



# Provincial Budget 2008 Review

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## The Government sets its own Goalposts

The provincial government has stated that the environment is one of its top 5 priorities and entrenched “in law” that Nova Scotia will become “one of the cleanest and most sustainable environments in the world by the year 2020”.

The 2007 throne speech stated that “there is no concern with such far-reaching consequences for our planet than climate change”.<sup>1</sup>

The *Stern Review on the Economics of Climate Change* recommended that 1% of GDP be invested in climate change mitigation to avoid costs of 5%-20% of GDP in the future. In Nova Scotia, this means investing roughly \$300 million per year, to avoid costs of \$1.6 to \$6.3 billion for the province.<sup>2</sup>

Making Nova Scotia “the cleanest and most sustainable” requires a massive scale-up of effort by the provincial government, particularly in the area of climate change due to its “far-reaching consequences”. Beginning to invest in programs that reduce greenhouse gases in the most cost-effective manner possible would have been a good place to start.

The Ecology Action Centre identified 5 priority areas for the 2008 Provincial Budget:

- 1) A significant increase in energy conservation investment outside of the electricity sector
- 2) Bringing sustainable transportation investments in line with other Canadian provinces
- 3) Carbon pricing initiatives through a carbon tax and/or industrial regulations
- 4) Sufficient resources for the new Department of the Environment and related departments
- 5) Investments in government green procurement

Based on the goals established by the province itself and the independent research conducted on what is required to meet these goals, the EAC’s assessment of the government’s 2008 budget choices are found below.

## Energy Conservation and Home Heating: Missed Opportunities and Ill-Conceived Policies

The government of Nova Scotia has missed a key opportunity to ramp-up investments in fuel oil energy efficiency. Efficiency is the lowest-cost and most effective option to reduce GHG emissions. This draws into question the government’s competence and sincerity in meaningfully and cost-consciously fighting climate change.

An economic study conducted for *Conserve Nova Scotia* by an independent consultant showed that “significant cost-effective energy efficiency potential exists in *all fuels* in Nova Scotia”.<sup>3</sup> While Nova

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<sup>1</sup> Nova Scotia Speech from the Throne, Thursday, November 22<sup>nd</sup>, 2007, pg. 10

<sup>2</sup> Former World Bank Economist Nicholas Stern recently stated that his review underestimated the threat of climate change. See “climate expert says he underestimated threat”, Reuters, Wed April 16<sup>th</sup>, 2008.

<sup>3</sup> *Review and Assessment of Potential Demand Side Management, Renewable Energy and Transportation Opportunities for Nova Scotia – Phase Two Report*, KEMA, Prepared for Conserve Nova Scotia, March 10<sup>th</sup>, 2008. Emphasis added.



Scotia Power's Demand Side Management plan is starting to fund electric efficiency initiatives, the report showed immense economic potential for fuel oil based efficiency.

Of the 16 programs evaluated in the report, the government chose the most expensive and least effective option to reduce emissions by funding the "transit tax credit". Transit subsidies were shown to cost over \$1,000 to reduce one tonne of greenhouse gas emissions. Other programs such as commercial building retrofits cost \$4 per tonne. Low income housing retrofits cost \$43 per tonne. Other transportation programs such as vehicle feebates cost \$31 per tonne. The transit "tax credit" is ineffective because it does not move people from their cars towards public transport and because public transportation services are not widely available in Nova Scotia because of low funding levels.

If the 2008 budget wanted to meaningfully and cost-effectively reduce GHGs, and reduce energy costs for Nova Scotians, it could have significantly increased the budget for oil energy efficiency instead of providing a wasteful and ineffective transit tax credit.

### *Home Heating*

The government also brought back a mediocre home-heating program previously titled "Keep the Heat" with less funding. The Ecology Action Centre has been working with the Affordable Energy Coalition and experts in energy poverty to develop energy efficiency and energy assistance programs that would target those with the lowest incomes and the highest energy usage, while providing incentives instead of disincentives to conserve energy.<sup>4</sup> The re-birth of the "Keep the Heat" program could have been done in a more effective manner. This is an unfortunate and disappointing lost opportunity to help those in low-income and the environment.

### **Transportation: A New Role for the Province**

The budget detailed a \$3 M investment in transit strategies for rural and underserved communities, which might include shuttle buses, vanpooling and other innovative approaches. It is significant that the province has accepted its responsibility for supporting sustainable transportation infrastructure in the province.

The \$3 M investment, combined with existing funds, means Nova Scotia will be investing \$3-\$4 per capita in transit infrastructure. This investment will need to be ramped up to meet the Canadian average investments amongst the Canadian provinces of \$17.91 from 2003-06.

### **Carbon Pricing: Nova Scotia Lagging Behind with Confusion and Uncertainty Regarding Reduction of Industrial GHGs**

Nova Scotia and British Columbia have a lot in common on climate change policy, except when it comes to concrete policy implementation. British Columbia announced the same target as Nova Scotia (reduce GHGs 10% below 1990 levels by 2020) at the same time as Nova Scotia.

Over the past year British Columbia has introduced a \$10/tonne carbon tax that will rise to \$30/tonne. It has joined the Western Climate Initiative "cap and trade" program, prevented the building of any new coal fired power plant without the full capture and storage of all greenhouse gas emissions, and introduced legislation to meet California vehicle emissions standards.

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<sup>4</sup> See Affordable Energy Coalition submission to Climate Action Plan <http://www.gov.ns.ca/energy/AbsPage.aspx?id=1739&siteid=1&lang=1>



Over the past year Nova Scotia has delayed the release of its Climate Action Plan and is still considering intensity based regulations. Intensity regulations are introduced by governments that do not take climate change seriously.<sup>5</sup>

This budget did not contain an initial price on carbon through a carbon tax and it did not provide any more certainty regarding how it will regulate industrial GHG emissions to encourage investments in innovative low-carbon technologies.

On the same day as the budget Nova Scotia Power, the provinces largest polluter, announced record profits. By taxing carbon pollution, Nova Scotia could have induced new investments in green technology and utilized revenues for low-income assistance, energy efficiency and rural transportation.

### **New Department of Environment Given Resources to do the Job**

The new Department of Environment and related Departments have been provided with resources for climate change adaptation, to protect 12% of the provinces land mass and to develop a coastal management strategy.

Funds have also been provided to further implement the “Environmental Goals and Sustainable Prosperity Act”. The EAC recommends that these resources be placed into producing the concrete policies that are desperately needed for the environment. The budget is a testament to the need for less rhetoric and more action.

### **Green Procurement**

The Department of the Environment has committed to develop a green procurement strategy by 2009. There was no explicit funding in the budget for this initiative. Green procurement is an opportunity for the government to support businesses in Nova Scotia and help the environment.

### **Conclusion**

The lack of action on climate change and environmental sustainability in general indicates that the province is in danger of breaking its own law to “reduce GHG emissions 10% below 1990 levels by 2020” and to make Nova Scotia “one of the cleanest and most sustainable environments in the world by the year 2020”.

Missing out on climate change and environmental investment opportunities means Nova Scotians are vulnerable to the detrimental economic impacts climate change will have for Nova Scotia’s coastal communities and natural resource based sectors. It means Nova Scotians will have less opportunity to escape the pressure of ever-increasing home heating and gasoline prices through energy efficiency and sustainable transportation.

A thoughtful and cost-conscious green budget would have set different priorities. It would have significantly increased investments in energy conservation and transit infrastructure throughout the province, effectively aided low-income Nova Scotians and introduced an initial carbon pricing policy as a first step towards making Nova Scotia “the cleanest and most sustainable” and avoiding the catastrophic implications of climate change for this province’s economic and social well-being.

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<sup>5</sup> The government of Alberta, George Bush’s federal government and the Canadian federal government have all proposed intensity based regulatory initiatives that seek to decrease emissions per unit of production instead of overall emissions. GHG intensity has decreased by 18% while overall emissions have risen 25% from 1990 to 2005 in Canada.