

From: "Mochrie, Paul" <Paul.Mochrie@vancouver.ca>

To: "Direct to Mayor and Council - DL" <CCDTMACDL@vancouver.ca>

Date: 6/21/2017 11:15:10 AM

Subject: Memo on Carbon Pricing

Attachments: PDS - SUS - RCS - Metro Vancouver proposed carbon pricing policy memo -pdf

Dear Mayor and Councillors,

Please find attached a memo regarding the carbon pricing policy that will be considered by the Metro Vancouver Board on June 23, 2017.

The memo provides an overview of the objectives of the proposed policy and its alignment with regional, provincial and national carbon reduction targets.

Please do not hesitate to contact Doug Smith (604.829.4308) should you require any additional information.

Many thanks,
Paul

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MEMORANDUM

June 21, 2017

TO: Mayor and Council
Sadhu Johnston, City Manager
Paul Mochrie, Deputy City Manager
Janice MacKenzie, City Clerk
Lynda Graves, Manager, Administration Services, City Manager's Office
Rena Kendall-Craden, Director, Communications
Kevin Quinlan, Chief of Staff, Mayor's Office
Katie Robb, Director, Communications, Mayor's Office
Naveen Girn, Director, Community Relations, Mayor's Office

FROM: Doug Smith, Acting Director, Sustainability Group

SUBJECT: Metro Vancouver's Proposed Carbon Pricing Policy

The purpose of this memo is to provide some background information on carbon pricing policies prior to the upcoming Metro Board vote on the topic.

Issue

Metro Vancouver has a regional goal of reducing emissions by 80% below 2007 levels by 2050, and an additional commitment to pursue carbon neutrality in its own operations. One of the tools being considered to help achieve these objectives is a carbon pricing policy (the policy). The policy was supported by the Climate Action Committee and will be considered by the Board on **June 23, 2017**.

How it would work

If the policy is approved, Metro Vancouver staff will incorporate the approved cost of carbon into the decision making processes for typical projects like construction or vehicle purchases as well as for carbon reduction programs. The less carbon pollution a project is anticipated to release, the more attractive it would become relative to more carbon intensive options.

Capital, operating and energy costs would still factor in Metro Vancouver decision making. The policy would simply add a carbon cost to that decision making framework.

The policy would only apply to Metro Vancouver's corporate emissions. It would not apply to the emissions from households, businesses or institutions within Metro Vancouver.

Anticipated outcomes

If the policy is approved, it will improve the business case for investment in projects that mitigate or reduce corporate. Examples of such investments could include electric vehicle purchases, building energy efficiency upgrades, waste heat recovery projects, and forest protection projects.

Alignment with provincial and federal climate objectives

The policy's recommended price of \$150 per tonne of carbon pollution aligns well with provincial and federal climate targets. Achieving those targets will require the establishment of carbon prices and/or regulations with an implied price in the range of \$150-\$200 per tonne by 2030.

The investment decisions that Metro Vancouver can be expected to make as a result of the policy are precisely the types of investments needed across the province to help meet provincial and national climate targets.

Carbon Pricing Initiatives Globally

By the end of 2017, there will be over 40 national carbon pricing systems and 25 sub-national systems. Together, these systems will apply to over 20% of global carbon pollution - up from 5% in 2011. In 2016, 1,249 corporations disclosed that they were using, or in the process of establishing, internal carbon pricing policies to guide their decision making in the same way that Metro Vancouver is proposing. This was up 23% from 2015.

Interactions with BC's Carbon Tax

B.C.'s carbon tax is currently set at \$30 per tonne and will need to rise to at least \$50 per tonne by 2022 as specified in the Pan-Canadian Framework on Clean Growth and Climate Change. The recommended price of \$150 per tonne, as set out in the proposed policy, is intended to be inclusive of the B.C. carbon tax. Thus at a rate of \$30 per tonne, Metro Vancouver would be adding \$120 per tonne to the decision making process.

As BC's carbon tax rises in the future, the policy will help protect Metro Vancouver from increased costs by fostering proactive investment to reduce carbon pollution and minimize carbon tax costs. The policy could also help reduce the amount Metro Vancouver spends on carbon offsets as part of its carbon neutral commitment.

Carbon pricing is an effective and simple way to reduce GHG emissions and staff recommend supporting this initiative for the reasons outlined above. If you have any questions please contact me at doug.smith@vancouver.ca.

Thank you,

A handwritten signature in black ink, appearing to read "Doug Smith". The signature is fluid and cursive, with the first name "Doug" written in a larger, more prominent script than the last name "Smith".

Doug Smith, P.Eng.
Acting Director, Sustainability Group