**eco•fis•cal policy /ekōˈfiskəl/ 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).

<table>
<thead>
<tr>
<th>VISION</th>
<th>MISSION</th>
</tr>
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<tbody>
<tr>
<td>A thriving economy underpinned by clean air, land, and water for the benefit of all Canadians, now and in the future.</td>
<td>To identify and promote practical fiscal solutions for Canada that spark the innovation required for increased economic and environmental prosperity.</td>
</tr>
</tbody>
</table>

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**LETTER FROM THE CHAIR**

This marks our final annual report, as the Commission comes to the end of our five-year mandate. In 2019, our work focussed once again on carbon pricing — a topic we first addressed in 2014 and have returned to regularly.

Since our launch, the political landscape around carbon has changed significantly — and so has our communications strategy. Phase one saw us building the case that good environmental policy makes economic sense, creating space for policy-makers to bring ecofiscal ideas to the table. In 2018 we moved into phase two, focusing more on public education as the debate about carbon pricing heated up. That continued in 2019.

In March, with the federal backstop about to launch and discussions about carbon pricing becoming increasingly polarized, we launched 10 Carbon Myths. Our easy-to-understand infographics helped set the record straight about pricing pollution. Meanwhile videos, blogs and an extensive social media campaign ensured we reached as many Canadians as possible. In August, we followed that up with Six Places Where Carbon Pricing is Working — an essay highlighting successful examples of carbon pricing around the world.

We also took a strategic departure from our core mandate in 2019. After careful consideration, the Commission agreed to intervene as a “friend of the court” in the two provincial challenges to federal carbon pricing. In both cases, the court concluded that the pricing framework was legal.

With the publication of Bridging the Gap in November 2019, we shifted to phase three, putting our attention back on policy-makers. In this final Ecofiscal report, we compared the cost-effectiveness of carbon pricing with other policy tools to drive reductions in greenhouse gas emissions.

Of course, carbon wasn’t the only issue we tackled over the past five years. Our report on traffic congestion generated significant media attention, and our report on municipal waste informed the City of Calgary’s new pay-as-you-throw program. Meanwhile, our research into pricing environmental risk has been widely cited by First Nations groups.

At this point, it’s too soon to say what the Commission’s legacy will be. In the short term, we’ve succeeded in catalyzing discussion, building a body of evidence and showing that good ecofiscal policies can be smart, practical and possible. More broadly speaking, we’ve made the premise of pollution pricing a publicly recognized concept.

But our impact doesn’t end there. As the Commission wraps up its mandate, we’re confident our reports and blogs will continue to be useful, informing policy decisions long after we’ve pulled down the blinds and locked the door.

As we acknowledge in more detail in the final section of this report, this was a team effort. Here, I will simply say thank you to the many dedicated and talented people who made these successes possible.

For more information about the Commission, visit [Ecofiscal.ca](http://Ecofiscal.ca)
We know that carbon taxes or cap-and-trade systems can reduce emissions without significant economic impacts. But that’s not what many Canadians were hearing. To make the real facts public, the Ecofiscal Commission published Ten Myths about Carbon Pricing in Canada in March.

It found a big audience. The report and infographic attracted over 100,000 website visitors and were shared widely over social media. Meanwhile, our two-minute video garnered more than half a million YouTube views.

The goal of this week’s report is to get more facts about carbon pricing circulating while squeezing out some unfounded fears, and it could not have come a moment too soon.

The country’s leaders have committed to reducing greenhouse gas emissions by 30 per cent below 2005 levels in the next ten years. The question is how. As we saw in the 2019 federal election, politicians must provide climate policies that are both effective and cost-effective.

In Ecofiscal’s final report, Bridging the Gap: Real Options for Meeting Canada’s 2030 GHG Target, we explore the three main approaches Canada can use to scale up climate policy:

1) carbon pricing with dividends (e.g., increasing the national price on carbon year over year and ensuring revenues flow back to households in the form of a rebate)

2) regulations across the entire economy, instead of a mix of subsidies

3) regulations focused on industry only (e.g., subsidizing companies that purchase low-carbon technologies), plus a mix of subsidies

According to our analysis, any of the three approaches can meet Canada’s 2030 target, provided they are stringent enough. However, carbon pricing clearly delivers the lowest-cost emissions reductions — and also generates revenue that can be returned to Canadians. Our economic modelling shows that by 2030, carbon pricing will cost each Canadian $1,200–$3,300 less than the two other approaches.

The Ecofiscal Commission believes that some frank talk from all political parties about the true costs and benefits of their plans will help voters to make the right choices for their pocketbooks and the planet.

Ecofiscal has played a monumentally important role in advancing the conversation on smart climate policy generally and carbon pricing specifically. Their analysis and ability to translate findings into policy-relevant recommendations has led to concrete results. Their work will continue to be used by policymakers and climate advocates alike for many years to come.

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There are some things that can’t be achieved with carbon pricing — like dealing with difficult-to-measure emissions from landfills or reducing range anxiety for prospective electric vehicle customers. That’s where complementary policies such as regulations and subsidies have a role to play. But as we conclude in Bridging the Gap, relying on regulations and subsidies to do work that can be achieved through carbon pricing will cost more.

Bridging the Gap attracted significant media attention, including coverage by CBC Power & Politics, Global News, the National Post and The Star. As an editorial in the Globe and Mail put it, “Ecofiscal rightly emphasizes the benefits of carbon pricing because, in most situations, it’s likely to be the most economically efficient and least costly route. It’s also the tool that puts the most control in the hands of individuals.”

"Ecofiscal’s stream of reports, blog posts, videos and Twitter feeds has been a major influence on the media and government policymakers, and on the outcome of elections provincially and nationally." - Terence Corcoran, Financial Post

"The goal of this week’s report is to get more facts about carbon pricing circulating while squeezing out some unfounded fears, and it could not have come a moment too soon." - Tabatha Southey, Maclean’s online

"Ecofiscal rightly emphasizes the benefits of carbon pricing because, in most situations, it’s likely to be the most economically efficient and least costly route. It’s also the tool that puts the most control in the hands of individuals." - Michael Bernstein, Executive Director, Clean Prosperity
DEFENDING CARBON PRICING IN COURT

In 2019, both the Ontario and Saskatchewan governments took the federal government to court to contest the legality of its carbon pricing policy. After careful consideration, we decided to step beyond our core mandate and intervene as a friend of the court. Commissioner Stewart Elgie served as counsel for Ecofiscal, presenting the constitutional and environmental arguments for carbon pricing. And they proved effective. In both cases, the majority of judges ruled in favour of the federal carbon pricing policy.

IMPROVING THE EFFICIENCY OF CLIMATE POLICIES

The costs of Canada’s climate policies have real implications for jobs, standards of living and the country’s economic prospects. Relying on carbon pricing to meet Canada’s target requires steadily increasing the carbon price by roughly $20/tonne every year from 2023 until 2030. Regulations could have significant impacts on industrial production. Meanwhile, aggressive new green subsidies would mean increasing either taxes or public debt to pay for them.

However, the costs of not acting are far greater. Climate change is the biggest and most consequential risk facing humankind. To reduce this risk – and to meet the country’s international commitments—Canada must ramp up ambition.

Which approach governments choose to take is important. But how they design and implement policies matters just as much. Our analysis finds that careful policy design may reduce the resistance of households and businesses to meaningful, increasingly stringent policies.

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1. Governments should make sure their policies are stringent enough to meet targets and close any gaps. Stringency will need to rise under any policy approach to create stronger incentives that lead to deeper emissions reductions over time.
2. If governments wish to meet their climate goals at least cost, they should rely on increasingly stringent carbon pricing to achieve Canada’s emission targets.
3. If policy-makers opt for alternatives to carbon pricing, they should rely on increasingly stringent, flexible regulations instead—although developing efficient, flexible regulations presents significant administrative and implementation challenges.

In our final video.

LESSONS LEARNED

Over the past five years, the Ecofiscal Commission has shaped discussions and influenced policies on pollution pricing across the country—from Canada’s carbon pricing framework to Calgary’s new pay-as-you-throw garbage fee. What can other organizations learn from our experience?

Undoubtedly, some of our impact was due to good timing, receptive audiences and the actions of other players to drive pollution pricing. And with no counterfactual, it’s difficult to say what might have been achieved without our efforts. But where we can claim some credit for moving ecofiscal policies forward, what factors contributed to that success?

The following list emerged from internal conversations, a panel discussion about our work organized by the Max Bell School of Public Policy in November and a case study on the Commission currently being developed by the Institute for Science, Society and Policy at the University of Ottawa:

• Independence: As a non-partisan group, we had no political agenda. Meanwhile, sufficient, long-term funding from private sources left us free to get on with our work.
• Credibility: Our commissioners were widely respected academics with diverse viewpoints, backed up by a high-profile advisory board drawn from across the political spectrum.
• Rigour: Our reports drew on the best evidence and in-depth analysis for policy-makers, while media interviews, infographics and explainer videos helped create public understanding.

Ironically, Ecofiscal’s initial success in promoting carbon pricing led to our biggest challenge. When carbon pricing became closely associated with the federal government, it became a partisan issue, forcing us to navigate a highly polarized political landscape in the later years of our mandate. While we brought deep expertise in economics and policy development, we were not always equipped to address the significant political and social obstacles to implementing ecofiscal policies that emerged.

On balance, however, we believe the Commission served a unique and influential role, complementing think tanks and schools of public policy and providing a model that can be adapted more broadly.
**OUR IMPACT**

Over the past five years, the Commission has engaged with audiences — online and in person — from coast to coast. Together, we are making an impact on Canadian policy. In our final annual report, we look back and summarize the various metrics we’ve been tracking.

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**TOP 5 ECOFISCAL POLICY ADVANCES**

**CARBON PRICING**

**PRICING POLLUTION CANADA WIDE**

On January 1, 2019, the Output-Based Pricing System (OBPS), a regulatory trading system for industry, came into effect. On April 1, 2019, the federal backstop came into effect in Ontario, New Brunswick, Manitoba, and Saskatchewan, bringing household and small business carbon pricing to the entire country. The carbon revenues generated in these provinces were mainly returned to households via an income tax credit called the Climate Action Incentive, with the balance of funds used to support schools, hospitals and small businesses.

**MINING DISASTERS AND CLOSURES ASSEMBLY OF FIRST NATIONS**

Who pays for cleanups after mining disasters or mine closures? In early 2019, the First Nations Energy and Mining Council in B.C. put out a series of reports calling for changes in the financial assurance requirements covering these situations — and Ecofiscal’s Responsible Risk report was cited frequently. The Assembly of First Nations then took up the issue, passing a resolution in December affirming their right to require financial assurance for full mine remediation and protect against the risk of mining disasters, as well demanding legislation and policies that ensure that mining companies provide full, upfront financial assurance for the cost of cleanup.

**WASTE PRICING**

**PAY AS YOU THROW CITY OF CALGARY**

On January 1, 2019 the City of Calgary completed its transition to a user-fee model for curbside waste collection (i.e., its black, green and blue cart programs). The City scrapped its more general Waste Management Charge, which was applied through the property tax system, and replaced it with a more direct user fee for its black (garbage) carts. The City is also introducing a pay-as-you-throw program, where residents will pay an extra $3 fee for each bag of excess garbage, and a pilot project using RFID technology where black cart fees will vary based on how often people have their black carts emptied. These changes draw heavily on our Cutting the Waste report, which included a case study on the City of Calgary. The new user-fee model ensures residents pay and see the full program costs for all city curbside collection, creating a stronger link between how much waste residents generate and how much they pay.

**RESIDENTIAL WATER METERING METRO VANCOUVER**

In August 2019, Metro Vancouver published a best practices guide for local governments about residential water metering. The report cites the Ecofiscal Commission’s 2017 water report Only the Pipes Should Be Hidden: Among other things, the guide recommends moving toward universal water metering.

**NEW YORK CHARGE AREA MANHATTAN, US**

While it’s not a Canadian example (unfortunately, despite continued conversations in Canada), New York City approved a plan which will make it the first U.S. City to apply congestion fees on vehicles traveling into or within the Manhattan central business district. The traffic congestion fees go into effect in 2021. The approved plans follow many failed plans (2007 with Mayor Bloomberg, 2015 by transportation engineer Sam Schwartz). Here’s hoping Canadian cities will follow New York’s lead and implement congestion pricing policies of their own. Toronto came close in 2016, when it tried tolling the Don Valley Parkway and Gardiner expressway, but the policy was ultimately stopped by the provincial government.

“RCBC has adopted the circular economy as its overarching strategy to promote economic and environmental sustainability. The Ecofiscal Commission’s waste-related work, providing substantive fact-based evidence, supports our efforts in demonstrating waste elimination as a sound financial approach to resource conservation.”

Brock Macdonald, Chief Executive Officer, Recycling Council of British Columbia
FINAL THANK YOU AND NEXT STEPS

When we set out on this Ecofiscal adventure five years ago, our goal was to make the economic case for environmental policy, catalyze conversations and inform practical solutions. And in that, we’ve succeeded.

In the “Lessons Learned” section earlier in this report, we identified the key factors that contributed to that success. But our accomplishments are also due in no small part to the people who make up the Commission.

Our staff and commissioners brought extraordinary levels of effort, commitment and competence to their work. The KTG Public Affairs team provided strategic communications savvy that ensured our messages reached their intended audience. Meanwhile, advisors from industry, not-for-profits and government — representing every point along the political spectrum — lent their names and reputations to the endeavour.

Finally, we owe a tremendous debt of gratitude to our visionary funders, who saw a need for this undertaking, bankrolled us for our entire five-year mandate and left us free to get on with the work instead of constantly chasing funding.

Thank you. With your support, we’ve shown that ecofiscal policies can be smart, practical and possible. Now, it’s time for other organizations to carry this work forward, creating new insights into the best ways to put a price on pollution.

THANK YOU.

REVENUES AND EXPENDITURES 2019: ~$1.3 MILLION

REVENUES

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EXPENDITURES

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WHO WE ARE

COMMISSIONERS

Chris Ragan, Chair
McGill University

Elizabeth Beale
Economist

Paul Boothe
Western University

Mel Cappe
University of Toronto

Bev Dahlby
University of Calgary

Don Drummond
Queen’s University

Stewart Elgie
University of Ottawa

Glen Hodgson
C.D. Howe Institute

International Financial Consulting Ltd.

Justin Leroux
HEC Montréal

Richard Lipsey
Simon Fraser University

Nancy Olewiler
Simon Fraser University

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Institute for Research on Public Policy

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University of Calgary

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Elyse Allan
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Jean Charest
Karen Clarke-Whistler
Jim Dinning

Peter Gilgan
Michael Harcourt
Bruce Lourie
Paul Martin
Peter Robinson

Lorne Trottier
Annette Verschuren
Steve Williams

FUNDERS & SUPPORTERS

Canada’s Ecofiscal Commission recognizes the generous contributions of the following funders and supporters:

- **Family Foundations**: 91%
- **Corporations**: 9%

- **Salaries**: 45%
- **Administration**: 12%
- **Contract Communications**: 20%
- **Contract Research**: 13%
- **Events & Meetings**: 6%
- **Travel**: 4%
Canada’s Ecofiscal Commission was formed by a group of experienced, policy-minded economists from across the country, seeking to broaden the discussion of ecofiscal policy reform beyond the academic sphere and bring it into the realm of practical policy application. The Ecofiscal Commission and its commissioners are fully independent and aim to serve policy-makers across the political spectrum, at all levels of government.