

Honourable Mark Parent
Minister of Environment and Labour
P.O. Box 697
Halifax, Nova Scotia
B3J 2T8

May 15th, 2007

Dear Minister Parent,

Re: Federal Eco-Trust Funding

We are writing to you today regarding the climate change funding recently announced for Nova Scotia through the federal Eco-Trust program.

We would first like to emphasize that it is the Ecology Action Centre's position that the federal government has been unhelpful in meeting Nova Scotia's climate change goals.

We are aware that over a year ago Nova Scotia was making plans to invest federal government funding to reduce greenhouse gases (GHG), as outlined in the provincial *Green Energy Framework*. The *Green Energy Framework* outlined a variety of projects, with specific GHG reduction targets.

Atlantic Canada, in particular, has some of the most cost-effective opportunities to reduce GHGs. The CIMS model of domestic GHG reductions created by Simon Fraser's Energy and Materials Research Group to assess the reductions required to meet Canada's Kyoto target indicates that Atlantic Canada would make the largest percentage reduction in GHGs under a cap and trade program. This means Nova Scotia would be in a position to make substantial GHG reductions from our fossil fuel fired electricity system and then receive capital inflows as we sell carbon credits to the rest of the country.

As Nova Scotia has some of the most cost-effective emission reduction potential, we feel that effective federal policy intent on reducing emissions would provide funding to Nova Scotia on a higher per-capita basis than to provinces such as Quebec and British Columbia that do not have the same opportunities for low-cost GHG reductions.

We feel it is important for Nova Scotia to resolutely engage with the federal government so Nova Scotia can meet our climate change goals. If the federal government's current policies continue we believe Nova Scotia must consider creating GHG regulations and working with other provinces to find the most cost-effective reductions possible.

Provincial Use of Eco-Trust Resources

Given that the amount of funding provided by the federal government is small, compared to our GHG reduction potential, we feel it is very important that we use these resources wisely.

The EAC has consistently said that, if limited funds are available, we should be investing in projects and areas that will deliver the most cost-effective GHG reductions. This is good economics. The most cost-effective, no-regrets, GHG mitigation option available is through improvements in end-use energy efficiency. While it is the case that a consistent and reliable funding mechanism is better than a one-time cash injection to fund efficiency, we wish to emphasize that the province has yet to establish a consistent funding mechanism to invest in *all* energy efficiency improvements that are cost-effectively available, even though the evidence shows substantial opportunities for monetary savings and GHG reductions.

Recommendation 1

Introduce legislature to ensure that Nova Scotia develops a financing mechanism and accountability measures to invest in all cost-effective energy efficiency.

Below we will discuss each of the projects identified by the government:

Capital District Health Authority Natural Gas Project

Next to end-use efficiency, ensuring that we utilize both the heat and electricity that can be created through energy production is one of the most cost-effective ways to reduce GHGs. Thus, the EAC is disappointed that the project only refers to converting to natural gas and not also creating a district heating system and selling excess electricity to the grid. While the available economic lifespan of Nova Scotia's natural gas is in question, installing a combined heat and power infrastructure can allow us to utilize any fuel more efficiently, including next-generation fuels such as hydrogen and methane gas. We would like to urge the province to consider funding options to maximize the efficiency of this fuel conversion.

Recommendation 2

Utilize combined heat and power when converting to natural gas.

Tidal Power Projects

The EAC is supportive of tidal power innovation in Nova Scotia. We think government funding in the R&D and innovation process is essential to ensure that all public benefits are accrued. We hope the government funding will ensure that Nova Scotia creates a truly innovative environment that will allow full knowledge sharing by a variety of disciplines and experimentation by a number of developers to find the best technology for the environment and economic development. If we allow one company, such as Nova Scotia Power (NSP), to drive the agenda we miss out on the variety of knowledge spin-offs that could accrue as a result of tidal power innovation that the utility does not have an economic stake in. This is why provincial government direction is so important. Government should not only offer funding, but also establish the framework for experimentation and innovation.

**Recommendation 3:
Foster diversity and competition in the tidal power sector.**

Nova Scotia Municipal Climate and Clean Air Fund

The EAC welcomes the establishment of a municipal fund to reduce GHG emissions. Such funds have the potential to identify cost-effective and community-oriented projects. It will be important that the fund provides funding based on clear criteria, with priority given to GHG reductions achieved through projects that are cost-effective and able to leverage the work of networks of innovation. The implementation of a similar program in Sweden, the *Local Investment Program*, has assisted Sweden in exceeding its Kyoto targets.¹

The EAC wishes to emphasize the need for investment in transit infrastructure and operating costs in our municipalities. Some of the projects needed require high up-front investments that will pay off over time. Investment in transit service is identified by Simon Fraser's CIMS model as one of the key actions to reduce GHG emissions in Atlantic Canada's transportation sector. After withdrawing from transit investment in the 1990s, the time is ripe for the province to re-enter this arena.

**Recommendation 4:
Ensure the *Nova Scotia Municipal Climate and Clean Air Fund* prioritizes cost-effective and innovative GHG reductions by establishing clear, independent funding criteria.**

**Recommendation 5:
Complement the *Nova Scotia Municipal Climate and Clean Air Fund* with a stable provincial transit fund.**

Carbon Sequestration

The EAC believes that R&D in the carbon capture and storage (CCS) sector is important for Nova Scotia's electricity system. However, complementary policies are urgently needed to ensure that any government funding into carbon sequestration is not a de facto subsidy to businesses that would do the same research themselves if regulatory policies induced it.

Innovation is about picking a desired future and goal and creating the environment for multiple actors and organizations to experiment to get there. For this to happen the private sector needs to be given a clear GHG reductions goal by the provincial government. This has yet to happen.

To ensure that NSP is moving with the government on carbon capture and storage evidence suggests that market-based regulations will have to place a price of at least \$30 per tonne of carbon dioxide. To truly make any R&D funding in this area effective, complementary regulations are needed.

¹ Sweden's Local Investment Program: http://ec.europa.eu/environment/etap/pdfs/july06_sw_lip_co2.pdf

Recommendation 6:

Implement GHG regulations to complement CCS R&D that will create a price of \$20-\$50 per tonne of GHG as recommended in the Intergovernmental Panel on Climate Change's 4th assessment report on mitigation.

Environmental Technology Fund

Funds such as this can fill gaps in the innovation chain and deliver important benefits. However, government funding alone will not induce the innovation necessary and send enough of a signal to potential entrepreneurs.

Michael Porter, an internationally renowned expert in competition and corporate strategy from Harvard University, has highlighted the need for clear regulations on pollution to drive the reduction of wastes and costs, improve production quality and engage in product and process innovations.

Recommendation 7: Implement GHG regulations to complement the *Environmental Technology Fund*.

Conclusion

There are two broad economic themes that the EAC wishes to emphasize to the government of Nova Scotia when considering how to allocate resources related to climate change:

- 1) To maximize GHG reductions and create savings for future initiatives, it is important to invest in the most cost-effective opportunities first. These include energy efficiency and combined heat and power.
- 2) Government funding for R&D and innovation needs to be complemented with strong regulations that drive the market to reduce GHGs in Nova Scotia. Sending the private sector on this path is necessary for government initiatives to be truly effective, complementary and additional.

The EAC is interested in working with you to ensure the development of effective climate change policy in Nova Scotia. Please do not hesitate to contact us.

Yours Sincerely,

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cc
The Honourable Rodney MacDonald, Premier of Nova Scotia
The Honourable Bill Dooks, Minister of Energy