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## Position Statement on Nova Scotia's Proposed Cap and Trade System

*This Position Statement reacts to the Nova Scotia Government's proposed [Cap and Trade System Regulations](#) and [Cap and Trade Framework Document](#) released on November 14<sup>th</sup>, 2018. This Position Statement builds upon the EAC's initial position statement released in 2017 and our work on carbon pricing over the last three years. Find the [2017 Position Statement](#) and the EAC's other work on Cap and Trade here: <https://ecologyaction.ca/cap-and-trade>*

**November 14, 2018**

The Ecology Action Centre believes that setting clear, ambitious climate targets is critical to building the low-carbon economy and avoiding the worst of the threats that climate change poses to our coastal province. We also believe that carbon pricing is an important tool to be used along this low-carbon pathway. We believe in having polluters pay for carbon emissions, and utilizing that revenue to support workers, communities and low- and middle-income Nova Scotians toward the just transition to a prosperous green economy here at home.

A carbon pricing system of any kind is a step in the right direction, and we are encouraged by the creation of the Nova Scotia Cap and Trade system. Much more is needed, however, to make this system effective and equitable. At this time, we are not confident that this system will go far enough in reducing greenhouse gas emissions. Much work remains to ensure we reduce emissions in a way that creates jobs, supports communities and meets science-based climate change targets.

With very little opportunity for public consultation or participation as the program has been developed, these concerns are amplified.

The below Position Statement highlights our analysis, concerns and recommendations surrounding the Nova Scotia Cap and Trade system.

**1. 2030 Climate Target:**

Nova Scotia has achieved great greenhouse gas reductions and has been on a path to creating a strong green economy, but much more is needed. The Nova Scotia Government's business-as-usual target of 45% to 50% below 2005 levels (12.8 Mt to 11.6 Mt) is not based in the science of climate change, and not strong enough to contribute Nova Scotia's fair share of keeping global warming below 1.5°C<sup>i</sup>. The longer we wait to set clear, ambitious, long-term targets, the more catching up Nova Scotia will have to do to build and strengthen the green economy.

The [2030 Declaration](#), supported by more than 40 organizations across Nova Scotia, calls for a target of **50% below 1990 levels by 2030** (9.8 Mt) – which takes the science of climate change into account with Nova Scotia's fair share of keeping global warming below 1.5°C<sup>ii</sup> <sup>iii</sup>. Meeting this target would create more than 30,700 jobs in Nova Scotia, in the sectors of renewable energy, energy efficiency and sustainable transportation<sup>iv</sup>. Find more on this target [here](#).

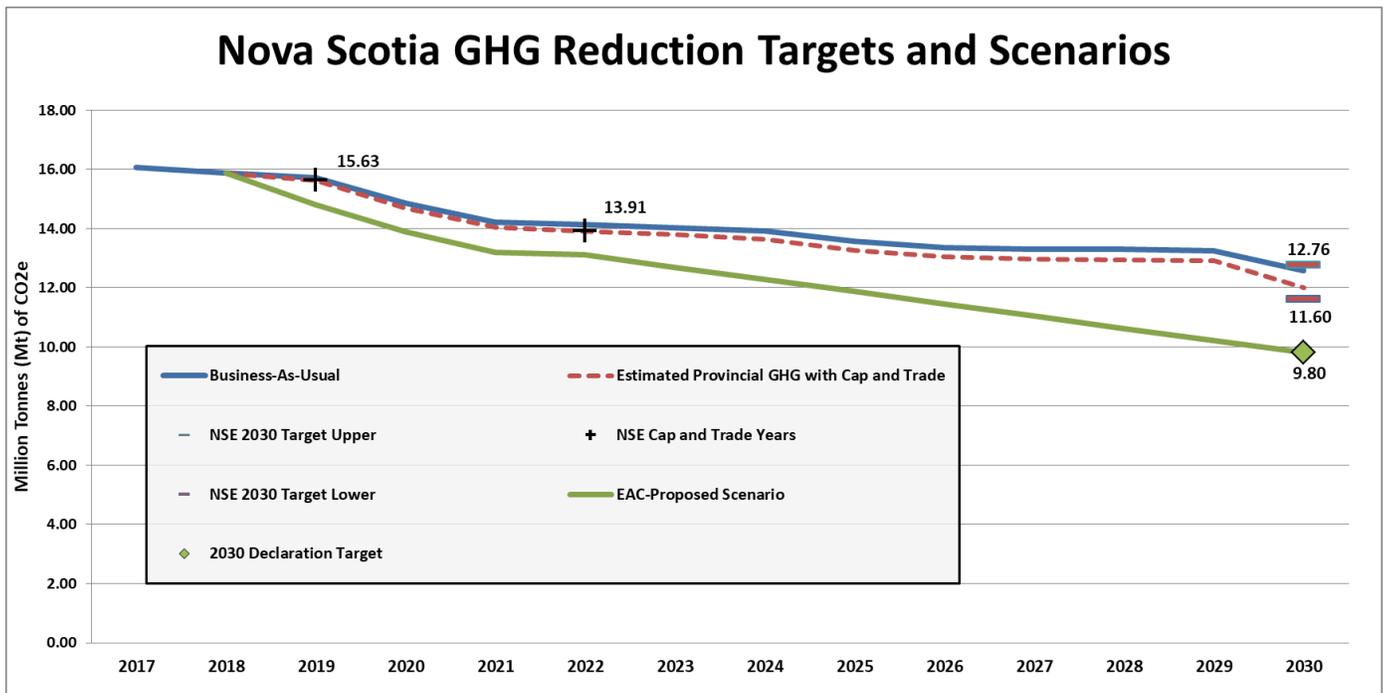
Ultimately, we need greenhouse as reduction goals that put us on a path to net zero emissions before 2050. This is more than achievable in Nova Scotia, but much work remains.

**2. 2019-2022 Cap and Trade Targets:**

The Cap and Trade system will lead to 0.65 Mt of cumulative greenhouse gas reductions over the 2019-2022 period, or an average of 0.16 Mt of annual reductions among activities covered by the system. These are annual greenhouse gas reductions of about 1%.

Taken alone, these reductions are marginal and do not put Nova Scotia on the necessary path for strong long-term climate targets. Additional policies and reductions will be needed both inside and outside of the Cap and Trade system moving forward, which the Nova Scotia Government acknowledges.

The total projected provincial emissions under the system have not been released by the Nova Scotia Government. However, the graph below shows the estimated emissions reductions below the business-as-usual case<sup>v</sup> that result from Cap and Trade, as well as a proposed emissions reduction pathway to the science-based 2030 Declaration target.



### 3. **Auctioning and Allocations:**

The Cap and Trade system will auction a portion of available carbon credit allocations to polluters on an annual basis, and collect revenue for a yet-to-be-established provincial Green Fund.

<b>Large Emissions-Intensive and Trade-Exposed Industry</b>	<b>100% Free Credits</b>
<b>Electricity Sector (Nova Scotia Power Inc.)</b>	<b>90% Free Credits</b>
<b>Fossil Fuel Suppliers</b>	<b>80% Free Credits</b>

Auctions will be based on the Western Climate Initiative (WCI) system, and will take place 2 to 4 times per year, starting in 2020. There will be an initial floor price of **\$20/tonne of CO<sub>2</sub>e, increasing each year by 5% plus inflation**. Purchasing limits, holding limits, compliance, enforcement, and further details on auctioning, trading and consignment are outlined in the [released details](#) and [regulations](#).

Although auctioning credits from the beginning of the Cap and Trade system is important, it will be crucial for polluters to pay for more of their carbon credit allocations over time. This will more completely put a price on carbon, while raising revenue for the Green Fund and low-carbon programming in Nova Scotia.

### 4. **The Green Fund**

The Nova Scotia Government estimates that the Green Fund will raise between \$25M and \$30M annually from auctioning and other revenue under the Cap and Trade system. Details on the Green Fund and which specific initiatives will be eligible for funding will be developed in 2019. EAC will continue to advocate that these rules be developed with **extensive public input and consultation**.

Thus far, initiatives that may be eligible for the Green Fund include:

- Programs that further reduce GHG emissions
- R&D, innovation or clean tech investments
- Programs to help mitigate higher costs of energy
- Public awareness and education on climate change
- Adapting to the impacts of climate change

The EAC and allies advocate for revenue to be utilized for low-carbon programming, and to directly support low- and middle-income Nova Scotian households, Mi'kmaq communities, African Nova Scotian communities and other marginalized communities; as well as training programs and specific supports for workers joining the growing, green economy in Nova Scotia. For more information on this, see this [2016 Open Letter](#), [2030 Declaration](#), and [other background on the Cap and Trade system](#).

### 5. **Greenhouse Gas Offsets and Linking to WCI**

There will be a greenhouse gas offsets regulation framework developed in 2019. No further details about this are available at this time. As with the Green Fund, EAC will continue to advocate that these rules be developed with **extensive public input and consultation**.

In the past, EAC has advocated for exploring the benefits of linking Nova Scotia's Cap and Trade system to other jurisdictions such as the Western Climate Initiative (WCI) with California and Quebec. This included a [commissioned study](#) on the benefits of Nova Scotia and New Brunswick linking to WCI, which showed that it was likely that investment would flow to the Maritime provinces under that system.

It will be critical to develop rules and stated intentions for offset frameworks and system-linking that have emissions reductions and local benefits in mind. It would be a mistake to put these policies forward to simply allow for new, extremely large emitters such as Liquefied Natural Gas terminals that would not otherwise be allowed in the system.

**6. Costs to Nova Scotia Households**

The Nova Scotia Government [presented modelling](#) for estimated average cost increases of Electricity, Gasoline, Natural Gas and Heating Oil, as well as overall average costs to Nova Scotia households, and compared it to the estimated costs (but not rebates or benefits) of the federal carbon pricing system.

<b>Electricity average increase over four years:</b>	<b>0.15 cents per kWh (~1%)</b>
<b>Gasoline average increase over four years:</b>	<b>1.0 cents per litre</b>
<b>Natural Gas average increase over four years:</b>	<b>0.9 cents per cubic metre</b>
<b>Heating Oil average increase over four years:</b>	<b>1.3 cents per litre</b>
<b>Average total cost to households:</b>	<b>\$50-\$70 per year</b>

Although these cost impacts are minimal, compared to average energy costs in Nova Scotia, any increase highlights the need for strengthened support. Particularly, focused support for low- and middle-income Nova Scotian households from the Green Fund and other complementary programming is needed. Initiatives that further reduce energy cost burdens and energy poverty – such as energy efficiency programming – should also have priority moving forward.

**7. Emissions Reserves and Possible Exemptions:**

Like other Cap and Trade systems, Nova Scotia's system has defined thresholds for emissions increases from new industry participants (i.e. New Entrants).

The Nova Scotia Government, however, continues to support proposed large fossil fuel export projects such as Liquefied Natural Gas (LNG); these projects would emit far more than the defined reserve amounts. The Environment Minister has stated that Nova Scotia will re-design the Cap and Trade system to accommodate LNG<sup>vi</sup>. It is unclear how LNG can fit into Nova Scotia's Cap and Trade system and still achieve overall provincial emission reductions.

The Province is actively promoting four LNG plants in the province<sup>vii</sup>. Based on the province's own benchmarks, these four plants could emit more than 7.6 million tonnes of greenhouse gases, which is significantly more than the entire electricity system in Nova Scotia today<sup>viii</sup>. Allowing LNG facilities to be built would more than erase all of the emission reductions of the Cap and Trade system. The EAC and its allies oppose LNG export facilities, and remains concerned about large-scale fossil fuel export projects jeopardizing emission reductions in Nova Scotia.

**8. Transparency:**

Transparency remains a concern for the ongoing development of the Nova Scotia Cap and Trade system. There have been only minimal consultations during the 48 month period that the system was developed, with no opportunity for Nova Scotians to input into the final Cap and Trade system until it was already finalized. The modelling that claims that Nova Scotia's Cap and Trade system would be the most cost-effective system, and that it was compliant with the Federal Government's carbon pricing system, has not been made public.

Nova Scotians deserve better. Moving forward EAC will continue to advocate for transparency and extensive public consultation on climate change issues.

## **What's Next:**

When done properly, carbon pricing can represent a great opportunity for Nova Scotia. However, there is much work to do to ensure that the Nova Scotia Cap and Trade system becomes more *effective* and *equitable*.

We need to ensure that low and middle-income Nova Scotians, workers and communities all benefit from the Green Fund, and we need to make sure polluters are paying more for the harm they cause.

Nova Scotia needs strong climate change targets for 2030, and it's not too late to set them. The [Environmental Goals and Sustainable Prosperity Act](#) is due for renewal. As part of its renewal new goals for reducing emissions and strengthening the prosperous green economy can be set. The signatories of the [2030 Declaration](#) will continue to advocate for and build a just transition, for workers and communities, to a prosperous green economy in Nova Scotia.

We will continue to work on strengthening the Cap and Trade system, and where Cap and Trade falls short, Nova Scotia must continue to develop strong climate change policies that reduce emissions and create jobs.

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<sup>i</sup> IPCC Special Report on 1.5C: <http://www.ipcc.ch/report/sr15/>

<sup>ii</sup> 2030 Declaration Target Background: <https://ecologyaction.ca/sites/ecologyaction.ca/files/images-documents/2030%20Declaration%20-%2050%20Percent%20Target%20-%20Online.pdf>

<sup>iii</sup> Climate Action Tracker: Canada's NDCs and Fair Share Analysis: [https://climateactiontracker.org/media/documents/2018/4/CAT\\_2017-11-07\\_CountryAssessment\\_Canada.pdf](https://climateactiontracker.org/media/documents/2018/4/CAT_2017-11-07_CountryAssessment_Canada.pdf)

<sup>iv</sup> Green Economy Network Jobs Analysis for 2030: <http://greeneconomynet.ca/wp-content/uploads/sites/43/2017/05/Nova-Scotia-long-EN.pdf>

<sup>v</sup> Business-as-usual case for NS from Canada's Third Biennial Report, 2017 Reference Case, Table 5.27 p.150 | NC7 report, Table 5A.9 (p.164): [http://unfccc.int/files/national\\_reports/national\\_communications\\_and\\_biennial\\_reports/application/pdf/82051493\\_canada-nc7-br3-1-5108\\_eccc\\_can7thncomm3rdbi-report\\_en\\_04\\_web.pdf](http://unfccc.int/files/national_reports/national_communications_and_biennial_reports/application/pdf/82051493_canada-nc7-br3-1-5108_eccc_can7thncomm3rdbi-report_en_04_web.pdf)

<sup>vi</sup> 'Optimistic' Pieridae to make investment decision on Goldboro LNG by June - CBC – November 1, 2018  
<https://www.cbc.ca/news/canada/nova-scotia/pieridae-goldboro-lng-greenhouse-gas-emissions-1.4887853>

<sup>vii</sup> Nova Scotia Energy: Nova Scotia's LNG Opportunity: <https://energy.novascotia.ca/oil-and-gas/nova-scotias-lng-opportunity>

<sup>viii</sup> EAC Submissions to Nova Scotia Environment Draft Regulations on LNG, 2016:  
[https://ecologyaction.ca/sites/ecologyaction.ca/files/images-documents/LNG\\_GHG\\_StandardReview\\_EAC\\_20160729.pdf](https://ecologyaction.ca/sites/ecologyaction.ca/files/images-documents/LNG_GHG_StandardReview_EAC_20160729.pdf)