
March 31, 2017

Selected Responses to Additional Questions Posed Within Discussion Paper, which are not already addressed in the Ecology Action Centre Position Statement:

More time is needed for thorough discussion, consultation, expert review and research to be conducted. At this time, the Ecology Centre offers the below comments in addition to our Position Statement, Backgrounder and various publications from our stakeholder discussions and research.

Principles for Nova Scotia's Cap and Trade Program (Page 6)

1. Are there additional key principles that should be considered?

The Ecology Action Centre (EAC) has been working with stakeholders and allies to encourage Nova Scotia to develop a system of carbon pricing for the last few years. The EAC, along with our partners and co-sponsors hosted two Carbon Pricing Forums in May and July 2016, and engaged directly with the provincial government to call on Nova Scotia to participate in the federal carbon pricing framework discussions through 2016. Below are the two key Outcomes Documents from those Carbon Pricing Forums, with recommended principles and design features for a Nova Scotia system.

The EAC also partnered with twelve anti-poverty, fair economy, and environmental advocates, in 2016, to release an open letter on Carbon Pricing principles, these principles can be found below.

- I. [Outcomes Document](#) From May 9th, 2016 Carbon Pricing Forum
- II. [Outcomes Document](#) From July 22nd, 2016 Carbon Pricing Forum
- III. [Open Letter](#) from Anti-poverty, fair economy and environmental advocates from April 2016

2. How would you prioritize the proposed principles? Why?

Two key priorities for the EAC are in creating a system that is effective and equitable.

- a. A system that is effective will succeed in fostering reductions in greenhouse gas emissions across Nova, while strengthening innovation and competitiveness.
- b. A system that is equitable will ensure that low and middle-income Nova Scotians, including those struggling to meet their existing energy costs, will not be disproportionately or negatively affected by a carbon pricing system.

In fact, a best practice for carbon pricing systems is for revenue created in the system to act toward overall poverty reduction and a justice-based transition for communities and workers, toward a carbon-neutral economy. We urge Nova Scotia to move forward with these best practices in mind, and open a meaningful public dialogue about this system design.

3. Should the Nova Scotia cap and trade program link with an external cap and trade program in the future?

The EAC believes it is important to take the time to study and research the effects of linking to an external cap and trade system. At this stage, the EAC sees benefits to an external system in terms of system integrity, market stability and adopting already-established rules and regulations.

The EAC is participating in a report on the effects and implications of linking to WCI or other external cap and trade systems, which we plan to publish in mid-late April 2017.

Mandatory Participants (Page 9/10)

1. Should identified mandatory participants have a different point of regulation than what is proposed? If so, why?

It is important to the system design that all combusted emissions are covered under the system. In principle, the EAC feels that the proposed approach for points of regulation are appropriate. However, more clarity is needed to ensure that all emissions from electricity, refined petroleum products and natural gas are covered.

3. Should Nova Scotia consider a different GHG emissions threshold for industrial facilities?

If all emissions are covered under the proposed points of regulation, either at the source of emission or at the distributor level, then the current threshold is appropriate for overall system efficiency.

However, if lowering the emissions threshold ensures that more emissions are covered under the cap-and-trade system, then the EAC supports a lower threshold. To keep consistent benchmarks with other provinces like Ontario and Quebec, we propose that Nova Scotia include all facilities that emit greater than 25,000 tonnes CO₂e per year, instead of the suggested 100,000 tonnes CO₂e threshold.

Emissions Coverage (Page 10/11)

1. Should only combustion emissions be included? Why?

The EAC supports including both combustion emissions and fixed process emissions.

New and Expanding Facilities (Page 11)

1. How should Nova Scotia design GHG policy to address new large and expanding facilities that compete in global markets?

The proposed design features regarding New Entrants are particularly concerning, regarding the potential for the increase in overall provincial emissions.

The discussion paper's proposal could allow for fluctuations in the absolute cap level, so long as it remains below the Harper-era 2030 GHG reductions target mandated by the federal government. Given Nova Scotia's current emissions profile, this mechanism would enable large facilities, such as Liquefied Natural Gas (LNG) or oil export facilities, to increase provincial emissions, even above the caps that are established under the initial cap-and-trade system. This could allow single facilities to erase the good work that the rest of the province has done in reducing emissions.

We propose a "no backsliding" rule, where new entrants and expanding facilities cannot increase the overall provincial greenhouse gas emissions from one compliance period to the next.

In the case of large non-fossil-fuel, but emissions intensive trade-exposed industry, free allowances could be provided to firms if a strong case can be established through independent review that a cap-and-trade system puts the firm at competitive risk. In this case, issuing free allowances to emissions intensive-trade exposed industries should be for a limited period, with a schedule set for the phase-out of free allowances.

The Cap (Page 12/13)

1. What abatement opportunities do you think exist that support achieving GHG emissions in the 2018–2023 period?

Nova Scotia has committed to greenhouse gas reductions of at least 80% below 1990 levels by 2050, and 35-45% below 1990 levels by 2030. This amounts to approximately 11 million tonnes (Mt) of CO₂e in 2030. Nova Scotia should stick to its existing commitments and work toward more ambition, instead of using a model containing debatable assumptions to do the least amount required by the federal government's rules. Nova Scotia should plot a predictable reduction in emissions to get us to our existing greenhouse gas reduction targets, on the path to mid-century decarbonisation.

Given a predictable, stepped reduction in greenhouse gases between 2018 and 2030, and to keep in line with existing projections for Nova Scotia emissions reductions, we identify that the caps for the first two compliance periods should be set at:

- No greater than 15.0 Mt between 2018-20
- No greater than 13.6 Mt between 2021-23

Nova Scotia celebrates great success in emissions reductions through community-owned and indigenous-owned renewable energy programming, energy efficiency and enabling legislation for residential solar programming. We believe that Nova Scotia can strengthen this by re-introducing a feed-in tariff or incentive program for community renewables; by strengthening energy efficiency in the electricity sector and particularly within non-electricity sectors; and by ensuring a strong net-metering program stays in place, and allows more residential and commercial solar PV programming and incentives to proliferate. Fuel-switching and electrification in transportation, home heating and building energy also remain key areas for emissions reductions, and incentive programs under a cap-and-trade system.

We encourage that Nova Scotia Energy and Nova Scotia Environment continue to study cost-effective and equitable carbon reduction programming that considers overall emissions reductions, creates training and transition programs for workers, and supports indigenous and low- and middle-income Nova Scotians in the transition to a low-carbon economy. We believe that conducting broad, public consultation with expert review is a good step to include in this approach.

As one small example, we encourage government to review California's SB-535 Program, linking low-carbon solutions to its cap-and-trade revenue. Details about this program are available at this link: http://sd24.senate.ca.gov/sites/sd24.senate.ca.gov/files/SB535%20Fact%20Sheet_0.pdf

3. Are three-year compliance periods appropriate? If not, what should they be?

Multi-year compliance periods (or two to three years) have worked well in the electricity sector. The EAC believes that two to three year compliance periods are appropriate for the proposed cap-and-trade system.

Allowance Distribution (Page 13/14)

4. Should Nova Scotia consider auctioning allowances?

Yes.

In many jurisdictions, cap-and-trade systems collect revenue by auctioning allowances to polluters, and use that revenue to support a number of programs related to incentives for low-carbon solutions and offsetting any affects the system may have on some citizens and businesses. Currently, it is proposed that the cap-and-trade system in Nova Scotia collect no revenue from polluters; this effectively provides a subsidy to polluters by way of distributing emissions allocations at no cost. We believe that families and innovative low-carbon solutions should receive financial aid and incentives under an effective carbon pricing system, not polluters.

Inevitably, the cost of fossil fuels will increase, and an effective carbon pricing system will have some effect on the price of emissions-intensive ways of doing business. Without revenue the proposed system does not create opportunities for offsetting costs to low- and middle-income Nova Scotians, through poverty reduction programming, focused energy efficiency programming, and low-carbon solutions. Similarly, without revenue there is no increase in funding for research, innovation and incentives for emerging low-carbon industries and technologies – not for existing high-carbon businesses to transition to low-carbon solutions.

There is every opportunity for this system to enable poverty reduction and meaningful job creation, as is done in other jurisdictions. We urge Nova Scotia to take that opportunity. We propose that after the first compliance period, allocations are auctioned to polluters. This would allow for revenue to be used for programming that includes: alleviating energy poverty; supporting training and skills programs for workers joining the green economy; and supporting incentives for low-carbon solutions like energy efficiency, community renewable energy, electric vehicles, energy storage and smart, innovative technologies.

Program Design Features (Page 14-16)

1. Will the proposed program design features enable the effective functioning of the cap and trade program?

The Ecology Action Centre remains concerned about the function of Nova Scotia Power Inc. and other regulated utilities under the proposed program design features.

Our understanding is that government has given clarity that the existing hard-caps on GHG emissions in the electricity sector will stay in place, out to 2030. This gives Nova Scotia Power Inc. a competitive advantage in regulatory certainty and strategy regarding emissions reductions within and between compliance periods. Further, Nova Scotia Power's 2015 emissions were 6.77 Mt, which were a full 2.03 Mt under their compliance cap for that year (8.80Mt). This puts Nova Scotia Power in a position to sell roughly 2 million emissions allowances, if these allowances are transferable. We need more clarity on how this aspect of the system will develop.

Further, we need to ensure that any cost savings in this system are passed on to rate payer, and not shareholders. It remains unclear if revenue from the cap-and-trade system can be used to generate additional profit for Nova Scotia power, or if it must be used to ease pressure on electricity rates.

The EAC needs more clarity from the Minister of Environment, Minister of Energy or the Utility and Review Board that these revenues will be used to ease costs to ratepayers, not to be funneled into Nova Scotia Power Profits.

We hope that this clarity, along with the auctioning of credits, can help guard against windfall profits for electric utilities that are seen in jurisdictions like the EU, under their emissions trading system with low-cost allowances.

After further research and engagement with stakeholders and participants, the Ecology Action Centre intends to submit additional comments on this discussion paper, and welcomes the opportunity to do so.

Please feel free to contact us directly should you require any further information or documentation on this issue, or should you wish to discuss our comments further.

Thank you for your time and consideration,



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