

Catch \$25

How mandatory carbon offsets are undermining real emissions reductions in BC school districts

Summary

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Most people have accepted that strong action on climate change is needed. BC took steps in the right direction when the province passed legislation calling for a significant reduction of greenhouse gas emissions by 2020 and established a goal for carbon neutrality. However, it must be noted that while ambitious, the goal falls short of the United Nations targets for developed nations, amounting to a 10 per cent reduction rather than the 25 to 40 per cent below 1996 levels called for by international scientists.

Unfortunately, some provincial policies are working against this important goal. There is growing awareness that the BC government's carbon neutral strategy is overly reliant

on the purchase of carbon offsets, and may be getting in the way of the real emission reductions necessary to avoid catastrophic climate change. As numerous commentators noted over the summer of 2011, Pacific Carbon Trust (PCT), the crown corporation established for supplying carbon offsets to the public sector, is collecting millions of dollars from schools and other public services, and spending those dollars buying carbon credits from private corporations. In effect, classroom dollars, which are already scarce, are migrating from public classrooms to private boardrooms.

BC needs to look for approaches to reduce GHG emissions that are both effective and support public services.

> HIGHLIGHTS: The impact of mandatory carbon offset purchases on BC school districts

- **BIG MARKUP.** At \$25 per tonne, the Pacific Carbon Trust charges school districts a significant margin above retail prices. BC-based Offsetters charges only \$20 per tonne for equivalent offsets. Wholesale prices paid by PCT are estimated to range from \$5.70 to \$20 per tonne.
- **FROM CLASSROOM TO BOARDROOM.** About half of the \$4.4 million of public funds that school districts paid PCT in 2010 was used to purchase carbon offsets from private sector corporations, including Encana, CNRL and Apache. These three oil and gas companies have combined assets of over \$120 billion.
- **IT COULD GET WORSE.** PCT offset prices for the public sector are slated to rise to \$30 per tonne in 2012. Under this scenario, BC school district offset expenses will rise to more than \$5 million annually. Meanwhile, offset prices are falling around the world.
- **DISTRICT PROJECTS SHELVED.** The province provided a specially designated fund of \$6 million for emission reduction projects in schools, but provincially legislated mandatory carbon offset purchases clawed back more than 70 per cent of that amount. At the same time, the \$110 million fund that districts would normally use for infrastructure improvements was cut. Only half of the fund was reinstated for 2010. Many projects were shelved, forcing districts to spend operational funds buying more offsets at a time when school district budgets are already tight.
- **DISTRICTS COULD HAVE SAVED \$740,000.** If school districts had been able to apply money spent on 2010 offsets to energy efficiency in their own operations, they would have saved \$740,000 in energy costs and reduced their actual annual GHG emissions by 2,100 tonnes.

A range of alternative policies are already in use in other jurisdictions that can help reduce BC public sector emissions and even save public money through increased energy efficiency. For example, the United Kingdom and the Australian state of New South Wales are pursuing paths to public sector carbon neutrality that prioritize real reductions in emissions from government operations rather than purchases of carbon offsets. Closer to home, Alberta provides a model of school district energy efficiency financing that could help BC school districts cut GHG emissions and reduce energy bills.

> Highlights: Alternatives

Alternative policies for reducing public sector GHG emissions

A range of alternative policies in other jurisdictions are already in use to prioritize real reductions before carbon offsets (as recommended by the United Nations Environment Program). For example:

- The Australian state government of New South Wales has set a target of public sector carbon neutrality by 2020, giving public sector bodies significantly more time to implement real emissions reductions in their own operations. Under the NSW framework, offset purchases will not even be considered until 2014 (year six of the plan), and only after “all other means of reducing emissions have been put in place.” If offsets do become part of the NSW plan, they would not be required until 2020, year 12 of the program.
- The UK government has established a special ‘pay as you save’ financing system to help local authorities and other public sector bodies carry out retrofits and other projects to reduce their emissions, with repayment tied to energy expense savings.
- Alberta allows its school districts to borrow against contractor-guaranteed energy savings for up to 20 years. This provides a source of financing districts can access to implement retrofits and other capital projects that save energy and reduce emissions. A ministry

debt cap currently prevents BC school districts from borrowing against future energy cost savings. Allowing BC school districts this borrowing power could open the door to major emissions reductions and big savings in energy costs.

Alternative approaches to carbon offsetting

- Establish a climate action fund, in which schools pay amounts equivalent to their current carbon offsets into a pooled fund for emissions reductions projects in the BC public school sector.
- Allow school districts to develop and sell carbon offsets. Offset revenue could help school districts carry out retrofits and other emissions reductions projects that would otherwise not go ahead.
- Allow school districts to use their ‘Scope 3’ emission reductions as offsets against their Scope 1 and 2 emissions. Most Scope 3 emissions, such as commuting, staff and faculty travel and embodied impacts of buildings and infrastructure, are not covered under the province’s carbon neutral government requirements, but likely account for 40 to 50 per cent of public sector emissions. Under the current framework, public sector organizations have no incentive to make real reductions in Scope 3 emissions. In some cases, reducing Scope 3 emissions may be more affordable or more achievable than reductions in the Scope 1 and 2 emissions (which are largely from energy use in buildings). If school districts were able to use reductions in Scope 3 emissions as offsets, they would have a major incentive to find ways to reduce these significant sources of emissions.
- Allow school districts to purchase offsets from providers other than Pacific Carbon Trust and give districts opportunities to invest in emissions reductions in their own communities (as has been proposed in the regulations for municipal government carbon neutrality) or in high quality ‘gold standard’ certified carbon credits that combine emissions reductions with international development.



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