

SCAN!

Budget 2021 Briefing Note

Climate First not Fossil First campaign

David Robertson

The 2021 Federal government Budget has an entire chapter devoted to climate action. It takes the Healthy Environment and a Healthy Economy (HEHE) report and tweaks it here and there. In the process there is additional money for some climate related initiatives and even more money for some big ‘fossil first’ programs.

The chapter starts with a passing recognition that there is a “climate crisis” but then the language shifts back to the more neutral and less urgent framing of “climate change”. In fact, in 724 pages the phrase “climate crisis” appears only twice. Hydrogen on the other hand appears 40 times. But then again, the phrase ‘climate crisis’, never appeared in the HEHE report.

Home energy retrofits

The budget has tacitly acknowledged the inadequacy of its previously announced home energy retrofit program. The climate plan announced a program that would, at best, provide some very modest assistance to help retrofit only 1 out of 10 houses. Deep retrofits are needed and they are expensive. A figure of \$40,000 is closer to the mark. Budget 2021 now adds a cynical twist by encouraging homeowners to do ‘deep retrofits’ and offering to provide up to \$40,000 as a no interest loan. After spending considerable time in the budget reviewing the distressing financial consequences and hardships posed by Covid and the government’s commitment to provide some income supports, it blithely turns around and suggests when it comes to climate action hard pressed Canadians can borrow \$40,000 for a state-of-the art heat pump and some triple glazed windows.

More emission targets out of Reach

The big news in the budget is the commitment to set more ambitious emission reduction targets for 2030. Recall that Canada was obligated to up its game and set stronger Nationally Determined Contribution targets by the time COP 26 meets this coming fall. The government was also positioning itself for the ‘Biden’ Summit on April 22.

The government has now committed to reduce Canada’s GHG emissions by 36% by 2030 over the base year of 2005. This commitment appears as a chart on page 172 of the budget. There is no supporting documentation nor any evidence to support the new numbers. The government simply claims that the programs announced in the budget (and a hinted alignment with the US) will achieve those results.

The difference between the old target and the new one is 43 MT. When it comes to emission reductions that is a huge number. It is more than two times greater than the emission reductions expected to be achieved by the oil and gas sector. It is 4x greater than all the emission reduction expected in transportation. It is more than twice the size of the reductions in buildings. Close to twice the achievement expected in heavy industry.

The challenge is huge and there is nothing in the budget that is new or different or enriched or enlarged enough that suggests those targets are achievable. The most recent annual edition of the National Inventory of Emissions concludes that data for the latest year available (2019] showed that Canada's emissions continue to climb.

The budget does not alter course from the Healthy Environment and a Healthy Economy. It doesn't address any of the shortcomings identified in the government's climate plan; it doesn't correct any failures; it doesn't forge any new pathways. It doesn't announce any new programs that would change the climate calculus.

The government wasn't anywhere close to the track for achieving the Paris target of a 30 % reduction in emissions. The budget has failed to alter course which means that the new targets are simply not believable.

Locking in the 'Fossil First' climate formula

There are a number of initiatives in the budget that are welcome and important (such as commitments to protect more land and water in the country) but they don't shift the liberal climate action formula from a 'fossil first' to a 'climate first' one. The government climate formula, **Carbon pricing + Hydrogen + CCUS + Nuclear = Paris 2030 and beyond** is now even more locked in.

In the HEHE the government committed to "eliminate inefficient subsidies to the oil and gas sector." (After years of defending fossil fuel subsidies, the government finally admitted that some might actually be ineffective). The 2021 budget fails to act on that commitment. The subsidies to Big Oil will continue to flow. Instead of announcing the end to fossil fuel subsidies the budget ups what big emitters and the fossil fuel companies can get.

The budget restates its commitment to the Zero Accelerator Fund and commits \$8 billion in financing. According to Part 2 of the Carbon Price system big emitters are charged for their emissions over a certain 'intensity' level. The money the government collects is to be returned to industry to help them clean up their act. There are so many ways for companies to game the system that there will probably be very little collected in emission liabilities. So instead of waiting for a revenue stream that is unlikely to appear the government bundles up billions of public dollars to subsidize big emitters to do what they should be doing. The soft caps and hard cash approach are part of the government's, 'Fossil First' climate plan.

Budget 2021 puts in place some of the funding mechanisms to support its fossil fuel hydrogen and carbon storage commitments made in the climate plan. The budget announced a major new tax credit for companies involved in large carbon storage projects but didn't specify the cost to the public of such a subsidy. There's to be a 90-day consultation period (and besides, it's better to keep the figures out of the public view of the budget). In addition, it has set aside \$319 million (over 7 years) to support research and demonstration projects for carbon sequestration. It also repeated the commitment of \$1.5 billion that would be used to help "position Canada as a global hydrogen leader and deliver on the Hydrogen Strategy for Canada."

Renewable energy, out of sight out of mind

In the budget there are billions for big emitters and then a few more billion for some of them to shift to fossil hydrogen with carbon storage. On the other hand, the budget continues to completely ignore renewable energy such as wind power and solar energy. The renewable energy omissions of the climate plan are repeated in the budget. There are no new programs announced. More evidence of how deeply entrenched is the Liberal government's 'Fossil First' formula.

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