

December 14, 2016

Email: wwwfin@gnb.ca

Honourable Cathy Rogers
Minister of Finance
Province of New Brunswick
Chancery Place
675 King Street
Fredericton, NB E3B 1E9

Dear Minister Rogers:

First, let me say it was a pleasure to meet you last week and have an opportunity to have input during New Brunswick's pre-budget consultations. As mentioned at that time, I promised I would follow up with a separate letter on the issue of carbon pricing.

Unifor is pleased to comment on New Brunswick's decision to introduce carbon pricing as part of Canada's national climate strategy.

Unifor strongly supports Canada's commitments arising from the Paris Agreements and a national carbon pricing strategy.

There are several overarching goals that Unifor advocates for a New Brunswick climate action plan:

- Strong, mandatory targets to reduce emissions in line with national climate change goals for 2020, 2030 and 2050.
- Recycling of revenues from carbon pricing to encourage, facilitate and assist energy use choices and industrial transformations towards a low carbon economy.
- Protection for low income and vulnerable citizens and ensuring that the application of a carbon price is "progressive" and does not increase wealth inequality or disparity in services.
- Job protection and a "Just Transition" for workers and communities.

The principle of a Just Transition was recognized in the Paris Agreements and strongly supported by Canada. Just Transition has also been recognized in the Ontario “Climate Change Action Plan” and in Alberta’s report of its Climate Change Panel. The transition measures that can be part of a Just Transition policy include re-training, re-location assistance, early retirement, pension bridging, and income security and stabilization.

Unifor hopes to commence a dialogue with New Brunswick at the earliest opportunity towards incorporating Just Transition principles in this province’s climate action framework. Just Transition requires that workforce impacts and necessary transitions are considered before decisions are made regarding carbon pricing.

These overarching principles can and must be incorporated into the carbon pricing system chosen by New Brunswick. However the choices to be made in implementing these goals can be decisive to the viability and competitiveness of industry and to the “just transition” we seek for affected workers and communities.

Therefore, Unifor urges New Brunswick to engage stakeholders in a discussion on the merits of a “cap and trade” carbon pricing system. Our experience in working with provincial jurisdictions in Ontario, Quebec, Alberta and British Columbia lead us to the strong conclusion that “cap and trade” offers the best option to achieve our environmental and economic goals. There are four direct benefits of a cap and trade approach to emissions reductions in New Brunswick:

1. Clarity and transparency in GHG reductions

Unifor submits that New Brunswick can look forward to public support for carbon pricing to the extent that consumers and workers see tangible results towards meeting climate change goals.

The most effective instrument to provide clarity, transparency and certainty in meeting emissions reductions goals is to set a provincial target and to annually reduce emissions by lowering the “cap” on available credits.

As can be seen from BC’s experience the impact over time of a broad based carbon tax by itself cannot ensure year over year reductions in GHGs.

2. The carbon price

Unifor warns that a climate action plan based only on carbon pricing can be very destabilizing and have negative economic consequences.

This is particularly true for the forest sector. Like oil refining or cement manufacturing, forestry is an “emissions intensive, trade exposed” (EITE) sector and size certainly matters when evaluating the carbon price that is set. A mid-sized paper mill can be expected to have emissions of 150,000 to 300,000 MTs of total emissions per year. A large integrated pulp mill can have emissions of up to 900,000 MTs per year. Clearly, a carbon price of \$50 per tonne by 2022, as the Federal Government has proclaimed, would have enormous consequences for pulp and paper in New Brunswick unless this price was offset by rebates, credits or other measures.

However under Quebec and Ontario cap and trade programs, the carbon price set by the auctioning of credits is expected to be less than half the national carbon price, and EITE industries will be protected through the provision of transitional credits. EITE industries will be required to purchase credits only in the event that they are unable to reduce emissions in line with declining caps.

3. Industrial transformation and transition programs

Unifor notes that in Quebec, Ontario and Alberta funds raised from carbon pricing are being allocated to projects including GHG reduction projects in energy and transportation, workforce transition and industrial transformation programs on the basis of merit and emissions reduction results. These include the Ontario “Greenhouse Gas Reduction Account” and the Alberta “Green Technology Fund.”

The forest sector in New Brunswick would benefit greatly from a New Brunswick climate action and transition fund. The forest sector has already taken significant actions to reduce its carbon imprint. Under the federal 2009-2012 Pulp and Paper Green Energy Transformation Program many significant projects were undertaken, including in New Brunswick, to increase energy efficiency and to shift to biomass. Many sawmills have also introduced biomass cogeneration to enhance efficiency, displace fossil fuels and reduce GHGs. Further needed emissions reductions will require more substantial and transformative solutions and pro-active government support for sustainability measures.

4. Offsets

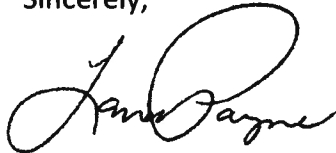
Global and national climate agreements have incorporated the principle of offsets to recognize that investments in clean energy or carbon sinks are important solutions to be recognized and encouraged. In particular, offset credits to recognize investments in reforestation and silviculture can contribute to meeting national and provincial goals while strengthening the forest sector. While forest based offsets may be included in Canada’s climate action plan, forest based offsets are directly reflected in the regulatory design of Quebec and Ontario cap and trade systems and could be reflected also in a New Brunswick credit based cap and trade system.

Lastly, it is important to take into account trade agreements such as softwood lumber and how these interact with carbon pricing.

We believe we can have a healthy environment and strong, sustainable jobs in the forest sector. And Unifor looks forward to further discussions on this.

Thanking you for taking our position into account.

Sincerely,

A handwritten signature in black ink, appearing to read "Lana Payne". The signature is fluid and cursive, with a large loop at the end.

LANA PAYNE

Atlantic Regional Director

c.c. Scott Doherty, Executive Assistant to the National President, Unifor
Linda MacNeil, Unifor Atlantic Area Director
Kim Power, Unifor National Representative
Patrick Murray, Unifor National Representative
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