
Position Statement on Nova Scotia's Proposed Cap-and-Trade System **Based on the [Nova Scotia Environment Discussion Paper](#), Released March 8, 2017**

The Ecology Action Centre, although encouraged by the movement toward a carbon pricing framework in Nova Scotia, is concerned by the direction outlined in the Discussion Paper released on March 8th. At this time, we are not confident that this system will be effective in reducing greenhouse gas emissions, nor are we confident it will be equitable for low- and middle-income Nova Scotians. With very little opportunity for public consultation or participation as the program is developed, these concerns are amplified. The Ecology Action Centre proposes the Nova Scotia Government fully consider the measures below, when moving forward with the design of Nova Scotia's cap-and-trade system:

1. We need more meaningful public consultation on this process.

- a. The cap-and-trade discussion paper was released to stakeholders online only three weeks before comments are due on March 31st. The comment submission timeline is unreasonable, even for policy analysts and industry professionals, let alone for Nova Scotians at large. More time is needed to better understand the implications of cap-and-trade system design, particularly for topics like offset credits from forestry and other practices within the system.
- b. The only options for the public to submit feedback is through submitting comments, or by answering a highly technical, 34-part online survey portal that limits the options and frame of discussion. To date, there is no planned broad public consultations beyond this online platform and scheduled meetings between stakeholders and government staff.
- c. In the recent past, we've had broad, successful public consultation with expert review for other pieces of policy such as the creation of Efficiency Nova Scotia, the ban on hydraulic fracking, and our community renewables and renewable electricity standards. We celebrate those policies now, and Nova Scotians deserve the same level of commitment and opportunity for engagement in relation to the proposed cap-and-trade system.

This system can be an **opportunity** for Nova Scotia to strengthen the prosperous green economy and create a shared framework for supporting the most vulnerable as we move forward. We should take this opportunity by discussing these options with Nova Scotians at large.

2. We need a system that sets clear, ambitious climate targets

- a. Nova Scotia has committed to greenhouse gas reductions of at least 80% below 1990 levels by 2050, and 35-45% below 1990 levels by 2030ⁱ. 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.
- b. Given a predictable, stepped reduction in greenhouse gases between 2018 and 2030, and to keep in line with existing projections for Nova Scotia emissions reductionsⁱⁱ, we identify that the caps for the first two compliance period should be set at:
 - i. No greater than 15.0 Mt between 2018-20
 - ii. No greater than 13.6 Mt between 2021-23

3. We need caps and targets that cover all large emitters and that stay in place

- a. 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.

- b. 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.
- c. More clarity is needed on the overall coverage of emissions within the system.

To ensure all large emitters are covered under the cap-and-trade system, and to keep consistent benchmarks with other provinces like Ontario and Quebecⁱⁱⁱ, 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.^{iv}

4. We need a system that creates revenue to support low- and middle-income Nova Scotians, and strengthens the prosperous green economy.

- a. 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 this system, not polluters.
- b. 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.
- c. There is every opportunity for this system to enable poverty reduction and meaningful job creation, as is done in other jurisdictions^v. 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.

5. We deserve a system that is accountable and is linked with other jurisdictions

- a. Other cap-and-trade systems exist throughout the world and in Canada already. Nova Scotia would benefit from joining an already established system, such as the Western Climate Initiative (WCI), which already includes California, Quebec and Ontario. Linking with a larger, established system could help ensure system integrity, guard against the volatility of a smaller market, and adopt already-established rules and protocols around auctions, allocations and offsets.
- b. We propose that Nova Scotia explore linking other established cap-and-trade systems, including WCI. Should other Maritime provinces also choose a cap-and-trade system, we would encourage those provinces to explore existing systems, as well, to ensure regional cohesion.

When done properly, cap-and-trade can represent a great opportunity for Nova Scotia. However, we feel that there is a real risk to introducing a program that is not *effective* and that is not *equitable*.

A system that is effective will succeed in fostering reductions in greenhouse gas emissions across Nova, while strengthening innovation and competitiveness. 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.

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- ⁱ NEGACP Climate Targets: <http://www.coneg.org/Data/Sites/1/media/39-1-climate-change.pdf>
 - ⁱⁱ ECCC Emissions Reductions Projections from Nova Scotia: <http://www.ec.gc.ca/GES-GHG/default.asp?lang=En&n=1F24D9EE-1&offset=3&toc=show#tab24>
 - ⁱⁱⁱ Ontario and Quebec Thresholds for Cap and Trade Coverage: <http://www.canadianenergylaw.com/tags/cap-and-trade/>
 - ^{iv} ECCC Greenhouse Gas Emissions Reporting Program (GHGRP) <http://www.ec.gc.ca/ges-ghg/default.asp?lang=En&n=040E378D-1>
 - ^v California's SB 535 program : http://sd24.senate.ca.gov/sites/sd24.senate.ca.gov/files/SB535%20Fact%20Sheet_0.pdf