Low Carbon B.C.’s Advantage

A pillar of the

Stronger Tomorrow, Starting Today.
A Plan to “Build Back Better” by Maximizing B.C.’s Low Carbon Advantage

The international marketplace is increasingly competitive and may become more so as economies around the world try to emerge from the economic crisis created by the COVID-19 pandemic. It will be a steep climb back.

Along with a return to social normalcy, job creation and growth, there are also discussions about how to “build back better” through a green recovery. But at the same time, the world’s need and demand for natural resources and low carbon energy will continue to increase in order to furnish the things we need for our health, families and quality of life.

Recovery can be done in a way that allows for B.C. to be positioned globally as both a low carbon producer of high-quality natural resource and energy products and one that supports job growth, innovation and recovery here at home.

B.C.’s industrial export sector, enabled by our important transportation sector, will be fundamental to our economic recovery. It is a sector that is active in all regions of our province, producing the goods needed for British Columbians as well as markets around the world.

To restore and maintain our standard of living, high paying jobs and rising incomes, we must have a strong and vibrant export sector, with companies that are globally competitive. But work completed before the pandemic showed we aren’t competitive relative to the jurisdictions we compete against—it’s a significant gap and barriers continue to be put up.

In July, B.C.’s business community released Stronger Tomorrow: Starting Today, An Economic Plan for B.C. Families and Businesses. It sets out ideas for the collective government policy and business actions necessary to extract ourselves from the deep hole caused by the COVID-19 pandemic. Included is a key pillar: maximize our low carbon advantage by levelling the playing field for B.C.’s export businesses and their employees to be a climate change solution provider while supporting economic recovery, innovation and jobs.

B.C.’s Low Carbon Advantage plan builds on the work of the Stronger Tomorrow, Starting Today plan by identifying how we can “build back better” and get our economy into recovery mode by maximizing our export industry’s low carbon advantage globally and here at home.
B.C.’s Low Carbon Advantage

This plan lays out the potential of our low carbon advantage—one that could be the envy of the world. But we need the Government of B.C. to use its levers to ensure B.C.’s low carbon exporters can become more cost-competitive as world demand for commodities returns with our global economic recovery.

The plan highlights the unique opportunity, starting now, for B.C. to pivot over the medium and long term to recognize and build out our economy in innovative and impactful ways with solutions that accelerate Indigenous economic reconciliation and support a low carbon future.

This is all possible because B.C. products exported internationally are made with some of the lowest impacts on climate in the world. This is because we enjoy clean power in B.C., given the hydroelectric and other renewable power sources we have, making our products about half the GHG content of our competitors, a significantly low carbon advantage in our export market. Climate change is global and knows no borders.

It’s Worth Investing in B.C.’s Low Carbon Advantage

For the past two years, over 50 people in about 30 organizations and companies from industry had been working together with the Government of B.C. in an unprecedented effort to confirm our advantages and the opportunity to success for B.C. based on reliable and responsible production of low-carbon commodities and a supporting efficient, low-carbon transportation gateway.

The goal of this work was to verify two assumptions:

- That B.C.’s export commodities are produced with lower GHGs than in other export markets
- Although we weren’t as competitive as we could be, if we did get support to become more competitive, there was a real low carbon advantage worth investing in

We have now confirmed these assumptions. There is an opportunity for B.C. to become a verified, competitive low-carbon supplier of the energy, commodities and innovations the world will consume in the years ahead.

If B.C.’s low-carbon exporters can better compete internationally, this benefit can grow.

By selling the low carbon goods and energy the world needs with B.C. inputs (such as in phones, electric cars, medical devices, and food), our exporters can be a material solution to climate change by reducing global emissions while growing B.C. jobs, B.C. companies and revenues needed for B.C. Government services. This is because we now know our exports are produced at a lower carbon intensity. For perspective, B.C.’s total annual GHG emissions are roughly equal to two days’ of China’s yearly emissions. By exporting more B.C. low carbon products and energy B.C. can have impact every day of the year in China and other large emitting nations. Hence the opportunity to demonstrate real leadership and impact by exporting more of our clean products, solutions and technologies for global impact while at the same time promoting jobs and capital investment in B.C.

Why not promote these advantages by enabling the success of B.C. exporters and communities to have an outsized impact on global greenhouse gases (GHGs) while growing B.C. jobs?

The challenge is to ensure we have the right supports in place to allow B.C. businesses to be competitive in a world marketplace.
We Need to Even the Playing Field to Be Competitive

What is an EITE industry?
Emissions-Intensive Trade-Exposed producers are those that grow, mine or manufacture goods that are for export and are commodities that can be bought from any place in the world. Examples are: mining, forestry, natural gas, and others—all industries that are foundational to B.C.’s economy.

B.C. export company uses clean, low greenhouse gas (GHG) electricity and innovation to produce low GHG product

Foreign company produces higher GHG product (for example, if they are burning thermal coal to make electricity)

Governments in all jurisdictions with carbon tax provide EITE protection, except B.C.

PATHWAY 1
Government of B.C. announces EITE protections creating fair, level playing field

B.C. company makes investments in expanding goods production export
B.C. company invests in B.C. market because they have a lower cost advantage
B.C.-based company has an incentive to remain and grow with innovations and clean tech once protections are in place
More jobs created as export company sales increase
Government of B.C. revenue increases as B.C. company sales and salaries increase
Global GHGs decrease

PATHWAY 2
Government of B.C. does not provide EITE protection—no level playing field

B.C.-based company pay full carbon tax, while companies in other jurisdictions are protected
B.C.-based company is invited to invest in other jurisdiction with lower costs
Foreign market purchase products that are cheaper but higher GHG
B.C. company sees sales decrease and capital investment shifts elsewhere—this is an example of carbon leakage
B.C. company limits investment in expansion, marketing to foreign markets, fewer jobs are created
Global GHGs increase

STOP
Two Years of Research Confirms We Can Leverage Our Low Carbon Advantage...With Support

The Business Council of B.C. has been working with the B.C. Government toward B.C.’s Low Carbon Advantage since 2019. Here is a brief glimpse at the journey to-date.

JULY 2018
Business Council of B.C. forms Industry Working Group to work on B.C.’s Low Carbon Advantage with B.C. Government, including identifying barriers to competitiveness

NOVEMBER 2018
Low Carbon Industrial Strategy MOU announced by B.C. Premier John Horgan with the Business Council of B.C.

DECEMBER 2018
Joint Governance Groups established

2019 Actions
JANUARY–NOVEMBER 2019
Technical team from industry and B.C. Government develops and verifies:
1. Low GHG-level of B.C.’s exports compared to other markets
2. Competitiveness gaps and barriers
Work done jointly by industry and B.C. Government on policy actions needed to maximize the low carbon advantage

JANUARY 1, 2019
Premier John Horgan Speaks at Business Council Business Summit:
“B.C. is uniquely positioned as a destination and supplier of choice for industry looking to drive low-carbon economic growth and opportunities. Working together, we can meet the increasing global demand for products, services and solutions that reduce air pollution and protect our climate.”
Premier John Horgan, Province of B.C.

FEBRUARY 2020
Province of B.C. Throne Speech addresses GHGs and competitiveness:
“This government will work with business to promote B.C. industries as competitive suppliers of low-carbon products. By positioning B.C. as a supplier of choice, this government will grow markets for B.C. products while reducing global emissions.
In export markets where global players have not adopted carbon pricing, B.C.’s energy-intensive industries need to stay competitive.
Government and business are partnering to support these industries, so that we can grow B.C. jobs while meeting our emission targets across all sectors.”
Provincial Throne Speech

JANUARY 1, 2020
Alberta’s regulation, Technology Innovation and Emissions Reduction (TIER) takes effect to protect EITEs

FEBRUARY 2020
Province of B.C. releases Budget 2020
• Despite the benefits of it laid out in the joint work to date, the B.C. Government does not include the Business Council of B.C.’s request for protections for Emissions-Intensive Trade-Exposed industries (EITEs) in Budget 2020
• Joint work with B.C. Government and industry on developing a low carbon advantage program ends
• Business Council of B.C. and industry begin developing detailed Low Carbon Advantage plan

MARCH–JULY 2020
Industry’s Working Groups on Low Carbon Advantage re-affirm actions to promote this strong opportunity for “build back better” in ways that reduce climate change globally and here at home while attracting job generating investment and that supports commercially viable homegrown innovation

MARCH 2020
COVID-19 pandemic results in state of emergency

JULY 2020
Sharp decline in economy resulting from pandemic spurs industry to release Stronger Tomorrow, Starting Today economic rebuilding plan and Low Carbon Advantage plan Business Council of B.C. presents plan to B.C. Government, restates request for EITE protections and action on plan components to ensure B.C. industry competitiveness and most importantly economic and climate recovery for British Columbians, communities and Indigenous Peoples

lowcarbonadvantagebc.ca #LowCarbonAdvantage
We Produce Low GHG Products

The first question asked was if B.C. produces exports with less GHGs. Based on the work done pre-pandemic over the last two years with industry, the Government of B.C., Meyers Norris Penny (MNP) (a major chartered accountancy and business consulting firm in Canada) and other experts we verified this is the case.

Based on a product-on-product GHG emissions comparison, B.C. industries showed an advantage of 12 to 18 million tonnes in GHG emissions relative to competing jurisdictions producing the same products. Overall, the carbon footprint of B.C.’s export sector is among the smallest in the world due to B.C.’s clean electricity generation and other investments in operational efficiencies and innovations made by B.C. companies in order to compete. This stands in contrast to our major foreign competitors.

Competitiveness Matters

The second question we asked was if whether or not we were as competitive as other jurisdictions who exported commodities. Together we verified that the largest segments of the commodity export sectors in B.C. (pulp and paper, lumber manufacturing, mining, natural gas and aluminum) were not competitive against the same industries in other jurisdictions.

The profit margins of our industrial sector are significantly lower: 11% to 87% lower when compared to our competitors. This work was confirmed by MNP.

This is, of course, because of a range of typical factors: burden of taxation, state of innovation, regulatory environment for business, speed at which commercially viable technology and ideas are taken up across the economy and aggregate market size (relative to the U.S.).

But there was also one unique difference between all jurisdictions with a carbon tax: unlike all other governments, the Government of B.C. does not provide any protection or support for Emissions-Intensive Trade-Exposed (EITEs) producers. This makes the playing field very uneven.

Without exception, all of the jurisdictions, such as Northern Europe and California, with emissions trading systems have developed regulations to support “at-risk industries” and taken steps to provide free or low-cost allowances to these industries to keep them competitive.

Canada’s recently implemented federal backstop carbon price, which will apply in provinces lacking credible carbon pricing policies, recognizes carbon leakage and diminished industrial competitiveness as significant risks.

In the long term, if companies producing traded goods cannot make a similar profit in B.C. compared to other countries or provinces they will shift capital, jobs and management attention to other jurisdictions.

As demonstrated in Stronger Tomorrow, Starting Today, export-capable sectors have the potential to grow more rapidly because of access to larger markets and many of B.C.’s fastest growing industries are export-oriented. Growth equals prosperity and jobs.
Government Can Help

To maximize this low carbon advantage, the Government of B.C. needs to help even the playing field for our exporters. And it isn’t only financial.

This plan recommends that the Government of B.C. announce protections for Emissions-Intensive Trade-Exposed (EITEs) producers to bring B.C. in line with other Canadian provinces and the rest of the world that have carbon pricing systems.

If we don’t have protections for EITE producers, we risk:

1. Losing the global GHG savings from low GHG B.C. products.
2. Lost opportunities in own economy, as businesses that support direct and indirect jobs and communities around the province are at risk if they can’t compete with other companies that do have these supports.

If B.C. products aren’t competitive in the marketplace, the products will come from elsewhere, from countries that produce them with a higher carbon content. This is called carbon leakage.

“Our Low Carbon Advantage is...”

We have innovative companies in B.C. committed to producing with a low carbon advantage. Read examples in this document and at lowcarbonadvantagebc.ca

Pride in B.C. Innovation—Cement

Lafarge has invested $28 million in a new low carbon fuel system at our Richmond cement plant to allow them to transition away from fossil fuels. This circular economy driver will divert over 100,000 tonnes of landfill material every year and eliminate the creation of landfill methane.
A VISION FOR THE FUTURE—
B.C. COMMODITIES IN OUR DAILY PRODUCTS

Pride in B.C.—Mining
The SunMine solar farm, owned by Teck Resources, is built on a fully reclaimed mine site in the City of Kimberley, B.C. When opened in 2015, it was Western Canada’s largest solar power facility, the first grid-connected solar facility in B.C. and the first built on a reclaimed mine site. SunMine uses 4032 solar-cell modules mounted on 96 solar trackers that follow the movement of the sun to maximize solar exposure.

Pride in B.C. Innovation—LNG
The GHG intensity of LNG produced by Shell’s LNG Canada at its Kitimat facility will be about 35% better than the top performing global facilities currently operating and 60% better than the weighted average for the global LNG facilities benchmarked.

Exporting B.C.’s abundant natural gas to countries that need a cleaner alternative to produce power—in particular coal—positions B.C. to play a much larger role in the global climate solution. A facility the size of LNG Canada can displace the equivalent of 60 to 90 million tonnes a year (mtpa) of carbon—which is a similar amount to what the entire province of B.C. produces in a year.

What is your low carbon advantage?
Read and share stories on social media at #LowCarbonAdvantage.
What Actions Can be Taken to Maximize B.C.’s Low Carbon Advantage?

There are other key actions this plan recommends be taken as the pathway to maximizing our low carbon advantage. Visit lowcarbonadvantagebc.ca for a detailed description of the actions.

1. Regulation

The Province must fundamentally transform the regulatory system to create efficient and effective regulatory processes, introduce a competitiveness lens to new regulation, leverage technology, develop natural resources trade corridors and resolve the pathways to reconciliation and revenue sharing agreements with Indigenous Peoples to create greater certainty in decision-making.

Governments regulate to protect the public interest. The balance that needs to be struck is what degree of regulation is necessary and at what cost to doing business. Business leaders highlighted regulation in Canada as one of the most significant cost and competitiveness factors to operating in B.C. Increasingly cumbersome regulatory and permitting processes and a more complex and uncertain legal environment add to the economic burden on businesses in B.C.

2. Business Investment, Marketing and Branding

B.C. must develop a clear investment attraction strategy that promotes the compelling value proposition of B.C.’s low carbon content commodities and creates a welcome door for investment. It must include an in-market branding and marketing plan to promote B.C. products to buyers world-wide.

In an increasingly competitive world of investment, coupled with the ever-increasing complexity of markets and distribution for our products, B.C. needs to send a clear signal that it welcomes investment.

3. Tax Policy

B.C. must provide energy-intensive trade exposed producers with protection from the full carbon tax consistent with the approach in the federal Output Based Pricing System in order to prevent carbon leakage and level the playing field for B.C exporters and their employees.

All other global jurisdictions have recognized that if competing jurisdictions have much lower carbon prices, or no carbon price at all, local industries will be at a competitive disadvantage—which impacts communities, the economy and jobs. The Federal Government has recognized this and has put in place protections from the federal carbon price of 80-90% on an industry’s average emissions.

4. Climate Policy

B.C. needs to make avoidance of carbon leakage, a policy tenant of CleanBC, a priority; B.C. also needs to include carbon offsets and market mechanisms as compliance tools in their climate framework with investment in nature-based solutions; and the Federal Government needs to play a coordinating role in a national offset market and own the space from intellectual property development to application and adoption credits allowing industry to choose technology.

Emission offsets have been part of B.C.’s climate action toolkit since 2008. However, offsets and market mechanisms, such as carbon trading, are not included as compliance tools in the climate policy framework for industry. That is resulting in lost opportunities. B.C. industry offset projects could have a material impact on both GHG reductions and the economy. Sustainable resource development with Indigenous participation is part of the Canadian identity and there is significant interest and opportunity from Indigenous leaders in B.C. in offsets and nature-based opportunities that can support economic opportunities.
5. Infrastructure

B.C. and Canada need to refocus current infrastructure plans to make sure that the investments we make better support and prioritize the economy and specifically exports and the continued development of low carbon Canadian products including efforts on ports (alternative fuels, LNG bunkering, digitization), rail barriers and capacity, electrification and incentives for fuel switching.

The trade networks that connect B.C. businesses to global markets facilitate trade and underpin both provincial and national economic growth. Efficiency and reliability is key.

6. Innovation

Governments must prioritize the role commercially viable technology can play in emission reductions, in particular, breakthrough technologies de-risk tech adoption by industry and assess the possibility of technology innovation as a way to provide room for growth (targets). Support can be in the form of direct investment and tax credits, or seed funding for start-ups in the idea space.

Support for technology and focused innovation are critical components of reducing domestic GHGs and driving economic growth. Breakthrough technologies will be essential to meeting 2050 GHG reduction targets for Canada. The path to 2030 targets is in question without innovation, even if all the actions within the current CleanBC plan were taken.

Fueled by interests of their investors and employees, the need to reduce costs and improve efficiency and pride in the natural environment in which they operate, B.C. companies are leading some of the most innovative work in the world on emissions reductions and have global recognition for sustainability and progressive low carbon commitments and actions.
**THE TIME IS NOW**

We need a bold plan to recover economically from the pandemic. But we also know that British Columbians will want to do this in a way that prioritizes our climate. The world will be looking for solutions for both challenges.

B.C.’s low carbon advantage can position our province, the Government of B.C. and companies as ones showing leadership. It can demonstrate us as having an outsized impact in the world’s GHGs by becoming a cost-competitive low-carbon supplier of commodities.

We need clear opportunities to accelerate meaningful reconciliation with Indigenous Peoples and drive commercially viable innovation that can lead materially to further reductions in domestic emissions.

The signal B.C.’s export sector needs is for the Government of B.C. to take this leadership opportunity seriously, demonstrate that it sees the opportunity to promote this workhorse of the provincial economy in this unprecedented time.

That signal is for the Government of B.C. to announce protections for EITEs. We cannot continue to be the global outlier. B.C. business needs the Government of B.C. to use the levers available to it to ensure competitiveness. And that the Government commits to working collaboratively with businesses on building out this brand of B.C.’s low carbon advantage.

Time is of the essence and our lack of competitiveness is resulting in carbon and capital leakage in B.C. today, that we believe will have larger impacts on high wage jobs, investment and government revenues in the years to come if not addressed. Action is required. Promotion of a low carbon economy will be just the spark we need.
B.C.’s Low Carbon Advantage Partners

View the full Low Carbon Advantage plan at: lowcarbonadvantagebc.ca