

The Honourable George Heyman  
Ministry of Environment and Climate Change Strategy

The Honourable Selina Robinson  
Ministry of Finance

January 13, 2021

RE: Advice from the Climate Solutions Council on protecting B.C.'s Emissions-Intensive Trade-Exposed industries while reducing GHG emissions

Dear Ministers Heyman and Robinson,

Since the establishment of the Climate Solutions Council (the Council) in 2018, the Council's work plan has included making recommendations to the government on protecting B.C.'s Emissions-Intensive Trade-Exposed (EITE) industries. These are the industries whose product prices are determined in international markets and have competitors in other countries facing less stringent carbon policies and/or have carbon pricing policies that address potential trade competitiveness issues. The risk to B.C. is investment outflows and carbon leakage if EITE sectors in higher emission jurisdictions grow market share and attract investment into higher emitting resources. In turn, this risk threatens the opportunity for B.C.'s EITE sectors to provide global leadership (lower GHG products) in the transition to a net zero emissions economy.

While B.C. has received international accolades for its leadership in carbon pricing and climate action, the Council's view is that the existing protections for EITE industries provided by the Clean Industry Incentive Program (CIIP) and Clean Industry Fund (CIF) could be improved. The B.C. carbon pricing system is currently inconsistent with other carbon pricing systems' treatment of EITE sectors — both globally and under the Canadian federal carbon tax framework. The goal of an EITE policy should be to enable fair global competition for B.C.'s EITE industries in terms of carbon pricing treatment, while continuing a strong incentive for B.C.-based industry to invest in reducing emissions.

British Columbia needs to act on its commitment to complete and enact a plan to meet its 2030 and 2050 climate targets, as we clearly advised in our November 26, 2020 letter. As part of that plan, B.C. should include provisions to address the competitiveness issues facing EITE sectors, which could include investments in innovations, improvements to tax policy such as modernizing the PST, and improvements to the CIIP. This letter focuses on one of those options for addressing competitiveness issues: improvement to the CIIP.

The Council appreciates the collaborative approach that the Climate Action Secretariat has taken in developing the CIIP and CIF programs, which, in our opinion, are central to meeting the government's 2030 emission target and 2050 net-zero commitments. While the Council fully supports carbon pricing and carbon price increases, the BC Business Council and B.C. government determined B.C.'s EITE industries lack the carbon pricing protections afforded to export industries in 80+ comparator jurisdictions.

The Council has identified an opportunity to design protections for EITE industries within the carbon tax that improves upon the CIIP and makes good on the mandate letter commitment to *“Work with government's Climate Solutions Council and relevant industrial sectors to enhance CleanBC's Program for Industry so that additional funding is available to support mines, pulp*

*mills, oil and gas processing plants, and other industrial facilities in their efforts to reduce GHG emissions and move to cleaner operations.”* These changes, which should be transitional, would strengthen the incentive for EITE industries to meet their emissions intensity benchmarks, ensure those benchmarks are updated regularly, provide greater flexibility for EITE industries seeking to invest in emissions reduction projects, lower the average cost of carbon tax paid by EITE industries, and increase alignment with EITE carbon pricing across Canada, all while safeguarding jobs and investment. We believe a well-designed EITE system should encourage cutting-edge clean industrial innovation and energy-efficiency while disincentivizing investment in carbon intensive infrastructure.

**The announcement of any EITE reforms specific to carbon pricing should not be done before the government's announcement of its complete plan to reach its 2030 emission target.**

We offer the following considerations in designing and implementing a policy package to improve the CIIP:

- Continue to review global benchmarks regularly to drive emissions reductions to align with B.C.'s 2030 and 2050 climate and sector targets
- Lower the CIIP carbon price floor to a competitive rate below the current \$30/tonne
- Estimate the CIIP incentive at the beginning of the year and reconcile the exact amount at the end of the year (instead of requiring EITE industries to pay in full and rebating the CIIP incentive at the end of the year)
- Review the current one-time transitional program for facilities who do not meet the benchmark so as not to lose its benefits
- Increase flexibility on timing and partnerships for projects for any funds guided by emissions reduction plans or the CIF
- Any EITE industry (e.g. LNG) or entity that receives targeted taxation and/or policy relief beyond that currently available to other EITE industries or entities, and such actions are linked to carbon policy, should not be eligible for additional EITE relief through the CIIP
- Revisions to CIIP should reflect the impacts other government policy measures may have on competitiveness

B.C. needs to act on its commitment to complete and enact a plan to meet its 2030 climate target. As part of that plan, B.C. should include provisions to reduce emissions from the EITE industries and address competitiveness issues. We would be pleased to work with officials in your ministries on these important issues going forward.

Regards,



Merran Smith  
Executive Director  
Clean Energy Canada  
Co-Chair, B.C. Climate Solutions Council



Colleen Giroux-Schmidt  
Vice President, Corporate Relations  
Innergex Renewable Energy  
Co-Chair, B.C. Climate Solutions Council

**(B.C. Climate Solutions Council members continued on next page)**

**B.C. Climate Solutions Council members:**

David Black, President, MoveUP

Toni Boot, Mayor, District of Sutherland

Lee Brain, Mayor, City of Prince Rupert

Ian Bruce, Acting Executive Director, David Suzuki Foundation

Matt Horne, Climate Policy Manager, City of Vancouver

Lydia Hwitsum, First Nations Summit Political Executive

Mark Jaccard, Director of the School of Resource and Environmental Management, Simon Fraser University

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Adriana Laurent, Co-Founder and Project Administrator, UBC Climate Hub

Scott Maloney, Vice President, Environment, Teck Resources Ltd.

Skye McConnell, Manager of Policy and Advocacy, Shell Canada

Kurt Niquidet, Vice President, Council of Forest Industries

Nancy Olewiler, Director of the School of Public Policy, Simon Fraser University

Danielle (DJ) Pohl, President, Fraser Valley Labour Council

Tom Syer, Vice President, Stakeholder Relations, TC Energy

Karen Tam Wu, Regional Director for British Columbia, Pembina Institute

Jill Tipping, President & Chief Executive Officer, BC Tech Association

Joie Warnock, Assistant to the President, Unifor

cc:

Honourable Bruce Ralston, Minister of Minister of Energy, Mines and Low Carbon Innovation

Honourable Ravi Kahlon, Minister of Jobs, Economic Recovery and Innovation

Geoff Meggs, Chief of Staff

Lori Wanamaker, Cabinet Secretary and Head of the Public Service

Heather Wood, Deputy Minister

Kevin Jardine, Deputy Minister

Fazil Mihlar, Deputy Minister

Bobbi Plecas, Deputy Minister