

Municipalities and the federal government should work together to create a green economy in Canada: New Report co-authored by Sustainable Prosperity

February 8, 2012, Ottawa – A new report co-authored by Sustainable Prosperity, an Ottawa-based think tank, makes a range of policy recommendations aimed at building a green economy at the municipal level and recommends governments work together, particularly as cities face critical funding challenges. Building Canada’s Green Economy: The Municipal Role was produced for the Federation of Canadian Municipalities (FCM) and will be presented at the FCM’s Sustainable Communities Conference today. “Cities can work towards a greener economy by focusing on a number of key policy initiatives, including improving transit systems, encouraging energy efficient retrofits, addressing sprawl and using renewable resources”, says the report’s co-author, David Thompson, Director of Sustainable Communities at Sustainable Prosperity.

“Infrastructure investments in areas such as transportation, water resource management and energy use can create jobs and strengthen communities”, says Mr. Thompson.

Cities are facing serious economic challenges and there are a number of ways to generate new revenue streams for a greener economy. At the municipal level, governments can adjust taxes and user fees. Cities can use land more efficiently and move away from urban sprawl by adjusting the fees for property developers building new homes and altering property taxes to favour brownfield and infill development, the report notes. “Municipalities are the level of government with the most direct control over urban form and will need to be front and centre in efforts to rein in sprawl,” says Mr. Thompson. At the federal level, the government could remove harmful subsidies and work with provinces to harmonize carbon pricing, says Mr. Thompson.

The federal government can adopt policies that help cities build a green economy, and decisions made by municipalities can, in turn, help meet federal economic and environmental priorities, the report notes. “For example, eliminating harmful subsidies and harmonizing carbon prices across Canada would send a consistent and appropriate policy signal, and demonstrate political unity and commitment to achieving better land-use patterns”, says Mr. Thompson.

Changing fiscal priorities at all levels of government is critical and will redirect funds to green economy sectors where the products and services of the future will be, argues the report.

To view the full report and additional Sustainable Communities information visit www.sustainableprosperity.ca.

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Background

Canada has a strong economy, vast clean energy potential and is well positioned to be a global green economic leader, notes the report. But there are challenges.

“It is unclear whether we are making the right strategic choices today that will win us a share of the new jobs, investment and innovation associated with a greener global economy. We could easily find ourselves watching those benefits flow to other countries and being net consumers of future innovations, instead of net producers,” warns a report co-written by Sustainable Prosperity.

There are a number of ways cities can move towards a greener economy. Key among those: long-term and predictable infrastructure spending. “Infrastructure investments not only yield direct results in terms of transportation, water resource management and energy use, but also create jobs in both the construction and operating phases, as well as indirect and induced economic benefits. They strengthen the role of cities and communities as engines of the national economy and platforms for the country’s exports, wealth generation, labour and innovation,” says the report.

The \$2-billion Gas Tax Fund and the seven-year Building Canada Fund are important examples of long-term infrastructure funding programs that have been beneficial in communities across Canada. Funding green initiatives requires bold planning and collaboration on the part of municipal, provincial and federal governments. There is evidence that Canadians support rethinking subsidies at the federal level, for example. In Alberta, where oil and gas is big business, 78% of people would prefer to see subsidies for renewable and alternative energy rather than oil and gas development, notes the report. This is about investing in the future and in a greener economy, not about punishing traditional industries, notes co-author David Thompson.

A green economy is a strong economy. Green economy sectors provide high levels of employment and GDP impact per dollar invested – from 10 to 20 person-years employment per million dollars invested, according to the report.

Carbon pricing is another area where governments can work to help municipalities. Carbon pricing already exists across Canada, but it is inconsistent both across fuel types and among the provinces and territories. The federal excise tax of 10 cents a litre on gasoline carries an implicit carbon price of \$42 per tonne of carbon dioxide, while a number of provinces have adopted explicit carbon prices on various levels and forms. If the provinces brought in harmonized carbon pricing, it would reduce economic distortions, provide businesses with policy certainty, and help support cities in their efforts to reduce emissions and rein in urban sprawl.

“For municipal governments, an effective national carbon price could bolster transit ridership and revenues, while helping achieve a range of municipal goals such as reducing excessive automobile use and boosting brownfield, infill and denser development,” says David Thompson, co-author of the report. “Carbon pricing is more economically efficient than regulation at reducing greenhouse gas emissions, and although many decisions cannot be regulated (e.g. location and transportation decisions), they can be influenced by pricing.”

There is wide-ranging support for carbon pricing. “Canadian business leaders view certainty on carbon policy in particular as important for business,” notes the report. The Canadian Council of Chief Executives, the Canadian Association of Petroleum Producers, the Canadian Gas Association and the Canadian Vehicle Manufacturers Association are among the great majority of energy- and carbon-intensive industries in Canada that support a price on carbon.

In October 2007, Quebec implemented the first carbon tax in Canada. The province recently adopted a carbon cap-and-trade system. In July 2008, British Columbia introduced a tax. Alberta has implemented a hybrid regulatory-pricing system for industrial carbon emissions.

An earlier report by Sustainable Prosperity notes that harmonizing implicit carbon prices in the federal fuel excise tax would yield \$12 billion per year, every year.

A critical issue affecting municipalities is urban sprawl, the report notes, and there are considerable environmental and health-related costs that impact all levels of government. The trend towards urban sprawl and the increased reliance of vehicles in recent years has been linked to obesity, diabetes and heart disease, as well as a rise in traffic accidents. Sprawl also eats up valuable farm land.

There are benefits to encouraging urban density, including economic growth. “Firms have more potential workers to choose from, resulting in better employment fit, and higher labour productivity. Job seekers also have more employers to select from, reducing unemployment,” says Mr. Thompson.

Cities are in a good position to bring about major change on a range of issues. Unlike federal and provincial governments, they are not bound by partisan politics to the same degree and thus are less prone to ideological gridlock, says the report. “The notable lack of national progress on GHG [green house gas] emissions, for instance – over two ruling parties and 20 years – demonstrates that action also needs to be taken by other levels of government,” says Mr. Thompson.

Cities have control over 45% of greenhouse gas emissions, with the potential to supply between 20 and 55 mega-tonnes of reductions. Cities are responsible for managing garbage and composting, treatment of wastewater and maintenance of roads and transit, all critical to moving towards a greener economy. Municipalities have moved towards a greener economy but all levels of government must work together to reach the next level. “The time has come for greater partnership between municipalities and the federal government – and for the government to put in place the policy framework that will multiply the benefits of municipal action,” says Mr. Thompson.

The benefits of a green economy extend beyond our borders. By some estimates, the global green economy is worth more than US\$4 trillion. In Canada, green technologies and services were estimated to be worth \$2.3 billion in 2010 and expected to reach \$3.7 billion by 2014. However, further growth in this sector is being hampered by federal policies, notes the report.

There is a lot of room for improvement in Canada: The Organisation for Economic Co-operation and Development ranked Canada 24th out of 25 OECD countries on sustainability.

The report, *Building Canada’s Green Economy: The Municipal Role* was produced for the Federation of Canadian Municipalities (FCM) and was co-authored by David Thompson, Director of Sustainable Communities with Sustainable Prosperity and Shannon Joseph, Policy Director, FCM.

To view the full report and additional Sustainable Communities information visit www.sustainableprosperity.ca.

Sustainable Prosperity is an independent, green economy think tank made up of business, environment, policy and academic leaders. It aims to advance innovation in policy and markets in the pursuit of a greener, more competitive Canadian economy. Sustainable Prosperity is based at the University of Ottawa.