

CLIMATE SOLUTIONS PORTFOLIO

#7: Moratorium on New Projects for Fossil Fuel Production & Declining Cap on Existing Production

Proposed Measures

New fossil fuel production projects should be prevented by a moratorium. Existing fossil fuel production should be capped at present levels, and the cap should decline, initially by 2% each year, increasing to achieve a 90% to 95% decline in production by 2030 (as determined by the over-all long-term greenhouse gas reduction goal). The cap would be allocated among producers in proportion to present production and would be tradable. The schedule of reductions would be published in advance, and the cap would be enforced by placing a prohibitive royalty (500% above the normal rate) on excess production.

An alternative would be to allow production above the cap, to the extent that the greenhouse gas emissions (including production, transport and end use) were addressed by capture and storage, and Kyoto-compliant offsets. This approach would be sub-optimal, as it would encourage continued research and investment in fossil fuel production, when society's resources would be better directed toward more sustainable solutions.

Benefits and Issues

These are radical proposals, to address an urgent situation. These policies would:

1. Directly reduce harmful effects by reducing the amount of fossil fuels produced and used.
2. Augment and ensure the effectiveness of carbon pricing and other greenhouse gas reduction measures implemented by government.
3. Send a clear, consistent signal to business and society, to help all sectors plan for a transition away from fossil fuel use and adapt to the change.
4. Strengthen national and international efforts to co-operate in greenhouse gas reductions.

BC currently receives some \$1.8 billion in fossil fuel royalties, in a budget with total revenues of about \$40 billion. There might be a slight initial decline in revenues – or they might rise, if rising fuel prices created opportunities for higher royalties. The rate of decline of the cap could be shaped to minimize the disruption of the transition. Elimination of fossil fuel royalties would reduce total revenues by about 5%. This would have to be addressed in the context of many social and economic changes, while moving toward sustainable energy use. These changes would create opportunities for new revenue streams: for example, non-depleting renewable energy production. A more efficient deployment of society's resources should yield savings, such as lower fuel expenditures, that could result in more resources becoming available to meet society's common needs.

It may be attractive, in lieu of a moratorium, to allow new projects if they capture and store emissions (supposing this is practical). As discussed above, this would not optimally signal the best direction for society's efforts. If this were to be proposed, it should include all greenhouse gas emissions (production, transport and end use). BC's fossil fuel exports cause some 100 million tonnes of CO₂ (eq) emissions from their end use (excluding transport).

Execution

Cabinet could enact a moratorium as an executive order or policy statement. Some change may be needed in the acts regulating the fossil fuel industry. Imposing a declining cap would require regulatory changes to royalties and possibly some minor legislative changes.