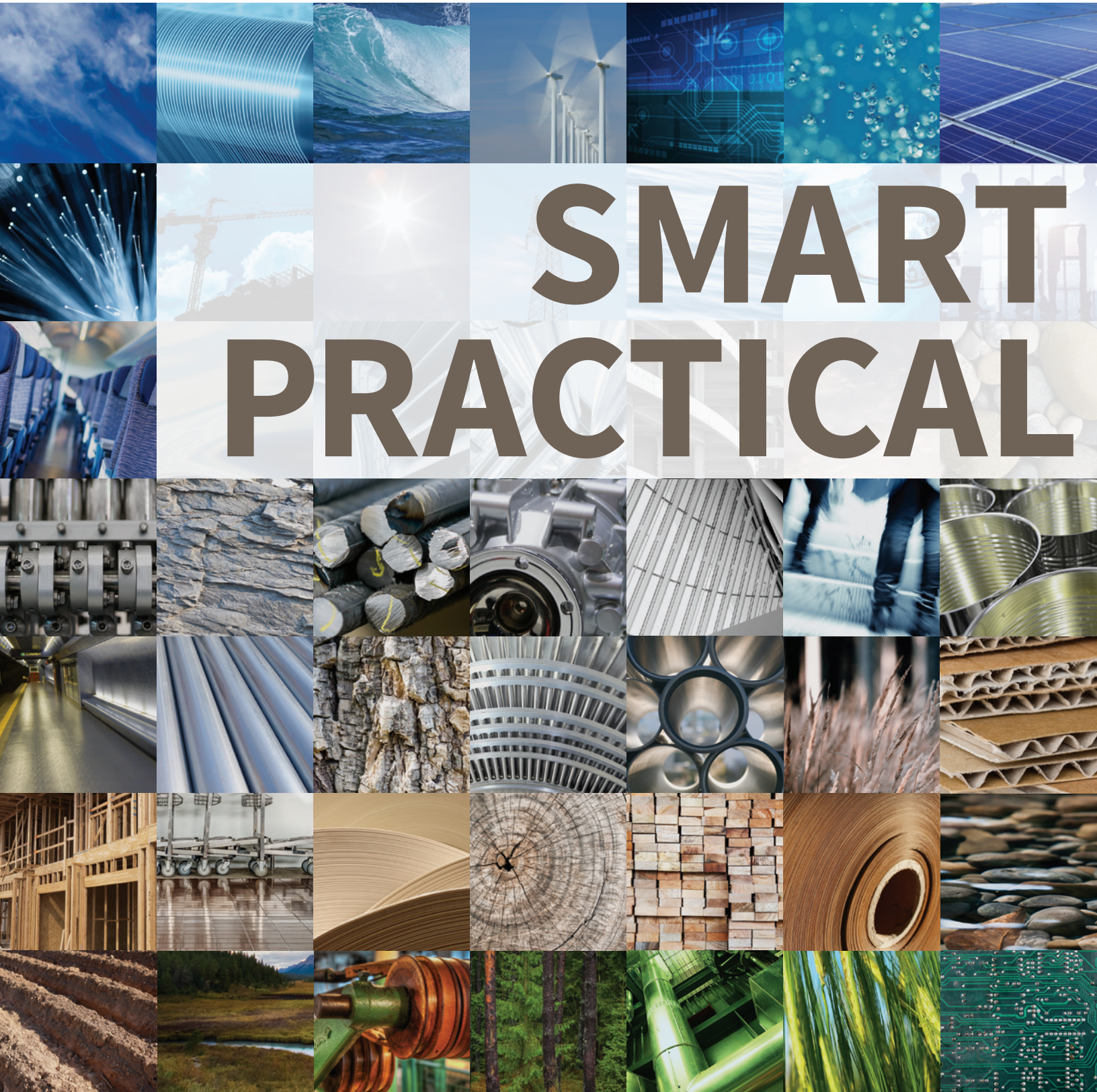




CANADA'S **ECOFISCAL** COMMISSION
Practical solutions for growing prosperity



SMART PRACTICAL

CANADIAN OPTIONS FOR GREATER ECONOMIC AND ENVIRONMENTAL PROSPERITY



CANADA'S ECOFISCAL COMMISSION

WHO WE ARE

A group of independent, policy-minded Canadian economists working together to align Canada's economic and environmental aspirations. We believe this is both possible and critical for our country's continuing prosperity. Our Advisory Board comprises prominent Canadian leaders from business, the environment, and across the political spectrum.

We represent different regions, philosophies, and perspectives from across the country. But on this we agree: ecofiscal solutions are essential to Canada's future.

OUR VISION

A thriving economy underpinned by clean air, land, and water for the benefit of all Canadians, now and in the future.

OUR MISSION

To identify and promote practical fiscal solutions for Canada that spark the innovation required for increased economic and environmental prosperity.

EC•O•FIS•CAL POLICY

ekō'fiskəl/ adj.

An ecofiscal policy corrects market price signals to encourage the economic activities we do want (job creation, investment, and innovation) while reducing those we don't want (greenhouse gas emissions and the pollution of our land, air, and water).

Ecofiscal policies offer real incentives for investment in innovative technologies so that we can continue benefiting economically from our natural wealth while also providing better protection to the environment. The revenue generated from ecofiscal policies can create further economic benefits; for example, by reducing income and payroll taxes or investing in new technologies or critical infrastructure.





PUTTING PRACTICAL OPTIONS ON THE TABLE

A letter from the chair

Chris Ragan, chair, Canada's Ecofiscal Commission

The existing national discussion surrounding Canada's economy and environment assumes a fork in the road ahead. One path leads to good jobs and profitable businesses; the other to a clean environment and sustainable natural resources. No one really wants to choose between those futures, for themselves or their children. Like a growing number of economists, I don't believe we have to. More to the point, I don't believe we can.



Our economy and environment are inextricably linked. It's not a question of which one we need more. But rather, what it will take to secure both. There are policy options available that can achieve this. But how do we get those options on the table? This is the challenge that brought me here: to this group of people, to our shared mission, and to the messages you'll read in the pages that follow.

We should not forget that markets are remarkable institutions and that well-designed public policy can make them work even better. Good economic and environmental policies harness the power of markets to drive solutions that are both impactful and cost-effective.

We have yet to really apply this principle in Canada. But a growing body of evidence suggests this approach deserves our serious consideration.

Experience shows that fiscal tools can be used to significantly reduce greenhouse gas emissions, pollution, and waste, while at the same time stimulating innovation and economic growth. We're calling these "ecofiscal policies"—a new term to facilitate a new conversation about market-based solutions rooted in both economic and ecological objectives.

The individuals who have gathered to form this Commission are some of the most policy-savvy economic experts in Canada. With hundreds of years of combined experience, they have helped

design, implement, and analyze policies for governments across the country. They represent no particular party or ideology. Their commitment is to examine the available evidence and to follow it to its rational conclusion.

The Commission's Advisory Board includes some of the most respected leaders from across the Canadian political spectrum. Diverse in their experience and perspectives, these individuals have disagreed on many things. But they agree on this: a new set of choices is critical to Canada's future. That's the opportunity ecofiscal policies provide, and that's what has brought all of us together.

We're sitting down at the table to examine the evidence and to have the pragmatic discussion warranted by concerns for our national prosperity. I'm inviting you to pull up a chair and give us your views.

Let's talk about the Canadian jobs, technologies, and industries we need for an innovative and prosperous economy in the 21st century. Let's talk about how we can best create that economy and still pass Canada's natural wealth—rather than an ecological debt—on to our children and grandchildren.

This is the great policy opportunity of our generation. Let's seize it together.

5 REASONS CANADA NEEDS ECOFISCAL SOLUTIONS

1 **Canada's natural wealth is fundamental to our prosperity.**
Our natural wealth is a source of Canadian pride and is critical to our economy. Jobs in fishing, forestry, agriculture, and tourism depend directly on healthy ecosystems. Access to clean water is vital to our communities and businesses. Our health and quality of life are tied to the quality of the air we breathe.

\$228 billion

The health costs of air pollution resulting from illness and premature deaths.

2 **We can do better.**
Canada's current fiscal system holds back innovation and productivity while inadvertently promoting the pollution of our land, air, and water. That environmental damage has a cost, to our economies and to our lives. It doesn't have to be this way. The right policies will provide an incentive to invest in innovative and new technologies while lowering the taxes that stunt growth.

\$760 million

The amount that income and business tax cuts exceeded pollution-pricing revenue under B.C.'s carbon policy from 2008 to 2013.

3 **This is the smartest way to get serious results.**
Environmental policies don't have to be expensive to work. But the ones we're currently using the most—subsidies and heavy-handed regulations—can be costly to governments and the broader economy, and they're often ineffective. In contrast, ecofiscal policies allow market innovation to drive the lowest-cost, highest-impact solutions.

\$800 million

The estimated amount the United States saved annually by using pollution pricing instead of regulations to reduce acid rain.

4 **This is a significant opportunity.**
Canada currently lags behind many of our international trading partners when it comes to innovation and environmental performance. But we don't have to. Introducing ecofiscal policies now will put Canada and our industries on the path to compete and succeed in a 21st-century economy.

\$816 billion

The estimated annual value of global clean-tech markets by 2015. Of the 65 publicly traded companies on the Cleantech Index, only 1 is Canadian.

5 **This is both our responsibility and our legacy.**
It is neither fair nor responsible to leave our children and grandchildren with debt—economic or ecological. We built our prosperity on Canada's clean air, land, and water. If we make the right choices now, the next generation will have the same opportunity. Today's smart policies will shape that legacy.

\$87 billion

The additional costs in retrofits and premature retirement of assets if policy to significantly address Canada's greenhouse gas emissions is delayed until 2020.

WHAT DO PRACTICAL ECOFISCAL SOLUTIONS LOOK LIKE?



Tackling water scarcity in Singapore

Fresh water supply is a major challenge in Singapore. With demand slated to double by 2060, the country needed a solution to conserve more and waste less. The government introduced a water-pricing system, aligning the costs of using water with the costs of treating and providing it. Recognizing that this could place an unfair burden on some, the government also introduced a tax rebate to offset costs for lower-income families.

Over 11 years, Singapore achieved a **9% reduction** in water consumption without hurting middle- and low-income families.



Addressing traffic congestion in London

Traffic congestion is a plight of big urban centres. When everyone pays for road infrastructure with general taxes, there's little incentive to carpool or find other modes of transportation. London, England, tackled this problem in one of its busiest areas with a road use charge. Cars entering the high-traffic zone at peak hours are charged a flat daily fee. The revenue finances investments in public transit alternatives.

Congestion pricing in London helped reduce traffic in a high-congestion area by **as much as 36%** in 10 years.



Reducing greenhouse gas emissions in British Columbia

In 2008, as part of its ambitious plan to reduce greenhouse gas emissions, British Columbia instituted a carbon tax that applied to major fossil fuels. By law, revenue from the tax must be offset with equivalent cuts to personal and business income taxes. As of 2013, fuel use in B.C. had declined dramatically, whereas it had risen slightly in the rest of Canada.

Between 2008 and 2013, fuel use in B.C. **dropped by 16%**, while it increased by 3% in the rest of Canada.



Cutting landfill waste in the United Kingdom

Landfill waste contributes to greenhouse gas emissions, air pollution, and water and soil contamination. The UK has instituted a number of ecofiscal policies to reduce the amount of residential and industrial waste sent to landfills over the past two decades. This includes taxing each tonne of landfill waste and using a cap-and-trade system, giving local waste-disposal authorities flexibility while guaranteeing overall waste-reduction targets.

Putting a price on solid waste in the UK helped reduce commercial and industrial landfill waste by **more than 40%** in five years.



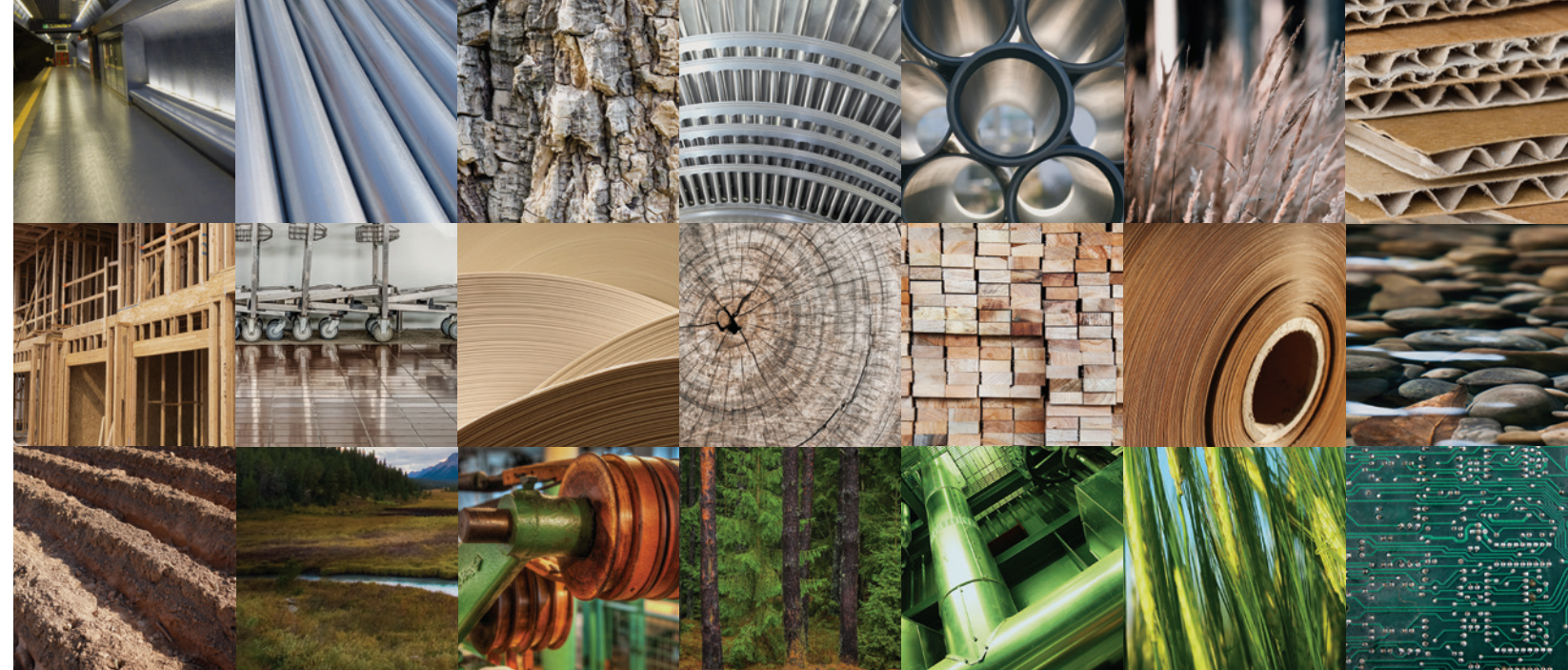
“I joined the Commission because our future prosperity depends on our ability to grow in the context of a healthy environment. We need smarter fiscal policies to get there.”

Preston Manning

Advisory Board member and former leader of the official Opposition

REAL CHOICES, REAL EFFORT

Getting the right ecofiscal policies in place for Canada will take a concerted effort. It will require decision-makers to come together and grapple with challenging issues and sometimes vastly different perspectives. And it will require clear and honest discussions within civil society. But we have confronted tough policy challenges before in Canada when it mattered most: instituting public health care, opening markets up to freer trade, fighting government budget deficits. We can do it again.



THE BIG ISSUES WE MUST ADDRESS

HOW TO MODERNIZE OUR FISCAL SYSTEM WITHOUT RAISING TAXES

Smart policies that price pollution and environmental damage need not increase the total tax burden on Canadians or increase the overall scale of government.

“Smart policy means using revenue from pollution fees to reduce taxes in a way that encourages job creation and gives money back to families. Our aim is to show Canadians across the country the economic and environmental benefits of this approach.”

Jean Charest

Advisory Board member and former premier of Quebec

HOW TO BUILD ON PROVINCIAL AND MUNICIPAL LEADERSHIP

Provinces, territories, and municipalities have the legal jurisdiction to make significant environmental impacts, and they’re already taking the lead. Smart policy changes will build on that momentum across the country and do so in a way that need not involve the transfer of wealth between provinces.

“This isn’t about robbing Peter to pay Paul; it must not be. It’s about showing governments that sensible policy tools can reduce pollution and greenhouse gas emissions while helping the economy—and also be consistent with their provincial priorities.”

Jim Dinning

Advisory Board member and former treasurer of Alberta

HOW TO REDUCE THE BURDEN ON LOW-INCOME FAMILIES

The costs of energy, fuel, and water can weigh heavily on the budgets of lower-income families. Smart policies will take that reality seriously and not increase the burden on people who can’t afford it.

“If we do it right, these ecofiscal policies will protect the most vulnerable Canadians. This is about being smart in our policy choices—but it’s also about being fair.”

Michael Harcourt

Advisory Board member and former premier of B.C.

HOW TO KICK-START INNOVATION

The right policies will help increase Canada’s rate of innovation, sparking homegrown technologies and new efficiencies that drive environmental results and give our industries a competitive edge.

“We need to be thinking about how to stay competitive not just in five or 10 years, but also in 20 and 50 years. The Commission is focusing on solutions that will make Canadian industries more competitive in a rapidly changing global economy.”

Steve Williams

Advisory Board member and president & CEO, Suncor Energy

WHEN TO BEGIN (HINT: THE ANSWER IS NOW)

The world’s wealthy nations, including the United States, are already taking bold steps to align their economic and environmental goals. We can’t ignore the relationship with our closest trading partner, but we can act now and know we’re in the good company of the world’s most economically competitive countries.

“Canadian competitiveness concerns require making smart ecofiscal decisions, not delaying them.”

Paul Martin

Advisory Board member and former prime minister of Canada



THE PEOPLE BEHIND CANADA'S ECOFISCAL COMMISSION

COMMISSIONERS

Chris Ragan
Chair, Canada's Ecofiscal Commission
 McGill University, Department of Economics; former Clifford Clark Visiting Economist, Finance Canada; former special adviser to the governor, Bank of Canada

Elizabeth Beale
 President and CEO, Atlantic Provinces Economic Council

Paul Boothe
 Western University, Richard Ivey School of Business; former deputy minister, Environment Canada; former deputy minister of finance, Saskatchewan

Mel Cappe
 University of Toronto, School of Public Policy and Governance; former president IRPP; former clerk of the Privy Council

Bev Dahlby
 University of Calgary, The School of Public Policy; former member of the Federal Commission on Business Taxation

Don Drummond
 Queens University, School of Policy Studies; former senior vice president & chief economist, TD Bank; former associate deputy minister, Finance Canada

Stewart Elgie
 University of Ottawa, Institute for the Environment; chair, sustainable prosperity

Glen Hodgson
 Senior vice president & chief economist, Conference Board of Canada

Paul Lanoie
 HEC Montréal, Department of Applied Economics

Richard Lipsey
 Professor emeritus, Simon Fraser University, Department of Economics

Nancy Olewiler
 Simon Fraser University, School of Public Policy; former member of the Federal Commission on Business Taxation

France St. Hilaire
 Vice president of research, Institute for Research on Public Policy

ADVISORY BOARD

Elyse Allan
 President and CEO, GE Canada
 Vice President, GE

Dominic Barton
 Global managing director, McKinsey & Company

Jean Charest
 Partner, McCarthy Tétrault; former premier of Quebec

Karen Clarke-Whistler
 Chief Environment Officer, TD Bank Group

Jim Dinning
 Chair of Western Financial Group; former treasurer of Alberta

Peter Gilgan
 Founder and CEO, Mattamy Homes

Michael Harcourt
 Former premier of B.C.;
 former mayor of Vancouver

Bruce Lourie
 President, Ivey Foundation

Janice MacKinnon
 Professor, University of Saskatchewan;
 former minister of finance, Saskatchewan

Preston Manning
 President and CEO, Manning Centre; former leader of the official Opposition, Canada

Paul Martin
 Former prime minister of Canada

Jack Mintz
 Director and Palmer Chair, School of Public Policy, University of Calgary

Bob Rae
 Senior partner, OKT - Olthuis Kleer Townshend LLP; former premier of Ontario

Peter Robinson
 CEO, David Suzuki Foundation

Sheila Watt-Cloutier
 Past chair, Inuit Circumpolar Council; environmental, cultural, and human rights advocate

Lorne Trottier
 Co-founder, Matrox Electronic Systems Ltd.

Annette Verschuren
 Chair and CEO of NRStor Inc.

Steve Williams
 President & CEO, Suncor Energy

PULL UP A CHAIR. JOIN THE CONVERSATION.

Let's talk about the jobs, technologies, and industries Canada needs for a prosperous 21st-century economy. Let's talk about how we can improve our competitive landscape as well as the quality of our air, land, and water. And let's talk about the policies it will take to get us there. It's possible, it's pragmatic, and it's one of the greatest opportunities of our generation.

Find out more and share your views.



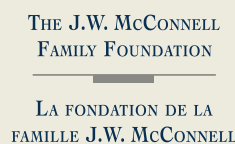
CANADA'S ECOFISCAL COMMISSION GRATEFULLY ACKNOWLEDGES THE SUPPORT OF:



IVEY foundation



Max Bell Foundation

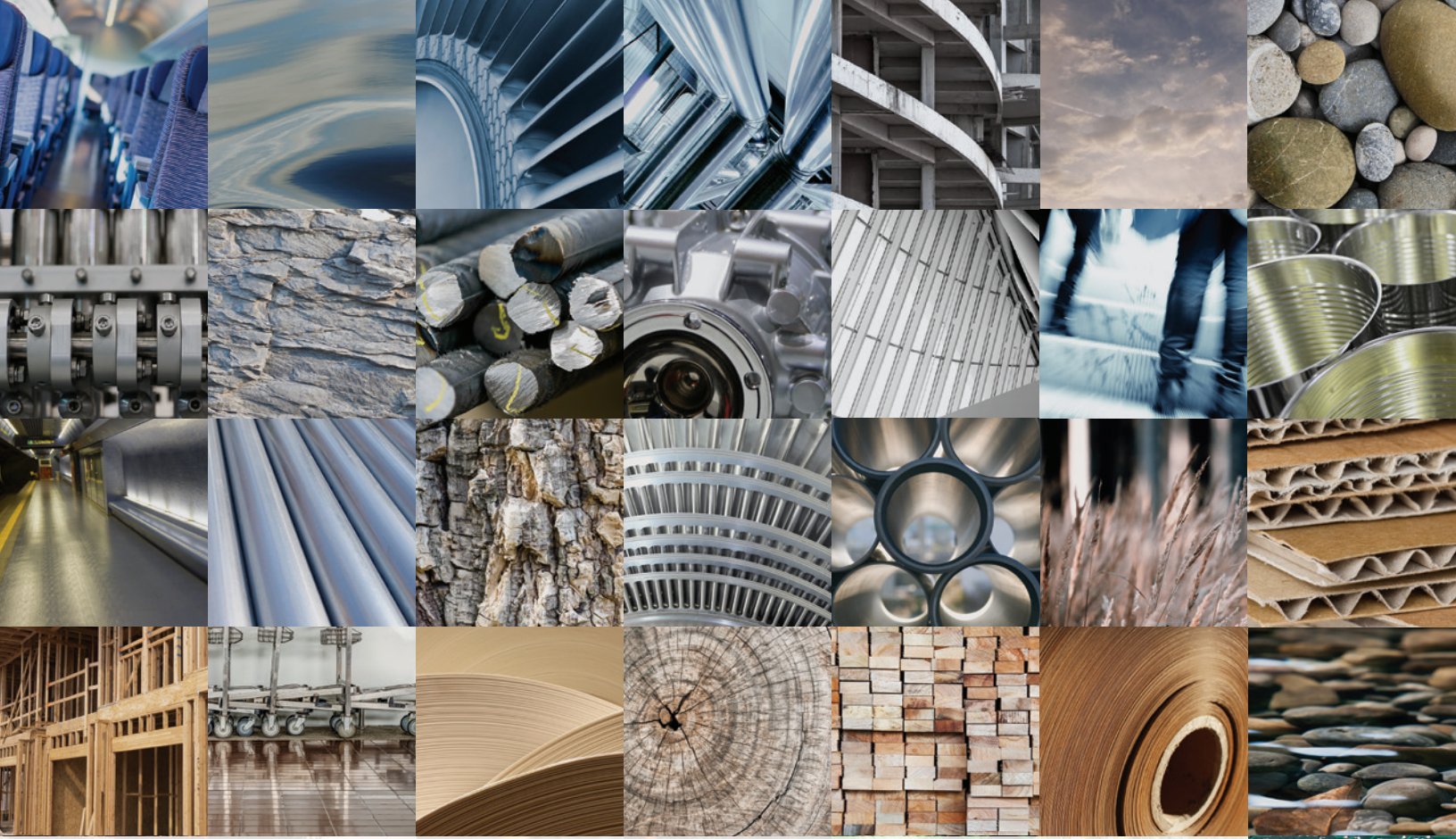


METCALF FOUNDATION

NORTH GROWTH FOUNDATION



For full biographies of our Commissioners and Advisory Board members, visit ecofiscal.ca



POSSIBLE



Canada's Ecofiscal Commission
c/o Department of Economics
McGill University
855 Sherbrooke Street West
Montreal, QC H3A 2T7



CANADA'S **ECOFISCAL** COMMISSION
Practical solutions for growing prosperity

ecofiscal.ca