

# CLIMATE SOLUTIONS PORTFOLIO

## #8: Shift Incentives From Fossil Fuels to Sustainable Energy

### Proposed Measure

Government should shift incentives from fossil fuel industries to sustainable energy industries and prioritize capital investments that will provide long-term support to our society and economy. Government should eliminate incentives to fossil fuel production, as part of a general shift away from dependence on fossil fuels.

There are obvious benefits to the province's balance sheet and program spending from the \$1.8 billion in revenues from fossil fuel royalties. However there are also critical reasons for changing:

- Fossil fuels are the main driver of climate change, as well as causing air pollution and environmental disruption. 20% of BC's greenhouse gas emissions come from the fossil fuel industry, and an additional 100 megatonnes of CO<sub>2</sub> equivalent from exported end-use emissions.
  - The continual development new and increasingly expensive fossil fuel resources inappropriately co-opts society's scarce capital.
  - BC's once-only fossil fuels resources are being liquidated to meet the running costs of the province. When they are gone, they will leave us with little useful accumulation of capital or resources with which to support ourselves in the future. We need a more sustainable approach to long-term planning.
- (a) Government should rapidly phase out all fossil fuel incentives (currently \$263 million per year), including subsidized road building and reduced-rate royalty regimes. Government should also implement carbon pricing to begin incorporating the climate-related costs of fossil fuels. This will signal to industry that it should re-deploy its capital and change its strategic thinking, and to consumers that our use of fossil fuels should be restricted.
- (b) Government should initiate the principle of investing in the long-term future and shifting away from fossil fuels. It should plan and budget for continuing investments into greenhouse gas reductions and sustainable energies. The Stern review, prepared for the UK by the former chief economist of the World Bank, suggested that an investment of 1% of the gross domestic product could stabilize atmospheric greenhouse gases and hopefully prevent a 20% decline in wealth. 1% of BC's current budget is \$400 million, a tenth of the recently announced budget surplus. Government should initially commit to allocating about this amount for investment into greenhouse gas reductions and long-term sustainable energy projects and systems, with the goal that these will replace our existing fossil fuel energy systems. Planning and co-ordination will be needed to ensure that business and industry can absorb such investments and deliver optimum results.
- (c) A "Climate Solutions Heritage Fund," endowed from fossil fuel royalties, might usefully serve to concretize the sense that the fossil fuel resource is once-only capital resource, and should be applied to creating lasting wealth and sustainable energy systems.

### Execution

- Ministry of Finance - address the fiscal implications, including the identification of incentives that stimulate greenhouse gas emissions and the assessment of a Climate Solutions Heritage Fund.
- MEMPR and/or Premier's office - develop the plan for investment in sustainable energy, with input from the Ministry of Advanced Education regarding skills training strategies.
- Cabinet - provide over-all direction through a policy statement and budgetary commitment.