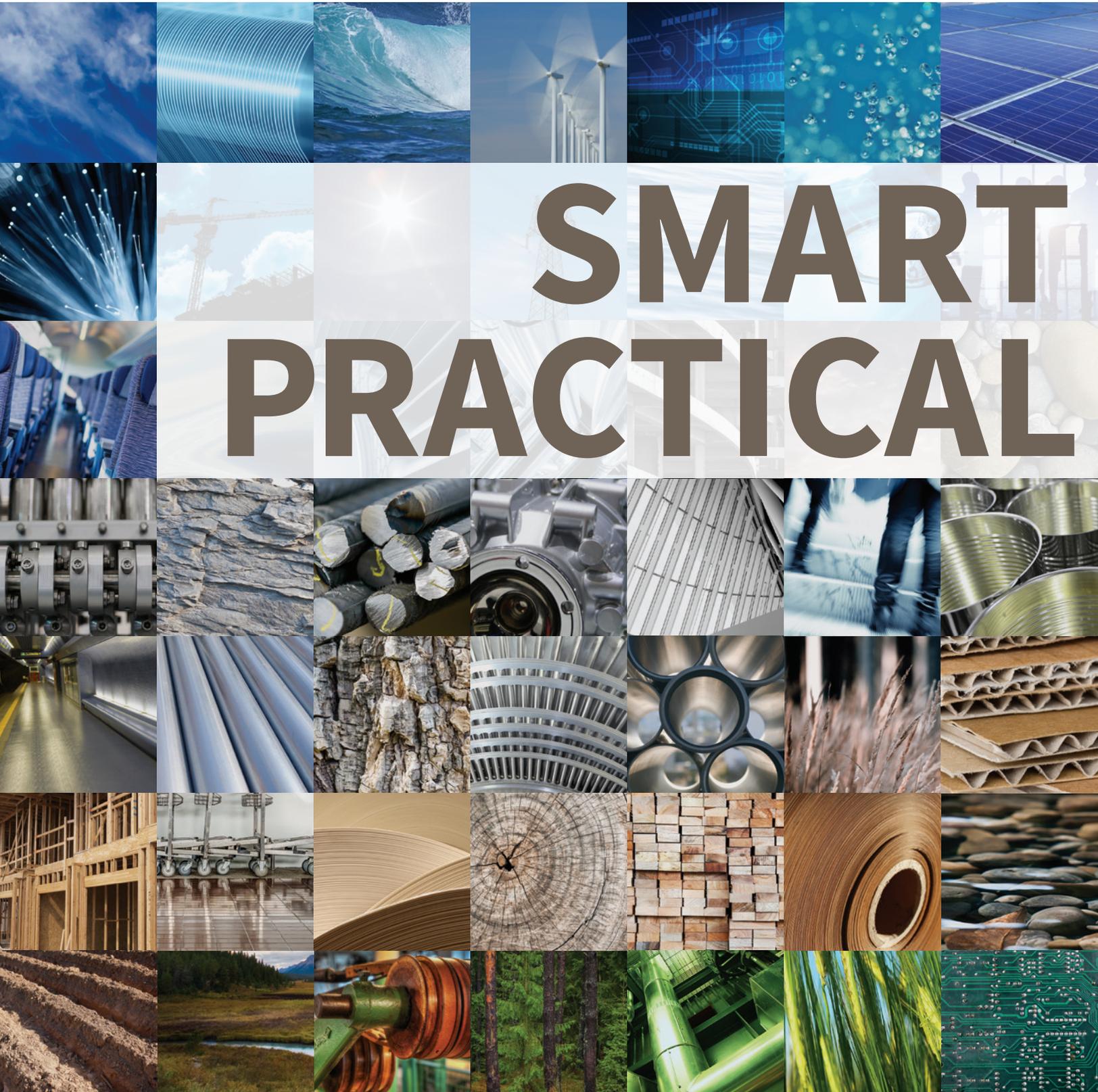




CANADA'S **ECOFISCAL** COMMISSION
Practical solutions for growing prosperity



SMART PRACTICAL

CANADIAN OPTIONS FOR GREATER 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.

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.





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



THE PEOPLE BEHIND CANADA'S ECOFISCAL COMMISSION

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 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.



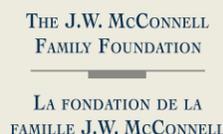
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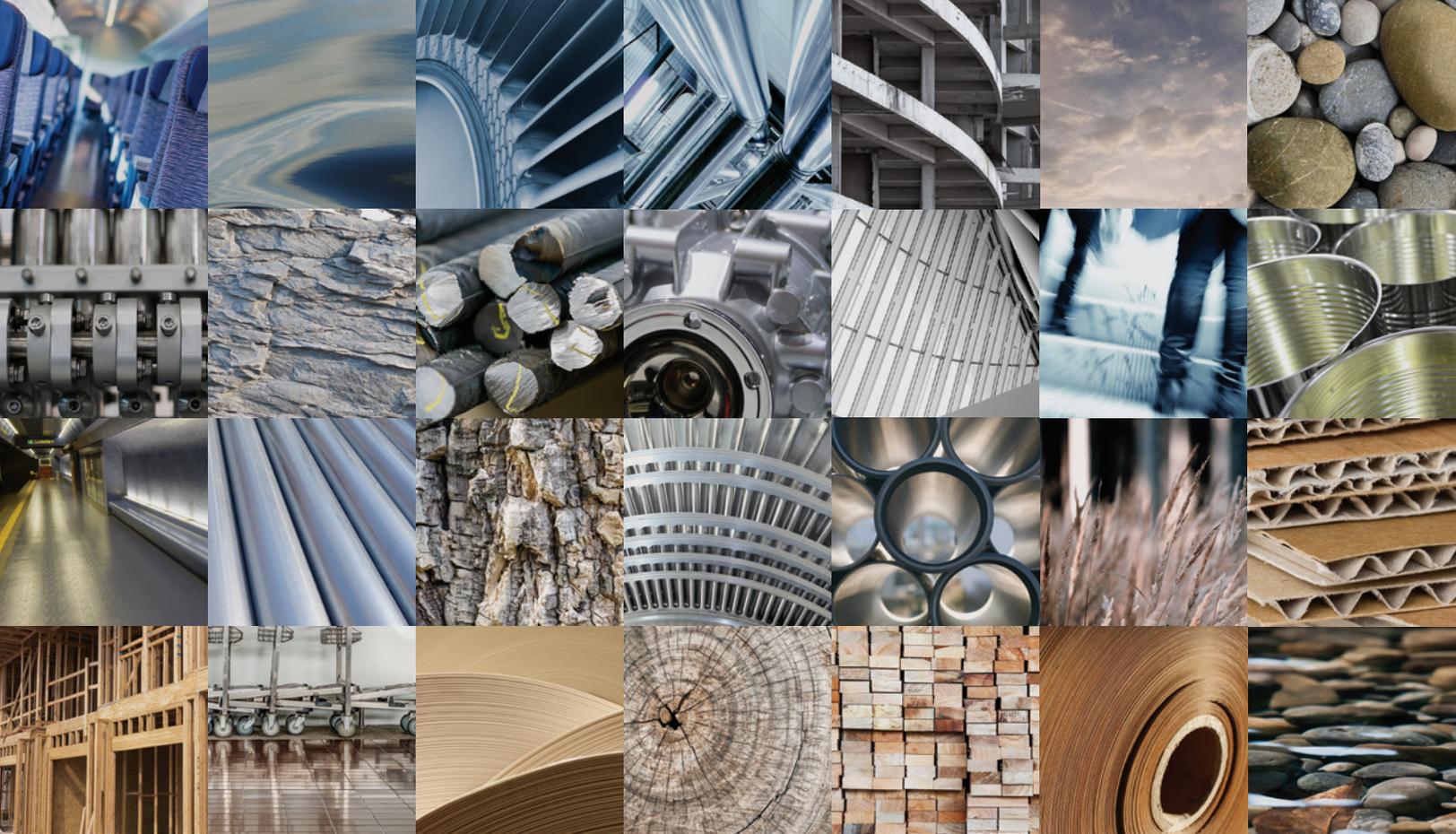


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For full biographies of our Commissioners and Advisory Board members, visit ecofiscal.ca



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