity for future planning. We hope that these emissions caps will also give Nova Scotians reassurance that the Provincial Government is committed to continuing a strong legacy of greenhouse gas reductions and leadership on climate action.

## **Recommendations for the Development of Regulations and Policy**

### Auction Carbon Pollution Credits and Collect Revenue

We applaud the creation of the Green Fund in this legislation, but the effectiveness of a Green Fund is severely limited if there is no money in that fund to support low-carbon programming.

For the created Green Fund to have any funding to administer programming and support, the cap and trade system must collect revenue from polluters by auctioning pollution credits, and establishing a floor price for those auctions. Given the proposed framework, polluters are being given a free ride under this program, where all carbon pollution credits are being given away for free, and Nova Scotia Power is given a clear advantage. This must change.

With the collected revenue, it is possible to create critical support for Nova Scotia's transition to a prosperous, low-carbon economy and create hundreds of green jobs here at home. The Green Fund can provide support to low- and middle-income Nova Scotians by offsetting any impacts that a cap and trade system may have, to support low-carbon initiatives like renewables and energy efficiency, to support training and re-tooling programs for workers entering the green economy across Nova Scotia and in Mi'kmaw communities, to support low-carbon innovation in Nova Scotia businesses and much more.

### Link Nova Scotia's Cap and Trade System to Other Jurisdictions

Nova Scotia's cap and trade system is unusual in that it is proposed that it will not be linked with any other jurisdiction. This will likely make for a volatile market and very limited opportunities given a province of less than one million people and an emissions trading system of less than 20 participants. This is similar to the city of Ottawa setting up its own emissions trading system.

We feel the most obvious choice would be for Nova Scotia to link with other Atlantic Canadian Provinces, or with Ontario and Quebec who are linked with California through the long-established Western Climate Initiative (WCI). In May 2017, the Ecology Action Centre partnered on a [commissioned study](#) that showed a reasonable case that investment could flow to the Maritime Provinces through this system.

Linking to another system such as WCI was also strongly supported by industry and other stakeholders who submitted feedback to create Nova Scotia Environment's '[What We Heard](#)' document on cap and trade, which was released in August 2017.

#### Engage in Meaningful Public Consultation

This issue is not being discussed out in the open. The general public has not been a part of the very limited, focused, technical consultation that has taken place with mostly industry and specialized stakeholders. To better understand the need to set emissions caps, and the best ways to utilize the created Green Fund, broad public consultation must take place.

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The Ecology Action Centre will present to the Law Amendments Committee on Monday, October 16<sup>th</sup>.

**DATE:** Monday, October 16<sup>th</sup>

**TIME:** 2:00 p.m.

**LOCATION:**

Red Chamber, Province House,  
1740 Granville St, Halifax, NS B3J 1X5