

The Green Economy Action Fund

A Federal/Provincial Economic Stimulus Package

Overview: A bold federal initiative to supercharge growth in the green economy, harmonize with Obama's five million jobs surge, and incentivize provincial action. Funded in part by a Canadian Green Bond and in future from cap & trade program revenues, the program will finance retrofit of Canada's building stock, provide long-term, low-cost debt capital to renewable energy producers, incentivize investment in clean-tech manufacturing and deploy stimulus into transit, housing, green grid and other low-carbon infrastructure. **Size:** Loans: \$18.6B ; Spending: \$22.7B over 5 years

Strategic Political Benefits: Bold Green Economy stimulus is very popular with the public and aligns Canada with the incoming Obama administration. Federal government publicly leads a "race to the top" among provincial green energy strategies. Green Bonds generate direct public engagement, make government action highly visible and positive.

- **Green Jobs Now:** Immediate stimulus retrofitting government real estate, low-income housing; incentivize commercial and homeowner retrofits.
- **Long-term stimulus to the emerging green economy:** Low-cost debt capital to accelerate production of "green-collar" jobs, green infrastructure and renewable energy. Green sector strategy to incentivize investment in Canadian clean-tech manufacturing.
- **Meet federal 90% non-emitting electricity targets with provincial cooperation:** Lower-cost debt means lower cost of renewable energy production. Program incentivizes provincial cooperation, levels the playing field with fossil fuels, and accelerates renewable energy production.
- **Expand and extend valuable federal initiatives e.g.:** ecoENERGY, Canada Mortgage and Housing (CMHC) and federal-provincial mechanisms.
- **Directly engage Canadians via Green Bond promotion.** Green Bonds are very popular with the public. A model proven in Europe, it provides a safe investment vehicle in times of financial distress, demonstrates government leadership on climate change, and provides a clear, popular policy announcement.
- **Encourage provinces to build positive regulatory environment for renewables.** Provinces providing long-term economic stability for renewable energy production and contributing to national targets are prioritized. Disbursement mechanism minimizes risk of loan defaults.

The Green Economy Action Fund: *Investing in a cleaner, more prosperous Canada.*

Policy Proposal Summary

Loans	Over 5 yrs	Renewable Energy, building retrofits, funded in part by green bonds	\$18.6 Billion
Spending	Over 5 yrs	ecoENERGY, public transit, buildings	\$22.7 Billion
Cap & Trade Revenues	Start 2010	Revenue	TBD
Green stimulus conditions	As appropriate	Conditions on federal stimulus recipients -- required to contribute to national emissions targets.	As appropriate
Green Manufacturing Sector Strategy	As appropriate	Incentives including domestic procurement programs for investment in manufacturing of turbines, panels, etc..	As appropriate

1. Loans:

Buildings: Smart Energy Fund (2.5 Billion over 5 years): For energy efficiency and small-scale renewable energy systems access to capital can be a primary barrier. Budget 2009 establishes a \$2.5 Billion Smart Energy Fund that makes no interest/low interest loans to homeowners, businesses, industrial firms, and public entities for energy efficiency technologies, staff training, green building, and renewable energy technologies like solar water heating.

Renewable Energy: (16.1 Billion over 5 years) The Green Economy Action Fund provides no-interest/low-cost capital loans for renewable energy production funded in part by green bonds.

Financial Efficiency: As the only significant cost to the government is in the form of defaulted loans the ratio of dollars generated as renewable infrastructure capital to dollars cost to the government is high – higher than either tax credits or other direct subsidies can provide. Total cost per tonne of CO₂e is estimated between \$1 - \$13.

Provincial/Federal Interplay: Clear encouragement to provinces to build regulatory environments that can compete for program funding. Example: Ontario's Green Energy Act provides substantive feed-in tariffs. This makes Ontario projects safer investments for the fund, and the Green Economy Action Fund will target these projects, enabling much larger, faster roll-out of renewable production. Other provinces will compete for these funds by implementing renewable support policies of their own.

2. Spending:

Buildings: Inject \$2.5 billion over the next 5 years into direct investments supporting the retrofit and re-commissioning of Canada's homes and buildings. Puts thousands of people back to work, lowers energy bills, and frees up income just like a tax cut.

ecoENERGY expansion with specific set-asides for Northern and remote communities. (\$2.8 Billion over 5 years)

Transit: Rehabilitate existing public transit infrastructure (\$7.6 billion total over 5 years); Expand service capacity to meet growing demand (\$9.8 billion total over 5 years).

3. Revenue from Cap & Trade:

Prepare cap-and-trade regulations under the *Canadian Environmental Protection Act* for publication in draft no later than April 30, 2009. The regulations should enter into force on January 1, 2010 along with measures to protect (i) low-income Canadians from cost increases and (ii) those industries vulnerable to competitiveness impacts until trading partners are integrated into a comparable program.

President-elect Obama has committed to a cap-and-trade system in which 100% of the permits are auctioned. Auctioning is consistent with the "polluter pays" principle and provides an advantage to firms that have taken early action to cut emissions, and auctioning 100% of permits makes the system very simple and quick to implement.