September 6, 2023

Via email: ENV.Minister@gov.bc.ca
FIN.Minister@gov.bc.ca
GHGRegulator@gov.bc.ca

Honourable George Heyman
Minister of Environment and Climate Change Strategy
PO Box 9063 Stn Prov Govt
Victoria BC V8W 9E2

Honourable Katrine Conroy
Minister of Finance
PO Box 9048 Stn Prov Govt
Victoria BC V8W 9E2

RE: SUBMISSION TO THE B.C. GOVERNMENT ON THE OUTPUT BASED PRICING SYSTEM, TECHNICAL BACKGROUNDER

Dear Ministers:

The Business Council of British Columbia appreciates the opportunity to provide feedback and offer our recommendations on the provincial government's *Output Based Pricing System Technical Paper* (OBPS), the second recently released policy paper that is part of the government's broader CleanBC Roadmap to 2030.

In 2008, British Columbia established itself as a North American leader in pricing carbon when it implemented a broadly-based tax on GHG emissions. In the decades before, the province built up a clean electric system. Abundant low cost (and emissions-free) hydroelectricity was a competitive advantage for the province, helping to attract investment and support the expansion of the natural resources and related downstream manufacturing sectors.

Somewhat fortuitously, past investments in clean electric infrastructure have positioned B.C. as a jurisdiction that produces low GHG intensive resources and processed/finished goods. Recent collaborative work undertaken by the Government of B.C. and industry confirms that B.C.'s products are low GHG intensity, with some being world leading in this respect. Most of the industries affected by the new proposed OBPS are foundational to British Columbia's export economy and represent nearly half of total provincial exports — while also generating significant measurable economic spinoffs making them vital contributors to B.C.'s prosperity and well being.

The Business Council and our members agree with the principle of pricing "externalities" arising from the supply and use of energy. Doing so makes the "hidden" costs of producing and consuming energy visible and therefore accounted for in investment and operating decision-making by companies. As such, in 2008 industry was largely supportive of the B.C. tax on GHG emissions, initially introduced as being revenue neutral, meaning the province would reduce other taxes such as corporate and personal income taxes to offset revenues raised by the emissions tax. With the shift in taxes, emissions of GHGs can be reduced without increasing the overall tax burden for business, thereby avoiding further undermining of B.C.'s competitive position. This important principle of revenue neutrality was abandoned after 2015, and increasingly so after 2017. Since the middle of the previous decade, the provincial tax burden on businesses has increased substantially due to the higher GHG emissions tax, a higher corporate tax rate, and increases in a host of other business taxes/fees. The Business Council believes that abandoning revenue neutrality as part of the broad framework for addressing GHG emissions has been detrimental to B.C.'s competitiveness. B.C. has long been out of alignment with other jurisdictions in pricing GHG emissions because these jurisdictions, including other provinces and some U.S. states as well as the EU, have taken strong policy actions to protect their export and other manufacturing industries from being placed at a competitive disadvantage in a setting of where tax-inclusive energy costs are moving higher.

Leading up to the implementation of B.C.'s 2008 tax on GHG emissions, and in the 15 years since, the Business Council and our members have consistently identified the critical importance of protecting B.C.'s large exporting sectors within the context of a rising energy cost environment. Many of these industries are price takers in global markets and are unable to pass on higher costs stemming from the B.C. emissions tax to customers. Our competitors in other jurisdictions, including the U.S., do not face a high and rising tax on emissions. In the absence of revenue neutrality, the competitive disadvantage and higher costs flowing from B.C.'s emissions pricing system increasingly undermine the case for business expansion and new investment in some key B.C. industry sectors, including resource production and manufacturing. At risk is a shift of industrial production and jobs to other locations with lower tax-inclusive energy prices.

The Business Council recognizes that some initiatives were introduced to address some of the fundamental structural issues flowing from the design of B.C.'s emissions pricing system, including the development of the CleanBC Program for Industry and the CleanBC Industrial Incentive Program.[1] Some of our members have been able to access these programs. The measures taken to date, however, are insufficient to mitigate the large and growing competitive disadvantage B.C. producers face under the present GHG regulatory and pricing regime. Therefore, it is critical to reconsider these measures.

In Budget 2023, the government indicated the province would be moving to an output-based pricing system for large industry. Many of our members welcomed that announcement, with the understanding that the proposed shift would create some much-needed flexibility and afford several important B.C. industries some financial

[1] The province has also taken action to provide cost relief for B.C. greenhouse growers.

relief, while aligning the British Columbia tax on GHG emissions with emissions pricing systems in place elsewhere.

Our optimism proved short-lived. With the release of the three policy papers (i.e., *Net Zero New Industry Intentions Paper, Output Based Pricing System Technical Paper, B.C. Oil and Gas Emissions Cap Policy Paper*) in the summer of 2023, providing more details regarding the execution and implementation of government's *CleanBC: a Roadmap to 2030,* we are concerned the planned policy changes will not provide the much needed cost relief for several of B.C.'s foundational export sectors, as well as for manufacturing industries competing with imports in the domestic market -- cement, mining, smelting and pulp and paper manufacturing being examples of the industries affected.

The Business Council's commentary on the economic impacts resulting from CleanBC, as currently envisioned, is summarized in our companion submission on the *Net Zero New Industry Intentions Paper* (attached). Notably, your government's own modelling shows all sectors of the economy (other than electricity) will be smaller as a result the current emissions price rising to $170/tonne and the implementation of other GHG-related regulations. Negative impacts will expand to smaller businesses between now and 2030 (including job losses and production declines across the broader manufacturing sector). In addition, the growth of per capita real incomes will be dampened in a significant way as the CleanBC program is fully implemented. Our analysis and conclusion show that the existing suite of provincial economic and environmental policies is on track to reduce real GDP per capita by $4,600 by the end of the decade relative to today.

Against this backdrop, we believe the B.C. OBPS, as proposed in the *Technical Backgrounder*, will not counter the economic impacts projected to accompany the CleanBC Roadmap. The Business Council suggests we are at an important inflection point, where the province must recalibrate and revisit elements of CleanBC, including the proposed timelines for emissions reductions. While we support pricing emissions as a tool to assist moving to an economy with lower GHG emissions and as part of an overall approach to meet the province's 2050 net zero objectives, the economic damage expected to materialize by 2030 under the CleanBC plan is simply too great.

Given the evolution of B.C.'s tax on GHG emissions, which has provided virtually no protection for most trade exposed industry sectors as the tax has marched higher over time, we submit that simply mirroring the Canadian OBPS framework is neither appropriate nor sufficient. The government should structure a "made in B.C." OBPS to significantly improve the competitive landscape for the province's leading traded goods industries, thus enabling these industries to remain in business and make future capital investments and further improve their operations in British Columbia. There is only a narrow window of opportunity to adjust the planned output-based structure so the province can make progress on its GHG targets for the right reasons, while also enhancing future economic opportunities for the next generation.

In the pages that follow, we outline a suite of recommendations within several areas of the proposed CleanBC program. In aggregate, the combination of decisions outlined in the paper around benchmarks, reduction factors, and tightening rates makes B.C. proposed approach overly stringent.

PERFORMANCE TARGETS

The Business Council is concerned that sector averages are proposed as the basis for establishing target performance metrics for specific facilities. Averages are often misleading and can overlook important details. They do not account for unique design and operating conditions of facilities within a sector or in the sector overall, and small sample sizes means variability is large – thus not allowing for accurate inferences. We understand that using sector average GHG emissions intensity data may be useful for providing an overview of a sector, but with GHG emissions only facility-specific design and operating conditions matter to actual performance and to determining practical and economic emissions reduction possibilities.

Considering B.C.'s status as a jurisdiction that has lower GHG intensity resources and manufactured products, it is concerning that the current proposed average benchmarks are more stringent than elsewhere in Canada and the world. Using average benchmarks penalizes B.C. companies for already using zero emissions electricity, and it does not give them credit for more than a decade of investing and working to reduce emissions in a jurisdiction that has had a carbon price for 15 years. Based on our analysis, using average sector benchmarks will result in no facility or sector in the province ever being able to meet or exceed the stipulated standards. In effect, the made in B.C. OBPS being contemplated by the government will provide little and in some cases no relief for B.C. exporters. That is unacceptable.

The Business Council recommends the following:

- Develop technically achievable sector performance benchmarks based on a detailed bottom-up assessment of comparable facilities and performance standards elsewhere in Canada, at a minimum, and preferably compared with relevant global performance references.
- Ensure facility-specific performance benchmarks recognize actions already taken – or, in the case of new investment, that reflect realistic design and engineering constraints given available technology.

REDUCTION THRESHOLDS

The Business Council notes that B.C. has chosen levels of protection via reduction thresholds that are significantly less generous than those elsewhere, especially relative to jurisdictions with emissions trading systems. Given the demonstrably lower GHG intensity of many of B.C.'s trade-exposed products and the growing world-wide demand for most of these products, B.C.'s proposed less generous protections will make these local industry sectors less competitive globally and within North America. By being significantly different from the rest of Canada and other emissions pricing systems, including the newly implemented Washington State emissions trading system, the proposed reduction (protection) levels will effectively erect additional barriers to trade. In addition, for those B.C. sectors and facilities that have made substantial investments to upgrade their operations and curb emissions using best available technology -- and who therefore outperform their global competitors on GHG intensity -- providing a higher level of protection is critical.

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The Business Council recommends the following:

- Re-evaluate the proposed B.C. protection thresholds to ensure overall competitiveness is achieved with other jurisdictions both within and outside Canada.

Tightening Rates

The rules for tightening rates (TRs) are a key feature of emissions trading systems. They are not without limitations. One of the most important is that they assume an ability to forecast real and reliable pathways to deliver future emissions reductions, without considering the heterogeneity of facilities within and among sectors or the availability of economic solutions. TRs also ignore the realities of the business cycle for investments in new technology and other innovations needed to manage emissions. TRs imported into output-based systems have the same limitations.

One of the most problematic issues with B.C.'s proposed TRs is the steep and assumed straight-line journey towards sectoral GHG targets imposed, against a historical trend of largely flat economy-wide emissions. When the trajectory of emissions is viewed year-over-year since 2007, the only years with significant decreases are 2009 (following the global financial crisis) and 2020 (COVID). The rest of the years report only slightly negative or positive changes in annual emissions.

A straight-line TR is therefore inconsistent with the real trends and, if adopted, will create legal and structural rigidity with little flexibility, especially for facilities and sectors already at their technology frontier and where possible new solutions are only at the emergent stage of development, making them both untested and uneconomic. Most jurisdictions can adjust the TR rules to address carbon leakage risk. Washington State is an example of a more coherent and realistic approach. The State can adjust its TRs or performance measures if facilities or sectors can demonstrate there are no available technically or economically feasible solutions for improving GHG intensity. Not having this flexibility in B.C.'s proposed system will accelerate the erosion of competitiveness and increase the risk of carbon leakage. Accordingly, the Business Council recommends the following:

- Create flexible facility-specific TRs as a tool for managing the risk of carbon leakage and that capture both existing facility investments to date and technology constraints.
- Apply TRs to combustion (i.e., non-process) emissions only.

Use and Generation of Credits

Despite increasing criticisms about the generation, quality, and use of GHG credits, they are an important and necessary tool for managing existing and potential emissions liabilities and as a hedge against emissions-related asset value risk. The opportunity to invest in activities and projects generating credits has positive side effects, including spurring investments in new technology and much needed infrastructure. The Business Council is concerned about the restrictive constraints for sourcing and using credits, in particular the maximum 30%. This is curious positioning if the objective is to encourage innovation. Moreover, we are also troubled by the proposed restriction limiting eligible use of compliance units to 30% and only for those that have been issued within three years of the compliance year. We suggest at least a 5-year and up to 10-year time horizon is more appropriate given investment realities and the effects of business cycles. Adopting a limited maximum, shorter vintage time-period, and only being able to use government approved accredited offsets, will dampen incentives to invest in innovations in B.C. and increase the cost per tonne of CO2e managed.

The Business Council thus recommends the following:

- Enable the use of 100% of credits towards compliance.
- Change and allow the use of eligible credits within 10-year of the compliance year, at a minimum with a consideration for a longer vintage depending on the quality of the verified credit.
- Expand the range and types of investment/solutions generating GHG emissions credits and offsets with procedures to ensure appropriate independent verification and rigorous and transparent monitoring and reporting system, as well as double counting.

Capture of Process Emissions

The history of pricing emissions in B.C. has been focused on combustion emissions. The Business Council is puzzled by B.C.'s decision to include process emissions, given that it appears to duplicate other initiatives such as methane management in the oil and gas sector and other regulatory initiatives aimed at GHG management.

The Business Council recommends the following:

- In keeping within the historical frame of GHG emissions pricing in the province, remove process emissions (i.e., non-combustion) from coverage.
- Work with industry to develop tools to reveal and avoid hidden taxation.

Electrification

Both government and industry recognize the importance of access to electricity for hard-to-abate sectors. Here we reiterate and expand on the recommendations in our *Net Zero New Industry Intentions Paper* submission. These were:

- Enable the private sector and Indigenous organizations to invest in transmission. Ensure these assets generate credits for the investors, and that they can be used as credits/offsets against their portfolio of GHG emission liabilities. Nova Scotia has a provision of this kind in place.
- Develop and offer a CleanBC price for electricity for industrial users to encourage electrification.
- Streamline the development and approval process for transmission interconnection.
- Encourage clean self-generation and plant-to-plant wheeling and enable the use of credits to the extent these are created to be used to meet compliance obligations.
- Shorten timelines for transmission system interconnection.

INDIGENOUS ISSUES

As noted in our Net Zero submission, the Business Council is worried about the potential negative effects B.C.'s approach to GHG management on future Indigenous economic development. In our view, there are inconsistencies between the details of the proposed OBPS, including restrictions on the kinds of projects that can generate credits, and the government's stated desire (which we share) to improve the well-being of Indigenous peoples and communities across the province.

CONCLUSION

Our membership is made up of large and medium-sized enterprises from most sectors of the B.C. economy and representing hundreds of thousands of payroll jobs across the province. We understand the connection between energy and prosperity, as well as the need to use energy wisely and reduce global greenhouse gas emissions. We also know that industry in B.C. has been proactive in its efforts to reduce emissions and remains committed to doing so in ways that are practical and economic.

We continue to support pricing emissions and believe that a price on GHGs is the least cost and most efficient way of incentivizing the development and adoption of emission reduction solutions -- far superior to the accumulation of various regulatory solutions now in play locally and in Canada. We encourage B.C. to work with industry to refine its approach to the new B.C. OBPS as articulated above.

We appreciate the opportunity to provide our comments on the Output Based Pricing System Technical backgrounder. Looking ahead, the Business Council is committed to working with the government to find practical solutions to ensure B.C.'s prosperity is maintained as the province works to reduce GHG emissions. We would be pleased to meet with you and your officials at your earliest convenience.

Yours sincerely,

Yours sincerely

Ken Peacock
Senior Vice President
and Chief Economist

Denise Mullen
Director, Environment, Sustainability, & Indigenous Relations

cc:

Shannon Salter, Deputy Minister to the Premier
Matt Smith, Chief of Staff, Office of the Premier
Doug Caul, Deputy Minister, Office of the Premier
Kevin Jardine, Deputy Minister, Ministry of Climate Change Strategy
Jeremy Hewitt, Assistant Minister, Ministry of Climate Change Strategy
Heather Wood, Deputy Minister, Ministry of Finance
Renee Mounteney, Assistant Deputy Minister, Policy, and Legislation Division, Ministry of Finance
Doug Foster, Assistant Deputy Minister, Strategic Initiatives, Ministry of Finance
Shannon Baskerville, Deputy Minister, Ministry of Energy, Mines and Low Carbon Innovation

WHERE LEADERS MEET TO UNLOCK BC'S FULL POTENTIAL

Business Council of British Columbia
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August 21, 2023

Via email: ENV.Minister@gov.bc.ca
FIN.Minister@gov.bc.ca
GHGRegulator@gov.bc.ca

Honourable George Heyman
Minister of Environment and Climate Change Strategy
PO Box 9063 Stn Prov Govt
Victoria BC V8W 9E2

Honourable Katrine Conroy
Minister of Finance
PO Box 9048 Stn Prov Govt
Victoria BC V8W 9E2

RE: SUBMISSION TO THE BC GOVERNMENT ON THE NET ZERO NEW INDUSTRY INTENTIONS PAPER

Dear Ministers

We appreciate the opportunity to provide feedback on the government's *Net-Zero New Industry Intentions Paper*. It is one of three recently released papers outlining the British Columbia government's proposed regulatory changes it believes are required to meet GHG emission targets set out in the government's *CleanBC: a Roadmap to 2030* plan. The 2030 plan sets sectoral emission targets on the province's longer journey to becoming a net-zero jurisdiction by 2050. The recently released series of papers, including the *Net-Zero New Industry Intentions Paper*, begins to provide some of the details of how the 2030 plan will be achieved.

The Business Council of British Columbia is a non-partisan organization committed to improving the competitiveness and prosperity of the province. Our membership is made up of large and medium-sized businesses active in every sector of the economy, representing hundreds of thousands of payroll jobs across the province.

The Business Council, and its member companies and organizations are broadly supportive of the government's 2050 net zero goals. We are, however, concerned about the near- and medium-term economic implications of CleanBC policies. As currently envisioned, timelines are very short. Some elements of the plan depend on emission reducing technologies that are nascent and not commercially viable. We also believe that to date the economic implications and trade-offs required to meet the ambitious 2030 goals, just seven years out, have not been clearly conveyed to industry, business, or the broader public. Understanding the negative economic impact of CleanBC forms an important backdrop for the collaborative discussions between industry and government required to reduce GHG emissions and move towards 2050 targets. We believe it is also important British Columbians to more fully understand the implications of CleanBC on real incomes and related housing and living affordability challenges.

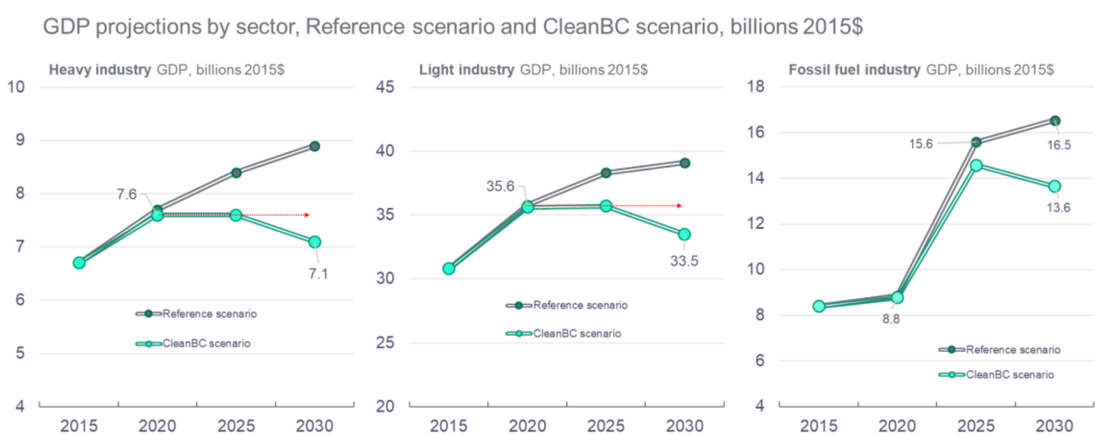
Given widespread concerns about the implications for capital investment and production voiced by industry and many of our members that are corroborated by the government's economic modelling of CleanBC we believe it is in the best interest of all British Columbians that planned timelines be recalibrated. This is not simply a "we need more time" request. The expected negative economic impacts of CleanBC as it is currently conceived are substantial and widespread.

This submission examines the income (GDP) projections for key industries as well as the economy-wide effects of CleanBC and the implications for household incomes and prosperity. It also addresses specific issues and thoughts about how to strengthen and streamline the proposed net zero policy framework.

IMPACTS OF CLEANBC ON GROWTH AND PROSPERITY

Modelling undertaken by the government to better understand and quantify the effects of CleanBC policies on provincial GHG emissions and real GDP shows not only will income (GDP) growth slow in B.C.'s heavy industry and light industry sectors but that the policies will result in GDP in 2030 being below 2020 levels. CleanBC policies are also projected to curtail growth in the fossil fuel sector relative to the baseline Reference scenario which does not include CleanBC policies. Combined, total income in these three foundational export sectors shown in the figure below is projected to be $8.9 billion lower in 2030 because of CleanBC policies being implemented.

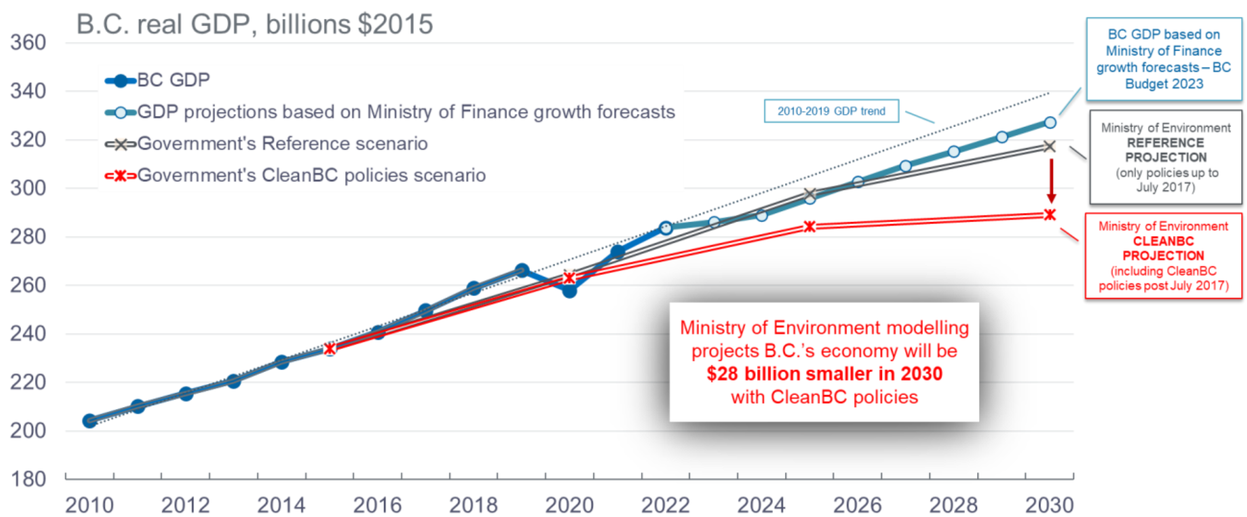
CLEANBC POLICIES EXPECTED TO REDUCE INCOME (GDP) IN B.C'S FOUNDATIONAL SECTORS



CleanBC modelling results. Ministry of Environment. 2022 Provincial Forecast (XLSX, 102KB)

The sharp drop in income in these foundational sectors that generate enormous spin-off economic activity will ripple through the rest of the economy, an effect which the modelling process seems to appropriately capture. When these negative effects are combined with the direct impacts of the higher carbon tax and more expansive regulations, income (GDP) growth is expected to slow in <u>all other sectors</u> (apart from electricity generation). The government's modelling indicates implementing CleanBC on the planned timeline will cut real economic growth in half and result in B.C.'s total economic output being $28 billion smaller in 2030 than it would be otherwise.

GOVERNMENT'S MODELLING SHOWS CLEANBC POLICIES RESULT IN $28 BILLION OF LOST INCOME



GDP at factor prices rebased to $2015 to align with Modelling CleanBC data; 2023-2024 forecasts are bank consensus projections and 2025-2027 based on expenditure-based GDP growth from BC Budget 2023 p.105. GDP history: Statistics Canada, Table: 36-10-0402-01.

Another way to conceptualize the magnitude of the economic impact is in annual percent growth terms, which most people are more familiar with. The model results imply that between 2025 and 2030, as the price of GHG emissions approaches $170/tonne and all current/planned regulations come into effect, B.C.'s real GDP growth will drop to an anemic average annual rate of just 0.4%, the slowest annual pace over a five-year period in the province's history.

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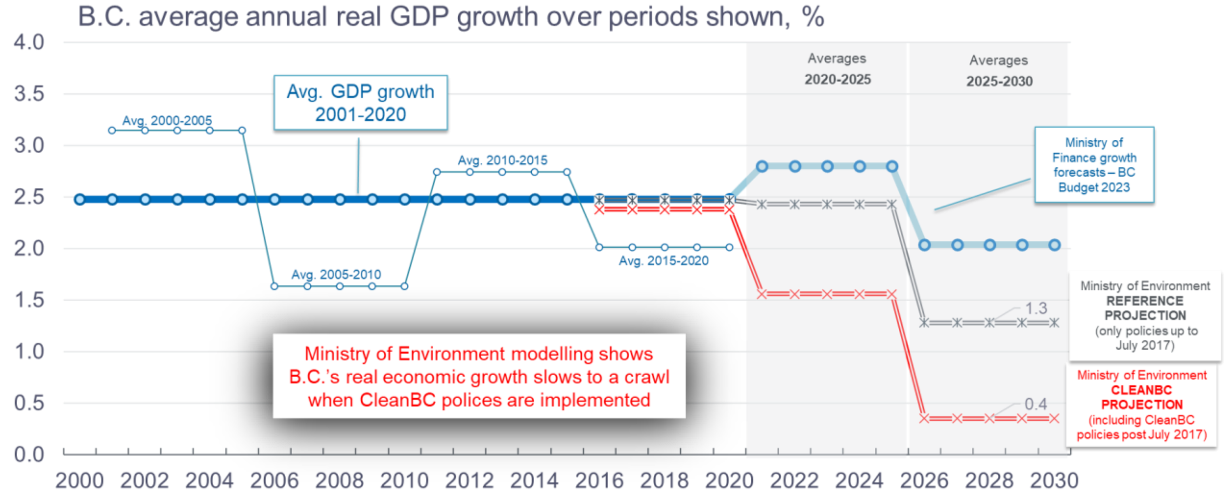
B.C.'S AVERAGE ANNUAL GROWTH SLOWS TO JUST 0.4% IN THE SECOND HALF OF THE DECADE UNDER CLEANBC SCENARIO

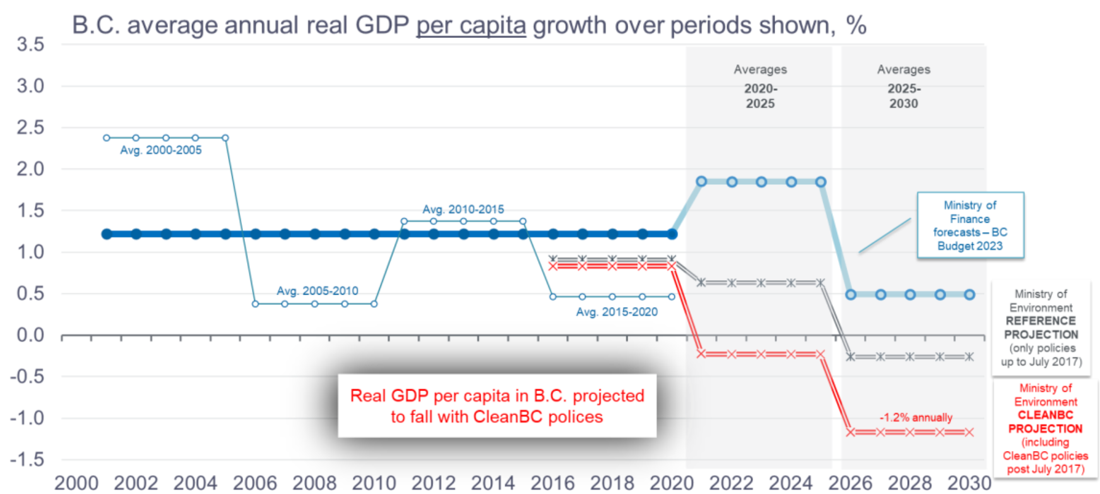


2020-2025 average based on actual 2021 and 2022 growth, 2023 BCBC forecast, and 2024 and 2025 Ministry of Finance forecasts; 2025-2030 Ministry of Finance forecasts, BC Budget 2023 p.105. GDP at factor prices. Statistics Canada, Table: 36-10-0402-01.

CLEANBC WILL SET PROSPERITY BACK MORE THAN A DECADE

The implications of CleanBC policies for prosperity and well-being are especially concerning. Based on reasonable assumptions about population growth (taken from the 2023 BC Budget), implementing CleanBC as currently envisioned will result in real per capita income falling throughout the 2020s, modestly in the first half (per capita incomes have fallen for the past two years) and then accelerating to annual declines of 1.2% between 2025-2030.

MODELLING SHOWS PER CAPITA INCOMES FALLING WITH CLEANBC POLICIES

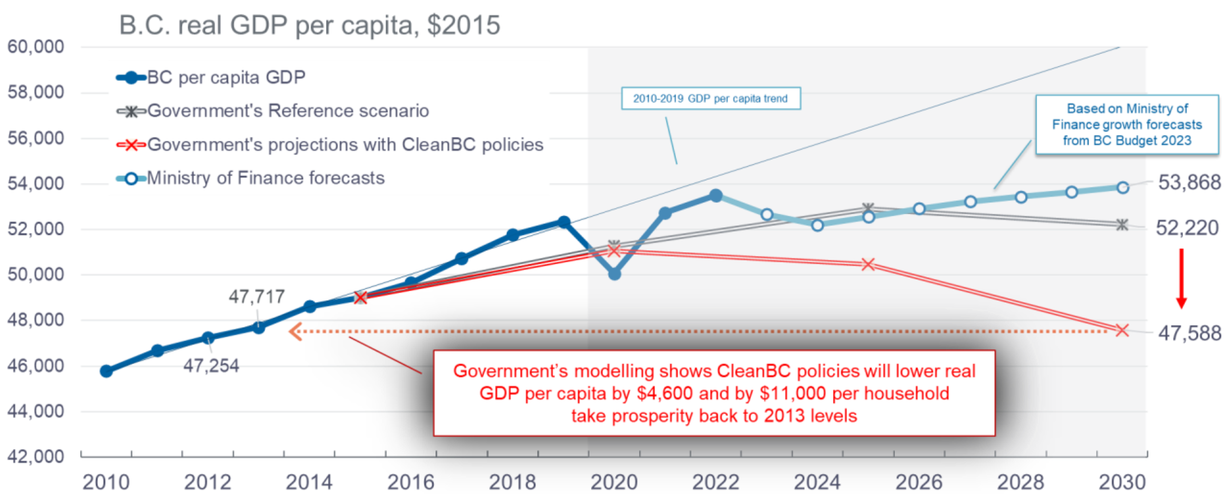


GDP at factor prices. 2020 average based on actual 2021 and 2022 growth, 2023 BCBC forecast, and 2024 and 2025 Ministry forecasts. 2025-2030 Ministry forecasts, BC Budget 2023 p.105. Population growth forecast from BC Budget 2023. Statistics Canada, Table: 36-10-0402-01.

These serial declines compound so that by the end of the decade, B.C.'s real GDP per capita will be $4,600 lower than it would be without the CleanBC policy measures. The Business Council believes it is not well understood that the best available forecasts show implementing CleanBC policies will push real per person income (GDP) in 2030 back to where it was in 2013.

The benefits of moving ahead with the aggressive timelines outlined in CleanBC should be judged in relation to the reality that doing so means the average household in British Columbia will experience an $11,000 reduction in income over a relatively short period of time. The expected negative economic implications are substantial and warrant more scrutiny. Policy makers should also recognize that lower household incomes (and lower business incomes) will translate into fewer tax resources relative to the growing population, making it very difficult to sustain, never mind improve, health care, education and other public services and social programs.

CLEANBC POLICIES PROJECTED TO TAKE PROSPERITY IN B.C. BACK TO 2013 LEVELS



GDP at factor prices rebased to $2015 to align with Modelling CleanBC data; 2023-2024 forecasts are bank consensus projections and 2025-2027 based on expenditure-based GDP growth from BC Budget 2023 p.105. Population growth forecast from BC Budget 2023. Statistics Canada, Table: 36-10-0402-01.

COMPETITIVENESS

Fundamentally, a competitive economy is a productive one. The OECD describes competitiveness as reflecting, in large measure, productivity (value-added per unit of labour input). For a small open economy like B.C., competitiveness is most relevant to industry sectors exposed to international competition and that produce traded goods/services.

B.C has traditionally enjoyed competitive advantages in natural resource industries and related downstream manufacturing sectors that rely on locally sourced commodities and raw materials as key production inputs. In B.C., these sectors represent almost half of total export receipts (goods and services exports combined) and are crucial to the province's well-being, as the government itself has noted. B.C.'s major export industries provide the economic means to provide vital public services such

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as health care, education, housing, public infrastructure, and funding for childcare. As Don Wright, former B.C. Deputy Minister, notes in his commentary on the slowly slipping living standards of Canadians “society does not come cheap”. Generating tax dollars requires robust (not anemic) economic growth and a laser focus on encouraging (not discouraging) capital investment and strengthening the economic base.

The federal and provincial regulatory and tax burden for companies with existing operations and for potential investors/new market entrants has increased over the past decade, diminishing B.C.’s attractiveness as a location to invest capital and grow businesses. The Business Council has observed that new tax and regulatory requirements are frequently developed and implemented in isolation, resulting in duplication, increased complexity, and higher-than-necessary compliance costs. The layering of proposals in the intentions paper, the introduction of an output-based pricing system, the promised oil and gas gap, and previous regulations on methane management, along with processes still to come on watershed, land use and marine planning, represent a prime example. For many operators and potential investors in the energy, forestry, mining, manufacturing, and transportation sectors, B.C. is already an uncompetitive jurisdiction to invest new capital in. CleanBC will further increase costs and the risks associated with developing new projects and upgrading existing facilities.

On what is ultimately the most fundamental metric of the province’s competitiveness, the data are revealing. The share of exports in GDP has been declining in B.C. (and Canada) since about 2000. In almost all other OECD countries, exports have grown as a share of GDP over the past two decades as countries became more, not less, integrated in international trade. The long-term down trend in the province’s share of exports in GDP aligns with the decline in business investment in machinery and equipment per worker and intellectual property products per worker that has been evident in the province since at least 2007.

Capital investment per worker in B.C. did enjoy a bump due to massive capital investments on a handful of major capital projects (Site C, TransMountain, LNG Canada and Coastal Gas Link). As the investment and construction phases of these projects wind down however, there is little in the way of large new projects in the development pipeline. The government’s modelling of the CleanBC policy scenario also foresees capital investment in B.C. falling throughout the decade.

The Business Council also expects the CleanBC policy regime will hasten the slide in capital investment as more firms shift investment and production to other jurisdictions in Canada, the U.S., and overseas countries. Having production migrate from B.C., a low GHG intensity jurisdiction thanks to our abundant hydro power, to higher GHG intensity jurisdictions is not positive for <u>global</u> GHG emissions.

We agree with the Premier that “B.C. has so much to offer the world: a talented workforce, sustainable products and services, and an abundance of the natural resources, technology and energy needed to power the clean economy.” The Premier has suggested the government aspires to grow trade (which as noted above has been shrinking as a share of provincial GDP for over 20 years) and decrease the risks of policy-created uncertainties for investors and business managers. The Business Council welcomes these comments. The Business Council believes the policies detailed in the intentions paper need to be better aligned with reducing uncertainties and supporting export growth.

Accordingly, the Business Council recommends:

- Working with industry representatives to fully describe the suite of competitiveness challenges and risks confronting businesses operating in the province's export sector and what is needed to more fully realize opportunities and B.C.'s economic potential.

- Expanding the range and types of investments/solutions that generate GHG emission credits and offsets. What is currently outlined in the Output Based Pricing technical paper and signaled in the intentions paper is too restrictive to allow for least cost solutions.

Oil and Gas and LNG

LNG is widely recognized as an essential component of the global transition to lower GHG emission energy. Fossil fuels will remain an essential part of the global energy supply for decades because of their unique energy density qualities, portability, and ubiquitous use throughout economies around the globe.

Oil and gas is B.C.'s highest value-added sector, by a wide margin. Combined with mining, the oil and gas sector generate four to five times as much real income (GDP) per unit of labour input as the economy-wide average. B.C.'s highest GDP per hour sectors create demand downstream for other goods and services across the rest of the economy. The development of energy and other natural resources is one of the most promising options for lifting average incomes and an important option for fostering greater economic independence and self-reliance for many of B.C.'s Indigenous peoples.

The Business Council is concerned that the intentions paper proposes the province diverge from the federal government's 2050 net zero LNG targets. In 2019/2020 the Business Council in collaboration with the government commissioned a third-party study of the GHG intensity of B.C. LNG. The review determined (and the province concurred) that LNG produced in B.C. is lower GHG intensity than LNG produced by all relevant competitor jurisdictions – based on CO^2e per tonne of LNG produced, B.C. produces the lowest GHG intensity LNG of any jurisdiction in the world. Having more B.C. LNG produced to meet global demand makes sense on environmental grounds and is also hugely positive for local prosperity.

Moving as swiftly as possible to further lower the GHG intensity of B.C. LNG and work towards 2030 targets will require completing the Prince George to Terrace transmission line by 2030. The practical challenges of completing this link on this timeline are substantial, considering most transmission lines take 10 or more years to complete.

Accordingly, the Business Council recommends:

- Ensure there is sufficient flexibility for enabling final investment decisions for LNG projects if the Prince George to Terrace transmission line is not complete by 2030.
- Ensure oil and gas developments and mining projects have sufficient flexibility to meet their energy requirements and are not penalized if electrification options are not available for reasons beyond their control (i.e., if the utility is unable to develop the infrastructure).

Electrification

Meeting some of CleanBC net zero goals will depend on electrification in hard to abate sectors, which in B.C. includes several energy intensive trade-exposed industries. Adding generation and transmission capacity will be difficult and expensive, and the timelines embodied in the CleanBC plan often do not align with engineering realities, capital stock turnover, existing regulatory processes nor available construction capacity. We expect B.C. will not be able to expand the province's electricity generation, transmission and distribution system sufficiently to meet CleanBC 2050 emission targets.

Accordingly, the Business Council recommends:

- Enabling the private sector and Indigenous organizations to investment in transmission. Ensure these assets generate credits for the investors and that they can be used as credits/offsets against their portfolio of GHG emission liabilities. Nova Scotia has a provision of this kind in place.
- Develop and offer a CleanBC price for electricity for industrial users to encourage electrification.
- Streamline the development and approval process for transmission interconnection.

Indigenous Economic Development

The Business Council is concerned worry that the entire suite of recent B.C. greenhouse gas policies (net zero, carbon tax and oil and gas cap) will undermine Indigenous economic development in B.C.'s natural resource sectors. The outright policy-induced declines in income (GDP) that is being contemplated in the mining, fossil fuel and forestry sectors under CleanBC are completely counter to the plentiful government commitments to support economic development and improve the well-being of Indigenous people and communities in the province.

Regulation

The intention paper appears to indicate the government envisions a new statutory decision making (SDM) role for the Climate Action Secretariat. The Business Council is opposed to any new statutory decision-making functions. Instead, the aim should be to streamline all processes.

We submit that a new SDM role is in fact inconsistent with the December 2022 mandate letters issued to the Minister of Water, Lands and Resource Stewardship and the Minister of Energy, Mines and Low Carbon Innovation. The letters charge both ministers with working together "to improve [the] timing and transparency of permitting processes." The Business Council and its members believe it is important to work closely with the government to ensure the regulatory system does not unduly impede investment in technology and infrastructure that will help reduce local GHGs.

According to the Intentions paper under the CleanBC plan, all major projects subject to B.C.'s Environmental Assessment process will also need to develop an approved net zero plan in the early engagement phase. The net zero plan will form part of the basis for determining if a project proceeds to the assessment planning phase. This is contrary to what industry stakeholders were told about the purpose of this step in the EA process which was also confirmed in the 2018 *Environmental Assessment Act* updates.

Requiring a net zero plan prior to the actual project assessment phase will require large amounts of information normally developed (and made available) in Step 3 process planning phase and Step 4 the application development and review phase of the EA process. The addition of a net zero plan as conceived will slow the environmental assessment process and conflict with earlier assurances the new EA regime would streamline, not complicate, review processes. This is a significant concern for some of our members, particularly given the current average 8-year timeline for process completion.

It is instructive to note that provincial EA guidance documents state that '[e]arly engagement is an important preparatory phase where meaningful conversations among participants begin about the proposed project to identify engagement approaches, potential interests, issues, and concerns early in the EA process and chart a path for resolution." Requiring detailed information on GHG emissions, technology scope, mitigation measures, and an implementation plan covering GHG management is counter to the intent of the early engagement process outlined in the province's EA document. It is asking proponents to provide engineering level details — most of which are unspecified until later in the assessment process.

The Business Council respectfully opposes making net zero plans a precondition of an EA readiness decision.

The paper also shows the government intends for facilities to have to submit updated net-zero plans every five years. This timeline is too short and does not consider the need for companies to balance capital investment cycles with commercially available and viable technologies and detailed accounting of future emissions. To address these issues, the Business Council recommends:

- No amendments to *Greenhouse Gas Industrial Reporting and Control Act* to add a statutory decision-making role for the Climate Action Secretariat.

- Moving some requirements for net zero planning from the application development phase of the EA process into the information requirements for permitting and licensing, as is done now for various management plans (e.g., construction, operating environment).
- If adopted, the 5-year period for the review of net zero plans should be extended and aligned with the practical investment cycles and operating realities of individual facilities.

CONCLUSION

Governments in advanced democratic countries are always looking to adopt policies they believe will create jobs, support business growth, lift average real incomes, provide more opportunities for young people, and ultimately create a more robust tax and funding base for public services. Today, B.C.'s government appears to be charting a different course, one that will result in sizable negative economic impacts and an overall reduction in the standard of living for British Columbians. We are puzzled.

Why is the government embracing a policy framework and timeline that its own modelling shows will shrink the province's economy and make the average B.C. resident materially worse off? Moving quickly to implement policies that will reduce job opportunities and significantly lower incomes sits awkwardly with the government's concomitant commitments to improve prosperity and affordability for British Columbians. We reiterate that we believe the province needs to recalibrate its near-term policy timelines to avoid the undue economic damage currently being contemplated under the CleanBC Roadmap.

We appreciate the opportunity to provide our comments on the government's Net Zero Industry Intentions Paper. Looking ahead, the Business Council is committed to working with the government to find practical solutions to ensure B.C.'s prosperity is maintained as the province works to reduce GHG emissions and help address climate change. We would be pleased to meet with you at your earliest convenience.

Yours sincerely

Ken Peacock
Senior Vice President
and Chief Economist

Denise Mullen
Director, Environment, Sustainability, & Indigenous Relations

cc:

Shannon Salter, Deputy Minister to the Premier
Matt Smith, Chief of Staff, Office of the Premier
Doug Caul, Deputy Minister, Office of the Premier

Kevine Jardine, Deputy Minister, Ministry of Climate Change Strategy
Jeremy Hewitt, Assistant Minister, Ministry of Climate Change Strategy
Heather Wood, Deputy Minister, Ministry of Finance
Renee Mounteney, Assistant Deputy Minister, Policy, and Legislation Division, Ministry of Finance
Doug Foster, Assistant Deputy Minister, Strategic Initiatives, Ministry of Finance
Shannon Baskerville, Deputy Minister, Ministry of Energy, Mines and Low Carbon Innovation