



Federal Budget 2006 – Environmental Analysis

The 2006 federal budget did little to advance environmental sustainability. At best, this indicates that the new government will take more time to develop a comprehensive environmental strategy. At worst, it suggests that this government has little concern for, or awareness of, the fundamental importance to Canadians of preserving clean air, clean water, a stable climate, and our cherished nature.

The major environmental impact of the 2006 budget lies in what was omitted. Numerous climate change programs have been frozen or allowed to expire, with little of substance introduced to replace themⁱ. No further resources were allocated to protect the health of Canadians and their environment through the under-funded Canadian Environmental Protection Act. Nothing was done to further protection of oceans, migratory birds, parks or the Great Bear Rainforest. Yet billions of dollars in annual subsidies to the oil and gas, nuclear, and mining sectors will continue.

A 15.5% transit pass tax creditⁱⁱ will save two million current transit users an average of \$110 annually, and cost \$220 million annually, but will do little to clean the air or reduce climate change. It is effectively a step backwards in combating climate change, as it will cost about \$2000/tonne to reduce greenhouse gas (GHG) emissions, while the programs it replaces would have cost between \$10-\$200/tonne of GHG reductions.

While \$1.3 Billion was announced for transit infrastructure, \$900 millionⁱⁱⁱ of that was conditional on there being a 2005-06 surplus over \$2 billion, and the first \$400 million fulfils a 2005 Liberal commitment to transfer gas tax revenues^{iv}. These funds will be provided through the provinces and territories on a per capita basis, and on the expectation that transit ridership will be considered in distributing it to municipalities. There is also potential for further transit funding from the additional \$2 billion allocated to the Canada Strategic Infrastructure Fund, because its funding decisions are made in response to provincial priorities, and over 25% of its past funding has supported transit projects (mostly in the more urban provinces).^v

Given the cancellation of much of the previous climate change programs, \$2 billion was re-allocated to an unspecified “Made-in-Canada climate change program currently being developed by the Minister of the Environment.” Thus the greatest environmental implications of this budget will likely depend on the integrity of this new plan.

There were a few other bright spots for the environment. Firstly, the last 25% of capital gains tax on ecological gifts was eliminated, in tandem with that on gifts of securities. This removes a significant barrier to gifts of ecologically significant land and easements.

Secondly, forestry bioenergy was given a tax break through the extension of the Accelerated Capital Cost Allowance (ACCA) for investments in energy generation equipment that use renewable energy or use fossil fuel efficiently, to include cogeneration systems in the pulp and paper industry that produce both thermal energy and electricity using a biomass residue from the pulping process referred to as “black liquor”.

Unfortunately, another opportunity was missed to advance adoption of revenue-neutral ecological fiscal reform, to better align price signals with societal values, and to thereby increase the harmonization of Canada’s economy with our social and environmental health. A prime option was the Company Car Tax Shift, an income-tax revenue neutral proposal to encourage employees to drive more fuel-efficient company vehicles by shifting some of the tax burden from green cars to gas guzzlers.

It was similarly disappointing that the ‘super flow-through shares program’, a temporary 2000 measure to subsidize mining exploration, was renewed from May 2, 2006, to March 31, 2007.^{vi} Such exploration often causes substantial social and environmental damage.

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ⁱ The Renewable Power Production Incentive and the Wind Power Production Incentive are amongst the programs that have been frozen.

ⁱⁱ The tax credit goes into effect July 1, 2006.

ⁱⁱⁱ These funds will go into a third-party ‘Public Transit Capital Trust’, stemming from the 2005 “Layton budget amendment” (Bill C-48). These funds could be used for a variety of transit-related purposes, including intelligent transportation systems and high occupancy vehicle and bicycle lanes. Notionally allocated over 3 years.

^{iv} In Bill C-66, under the Liberals’ “New Deal for Cities and Communities”.

^v The CSIF funds ‘large-scale projects of national and regional significance’. Of the past \$4 billion allocated to the CSIF, over \$1 billion went to transit, including \$450 million for a Greater Vancouver ‘Canada Line’, \$350 million for the Toronto Transit Commission, and \$200 million for Ottawa’s light rail. However, much of the rest has gone to road infrastructure. CSIF programs are cost-shared between the federal government, provincial governments, and project proponents. Because there is no public application or allocation process for this funding, it is not possible to know whether the latest round of CSIF funding will be directed towards green infrastructure.

^{vi} This program had been allowed to expire, as scheduled, on December 31, 2005. The program will now apply to funds raised in the May 2, 2006 – March 31, 2007 period to be spend on exploration activity up to end of 2008, and will cost \$65 million in foregone tax revenue.