



***Budget 2010:
Environmental Impact
Summary and Analysis***

July 2010

Member Organisations

**Bird Studies Canada
Canadian Environmental Law Association
Canadian Parks and Wilderness Society
Centre for Integral Economics
David Suzuki Foundation
Ducks Unlimited Canada
Ecojustice Canada
Environmental Defence
Équiterre
Friends of the Earth
Greenpeace Canada**

**International Institute for
Sustainable Development
MiningWatch Canada
Nature Canada
Nature Conservancy of Canada
Pembina Institute
Pollution Probe
Sierra Club Canada
Social Investment Organization
Wildlife Habitat Canada
WWF-Canada**

Overview

Judged by the anticipated environmental and conservation impact of its new funding, fiscal and regulatory measures, the 2010 federal budgetⁱ (including Bill C-9ⁱⁱ, the main budget implementation bill) was disappointing. The new funding, while important, was outweighed by the damaging and risky measures, as well as some major omissions. This document provides a summary and analysis of the new measures contained in the 2010 federal budget and Bill C-9, with a particular emphasis on how these measures addressed the Green Budget Coalition's three priority recommendations,¹ and also references related announcements since Budget 2009.

The Green Budget Coalition (GBC), active since 1999, brings together twenty-one of Canada's leading environmental and conservation organisations to assist the federal government to develop and implement strategic budgetary and fiscal measures critical to long-term environmental sustainability. The GBC focuses on developing and promoting priority budget recommendations for each annual federal budget, and on advancing fiscal reforms to support the transformation of the Canadian economy to become environmentally-restorative.

Budget 2010 made notable progress on only one of the GBC's three priority recommendations. It invested important, though modest, funding in the waters of the Great Lakes-St. Lawrence basin, to help clean up areas of concern and protect against invasive species. However, the budget essentially ended renewable power incentives, which have been instrumental in driving renewable energy production, and in creating clean energy jobs. There was also virtually no new funding to conserve Canada's unique and precious biodiversity through protected areas or land/marine planning initiatives, although important and substantive progress has been made on protected areas priorities since Budget 2009.

Of major concern, the budget and Bill C-9 will substantially weaken Canada's environmental assessment (EA) regulations, without proper parliamentary review. The changes will have the immediate risk of reducing the diligence and quality of the long-term environmental protection provided by these EAs, including the exemption of many more projects from federal EAs, meaning important aspects of federal jurisdiction will be completely unrepresented in these projects' EAs.

On the positive side, Budget 2010 did include important funding for water and wastewater infrastructure on First Nations reserves, and for continuing the Canadian Environmental Sustainability Indicators for two more years. More details were also provided on Budget 2009's stimulus funding, including allocations for retrofits to social housing, home energy efficiency, rail system improvements, and cleaning up federal contaminated sites.

However, two omissions were particularly disappointing, both because of their importance and because the Government has repeatedly affirmed the importance of taking action on them. Firstly, there was no substantive action to transition Canada towards a green economy and to capitalize on the associated economic benefits, most glaringly the lack of renewed funding for renewable power incentives. Secondly, there was no new funding to help developing countries mitigate and adapt to climate change, though this issue was addressed in later announcements.

¹ The Green Budget Coalition's *Recommendations for Budget 2010: Investing in a Prosperous Green Future*, available at <http://www.greenbudget.ca/2010/main.html>, emphasized three priority recommendations, regarding biodiversity and ecosystems, water, and renewable energy. It was circulated widely within the Government of Canada in November 2009, including to all MPs and Senators, and many Finance Canada officials.

Detailed Environmental Impact Summary and Analysis

Note that, of Budget 2010's "new funding" of \$3.686 billion, 41% (\$1.494 billion) had already been set aside in the pre-existing fiscal framework.ⁱⁱⁱ

Conserving Biodiversity and Ecosystems

This budget invested virtually no new funding in the Green Budget Coalition's priority recommendation to conserve Canada's unique and economically-valuable biodiversity and ecosystems by protecting and expanding Canada's system of protected areas (including national parks, national wildlife areas, national marine conservation areas (NMCAs), and marine protected areas (MPAs)) and wetlands. This was particularly disappointing in that 2010 is the International Year of Biodiversity, and Canada must report this year on its progress in achieving its commitments made under the United Nations Convention on Biological Diversity, including completing a system of protected areas. The Green Budget Coalition had assessed that about \$200 million/year was necessary to create and protect new and existing terrestrial and marine protected areas across Canada.

However, of the \$80 million in 2009 stimulus funding committed to Parks Canada infrastructure projects in 2010-11, some will aid in conserving biodiversity and ecosystems, through infrastructure improvements including highway overpasses and fish culverts that will re-connect terrestrial and aquatic ecosystems.

The budget provided no additional funding for conserving migratory birds, nor did it extend Ecogifts tax incentives to inventory lands, two further Green Budget Coalition recommendations.

It is important to acknowledge that, in spite of the lack of new funding in Budget 2010, the Government has made important progress since Budget 2009 on a number of proposed protected areas, including those prioritized by the Green Budget Coalition for national park or national marine conservation area status.^{iv} Notable progress included:

- The final establishment of Gwaii Haanas NMCA Reserve and Haida Heritage Site;
- Mealy Mountains – A decision by the Government of Canada and Newfoundland and Labrador to proceed to establish the National Park Reserve;
- East Arm of Great Slave Lake, NWT – Signing of a framework agreement with the Lutsel K'e Dene First Nation to enable progress towards establishing the proposed Thaidene Nene National Park;
- Sable Island – A decision by the Government of Canada and Nova Scotia to establish a national park;
- Nahanni National Park Reserve – The six-fold expansion of the park, followed by public consultations on boundary options to protect the Nahanni Headwaters in the proposed adjacent Nááts'ihch'oh National Park Reserve;
- Identifying two new MPA areas of interest – Laurentian Channel and Hecate Strait Sponge Reefs, following on the Budget 2007 commitment to establish six MPAs under the Health of the Oceans initiative; and

- Lancaster Sound – a Memorandum of Understanding signed between Parks Canada and the Qikiqtani Inuit Association in Nunavut to enable progress towards establishing an NMCA, as well as the launch of a Feasibility Study.

In future years, more funding will need to be allocated to agencies charged with establishing and operating these parks and protected areas to enable them to finally establish and properly manage these areas.

Protecting Canada’s Freshwater Future

The Government of Canada promised a new federal water strategy in the 2007 Throne Speech, and followed that up with a series of funding announcements under the *Action Plan for Clean Water* to clean up Great Lakes Areas of Concern and to upgrade municipal water and wastewater infrastructure. It reaffirmed this commitment in the March 2010 Throne Speech by committing to bolster the *Action Plan on Clean Water*. However, no specific strategy or plan has yet been released, and the scale of funding has been insufficient compared to what is required.

The Green Budget Coalition’s second priority recommendation was to deliver Canada’s promised federal water strategy by strongly investing in the waters of the Great Lakes – St. Lawrence basin. Budget 2010 provided three more well-directed, but modest, funding allocations for water, including two for the Great Lakes-St. Lawrence.

Firstly, \$8 million/year was added to the ongoing funding to protect the Great Lakes, to help clean up more Areas of Concern and support Canada’s commitments under international agreements, funding which is important and welcome, but only one quarter of the \$32 million/year which the GBC asked for, and tiny in comparison to the US Government’s recent allocation of US\$440million/year over five years. Secondly, the budget allocated \$19 million/year for two years for federal programs under Canada’s Invasive Alien Species Strategy, about half of the GBC’s recommended \$43 million/year, needed immediately to address the impending threat of Asian Carp to the ecosystem, fishery and sports fishery.

Budget 2010 also moved further to address the horrendous state of drinking water in First Nations communities by allocating \$331 million over two years in new funding, and \$109 million in stimulus funding, for First Nations water and wastewater infrastructure. To be most beneficial, these projects must be developed collaboratively with the affected First Nations, recognizing the unique quality of each water source and the circumstances of each watershed.

Greening Canada’s Economy – via Renewable Energy, Energy Efficiency, Pollution-Pricing and Climate Change Action

Canada’s prosperity depends on transforming our economy into a vibrant green economy, one that restores environmental health, supports a stable global climate, is a global leader in environmental technologies, and continually finances new well-paying jobs. Such a shift requires all of: major investments in renewable energy and energy efficiency; a commitment that polluters will pay for the environmental and health damage they cause; making transfers to

municipalities and provinces partially conditional on achieving specific environmental outcomes and implementing true-cost pricing measures; making environmental considerations integral to economic policy; and ending environmentally-counterproductive support programs.

Unfortunately, this federal budget failed to take strong action to advance the Canadian economy towards this critically-important transition, as described in more detail below.

Renewable Energy - Greening Canada's Energy Supply

Most notably, and contrary to the Green Budget Coalition's third priority recommendation, Budget 2010 allowed funding for the EcoEnergy for Renewable Power Program (eERP) to run out, signalling the end of eight years of successful federal renewable power incentives, and potentially the de facto downloading of responsibility for renewable power incentives to provincial and territorial governments.

Federal renewable production incentives have been instrumental in driving renewable energy production, and creating clean energy jobs, in Canada since their inception in 2002. Yet eERP's funding, slated to last to March 2011, had been fully committed well before the 2010 budget. The end of this program could lead to potential investment funds going instead to the United States, which is investing over \$9 billion in renewable energy this year.

Renewable energy is a fundamental cornerstone for a successful transition to a green economy, providing tens of thousands of ongoing clean energy jobs. The end of these eERP incentives is a step in the opposite direction, and means Canada is falling farther behind internationally in attracting investment and creating jobs in clean energy.

The budget did take positive steps in expanding Class 43.2 of the *Income Tax Act* to include heat recovery equipment and distribution equipment for district energy systems that rely primarily on ground source heat pumps, active solar systems or heat recovery equipment. It also allocated \$100 million over four years for "advanced clean energy technologies" in the forestry sector, though it is questionable whether this will serve to create additional environmental benefits or primarily finance increased forest industry profits.

Energy Efficiency

Budget 2010 provided \$80 million in new funding for home energy retrofits which, combined with 2009 funding allocations and spending, resulted in \$230 million being allocated for such retrofits in 2010-11.^v These are important steps towards the comprehensive retrofitting of Canada's housing stock that is necessary. Furthermore, some portion of \$500 million in Budget 2009 stimulus funding for social housing renovations will go towards improving energy efficiency.

Greening Transportation

Budget 2010 allocated \$32 million over two years in new funding for the Regional and Remote Passenger Services Contribution Program, and another \$199 million of stimulus funding for improved rail systems.

Supporting Developing Countries in Mitigating and Adapting to Climate Change

Canada signed on to a commitment in Copenhagen, reinforced in the March 3rd Throne Speech, to provide “new and additional” financing, above current overseas development assistance (ODA) commitments, to help developing countries to reduce their greenhouse gas emissions and adapt to climate change, from 2010 to 2012.^{vi} While most other developed countries had already announced their contributions, Budget 2010 included no new funding for, or mention of, this obligation. More positively, subsequent announcements did cover Canada’s fair share for the current fiscal year, though it is unclear whether this is in fact “new and additional” to current ODA.^{vii}

Establishing a Price on Greenhouse Gas Emissions

The most important action required for Canada to make an effective and fair contribution to the global effort to address climate change is the implementation of a price on greenhouse gas emissions. This budget included no progress in that direction.

Recommendations for a broad-based carbon price in Canada have come from the National Round Table on the Environment and the Economy (NRTEE), the Canadian Council of Chief Executives, the Canadian Association of Petroleum Producers, and many other expert observers. The NRTEE’s analysis made clear that delays in implementing a carbon price will require a higher carbon price and greater economic costs to reach the same targets.

Natural Capital Indicators

Indicators of environmental health and pollution levels provide important knowledge to guide policy and regulatory decisions, by providing accurate information on the state of Canada’s environment and the results of past measures. The Government wisely provided renewed funding to continue the Canadian Environmental Sustainability Indicators (CESI), covering greenhouse gas emissions, and water and air quality, for another two years (\$18.4 million). However, CESI was not expanded to include forest cover and wetlands, as the GBC recommended.

The Canadian Space Agency was allocated \$397 million over five years to develop the RADARSAT Constellation Mission with the Canadian space industry. In addition to “enhancing Canada’s ability to manage resources and the environment and improve security by providing an operational surveillance system”, as well as assisting in disaster management, the Constellation Mission will provide valuable, state-of-the-art capacity to monitor environmental change (including climate change impacts) in terrestrial and marine environments nationwide, and outside Canada’s borders. The earth observation outputs from the RADARSAT Constellation satellite will inform broad-scale environmental monitoring reports such as Canada’s State of the Forest report, the status of protected areas and wildlife habitat, changes in wetland and agricultural environments and changes in coastal environments across the country.

In future, Canada would be well-advised to implement more systematic, coordinated environmental reporting than CESI and other focused data products currently provide. RADARSAT’s imagery data will likely prove increasingly beneficial when supporting such reporting.

Threats to Environmental Protection

Canada's environmental protection laws are essential for Canadians' well-being and environmental sustainability by reconciling economic, social, and environmental elements of development projects.

However, the 2010 budget and Bill C-9 will substantially weaken Canada's environmental protection laws, only months before a mandated parliamentary review of the Canadian Environmental Assessment Act is scheduled to begin. Furthermore, many of the changes in Bill C-9 were not even mentioned in the 2010 Budget text, nor in the preceding Speech from the Throne. Embedding the changes in the budget bill meant they did not receive the proper parliamentary review and stakeholder consultation that they deserve, and they were implicitly backed by the threat of an election. In response, the Green Budget Coalition issued a special media release denouncing the use of the federal budget process to weaken Canada's environmental protection laws,^{viii} and appeared before the House of Commons Finance and Senate National Finance Committees.^{ix} Two federal reports regarding federal and provincial EAs have not supported the argument that there is substantial duplication, nor that major changes can achieve efficiencies or cost savings.^x

The changes in C-9 included: delegating authority for environmental assessments of major energy projects from the Canadian Environmental Assessment Agency to the National Energy Board and the CNSC (for whom environmental protection is not nearly as central to their mandates); exempting many infrastructure projects from environmental assessment; allowing the environment minister to limit any remaining EAs to a small portion of a project, potentially eliminating most of their value, contrary to the January 2010 Supreme Court ruling on the Red Chris Mine; and generally diminishing or undermining public participation in EA processes.

Furthermore, there is evidence that this is one more step towards the federal government completely removing the legal requirement for any projects to undergo federal EAs, subject only to the discretion of Environment Minister and the Canadian Environmental Assessment Agency, and that a draft bill to this effect was prepared in 2009. Such a change would be very risky environmentally, in substantial part because provincial assessments will not and cannot cover areas of federal responsibility, including migratory birds, fisheries, climate change, transboundary impacts, and Aboriginal Peoples. In addition, the resulting leaky patchwork of provincial policies will inevitably be more complicated for both project advocates and intervenors, and would result in weak links that would create greater long-term costs for Canadians.

Canadians would be best-served by a consistent set of strong environmental assessment procedures applying coast-to-coast-to-coast.

Other Environmental and Conservation Impacts:

Positives:

- \$8 million over two years for Indian and Northern Affairs Canada to support community-based environmental monitoring.
- Providing Canada Revenue Agency with authority to send email rather than ordinary mail, with the taxpayer's agreement;
- \$2.8 million to the Canadian Environmental Assessment Agency to support consultations with Aboriginal Canadians related to the Canadian Environmental Assessment Act.
- \$9.2 million to Environment Canada and \$2.2 million to Fisheries and Oceans Canada to provide enhanced meteorological and navigational services, respectively, in two Arctic areas, to facilitate safe marine traffic and help prevent environmentally-damaging incidents.
- Action Plan Funding (announced in 2009 budget) allocated:
 - \$110 million to Green Infrastructure Fund; and
 - \$121 million for cleaning up federal contaminated sites.

Negatives:

- Continuation of \$250,000 annual funding to Chrysotile Asbestos Institute.
- Reductions in certain funding for each of Environment Canada, Natural Resources Canada, and the Canadian Nuclear Safety Commission, all of whom play a key role in preserving a clean environment for Canadians.
- Extension of Mineral Exploration Tax Credit to March 31, 2011.

Risks:

- Establishing Red Tape Reduction Commission

Missing progress on:

- Recycling metals and minerals.

Also of note:

- \$7.2 million over two years allocated to support a new Catch Certification Office to help Canadian fish & seafood industry export to European Union.
- \$300 million allocated to Atomic Energy of Canada Limited (AECL) to sustain its operations by covering its commercial losses (\$255 million), and supporting medical isotope production (\$48 million).

The Green Budget Coalition's members are Bird Studies Canada, Canadian Environmental Law Association, Canadian Parks and Wilderness Society, Centre for Integral Economics, David Suzuki Foundation, Ducks Unlimited Canada, Ecojustice Canada, Environmental Defence, Équiterre, Friends of the Earth Canada, Greenpeace Canada, International Institute for Sustainable Development, MiningWatch Canada, Nature Canada, Nature Conservancy of Canada, Pembina Institute, Pollution Probe, Sierra Club Canada, Social Investment Organization, Wildlife Habitat Canada, and WWF-Canada.

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The Green Budget Coalition sincerely thanks the EJLB, Salamander, and McLean Foundations for their generous support in making the GBC's 2010 budget efforts possible, as well as the Ivey Foundation for their longstanding support.

ⁱ Department of Finance Canada (March 4, 2010): *Budget 2010: Leading the Way on Jobs and Growth*. <http://www.budget.gc.ca/2010/pdf/budget-planbudgetaire-eng.pdf>.

ⁱⁱ Bill C-9, "An Act to implement certain provisions of the budget tabled in Parliament on March 4, 2010 and other measures", had the short title of *Jobs and Economic Growth Act*.

<http://www2.parl.gc.ca/HousePublications/Publication.aspx?DocId=4606267&Language=e&Mode=1>.

ⁱⁱⁱ *Budget 2010*, p. 122, 138.

^{iv} Government of Canada announcements over 2009-10 also allocated about \$94 million in new funding to protect, clean up and improve National Parks and NMCAs, as well as \$45 million from Action on the Ground funding from Budget 2008.

^v Home energy retrofits were allocated \$300 million in Budget 2009, and another \$205 million from the Clean Energy Fund in the December 2009 Fourth Report on Canada's Economic Action Plan. Budget 2010, p. 239, shows \$150 million allocated to home energy efficiency in 2009-10.

^{vi} The Green Budget Coalition specifically recommended that the budget allocate \$320-\$420 million per year in new funding, additional to current Overseas Development Assistance (ODA) commitments, to cover Canada's fair share (3-4%) of the US\$30 billion committed in Copenhagen, from 2010 to 2012.

^{vii} On May 28, 2010, Canada's "first instalment" towards Canada's Copenhagen commitment was announced, of \$18.5 million/year for three years to the Global Environment Facility, and on June 23, 2010, \$400 million was announced to provide Canada's "fair share" for 2010-11, but it is unclear whether either commitment is additional to current ODA, as promised under the Accord. See <http://www.acdi-cida.gc.ca/acdi-cida/ACDI-CIDA.nsf/eng/NAD-52716129-RPP> and <http://www.ec.gc.ca/default.asp?lang=En&n=6F2DE1CA-1&news=BB5AC3DC-837A-406E-AD28-B92ED80F5A81>.

^{viii} *Green Budget Coalition Opposes Using Budget Process to Weaken Environmental Protection Laws* (April 21, 2010). http://www.greenbudget.ca/media_210410.html.

^{ix} Transcripts for the House of Commons Finance Committee (May 11, 2010) are available at <http://www2.parl.gc.ca/HousePublications/Publication.aspx?DocId=4517560&Language=E&Mode=1&Parl=40&Ses=3#Int-3158308> and for the Senate National Finance Committee (July 6, 2010) will be available at http://www.parl.gc.ca/common/Committee_SenProceed.asp?Language=E&Parl=40&Ses=3&comm_id=13.

^x In 1997, the House of Commons Environment Committee reported: "...that there is insufficient evidence of overlap and duplication of environmental regulations or activities of the federal and provincial/territorial governments" and concluded that there were not likely any further efficiencies or costs savings to be achieved. In 2001, the federal Minister of Environment reported that the federal EA system had been successful in avoiding duplication with the provinces. The report found that of the 7,000 federal assessments conducted annually, only 80 to 100 were subjected to any type of provincial assessment.