

## **Climate Action Team's 2023/2024 provincial budget recommendations**

Climate scientists have tasked policymakers with reducing greenhouse gas (GHG) emissions to net-zero by 2050. By 2030, the federal government has pledged to reduce national emissions by 40% to 45% below 2005 levels. With only seven years left until that first deadline, Manitoba is not only not approaching that goal, our emissions remain consistently [above 2005 levels](#). Out of all the provinces, only Alberta can also claim this dubious distinction. While we tout our clean electricity grid, 70% of our province's energy still comes from fossil fuels.

[Climate Action Team \(CAT\)](#) is a coalition of Manitoba environmental and policy organizations, researchers, and sector experts working towards climate resilience in our province. Supported by sector experts, researchers, and stakeholders, we are producing the "[Road to Resilience](#)," a series of evidence-based technical, policy, and economic reports that detail for the first time how Manitoba can reduce its GHG emissions in line with climate science timelines, while also creating positive financial and employment outcomes for its citizens, businesses, and government.

The responsibility to reduce emissions cannot be left up to individuals—especially when so many are also struggling under the volatile prices that come from relying on imported fossil gas and gasoline. Importing fossil fuels also has huge costs to the provincial economy. Our research shows how investing in building out local renewable energy and increasing energy efficiency can help reduce emissions, lessen vulnerability to global market swings, and generate savings for government and households alike. Through the approach we outline below, the province can help households make the change without huge expenses to families or to itself.

The alternative—to continue to lag on our climate commitments, for the sake of burning fossil fuels that are a drain on household budgets, our provincial economy, and our ailing planet—should be unacceptable. The provincial government should strive to live up to its own vision in the Climate and Green Plan to be "Canada's cleanest, greenest, and most climate resilient province," and help to position Manitobans to take advantage of a new economy and new world without fossil fuels.

Please find our recommendations on the following pages of this document. If you are available to discuss them further, you can reach us by emailing [info@climateactionmb.ca](mailto:info@climateactionmb.ca).

## **Manitoba's Climate Action Team presents the following recommendations for the 2023/2024 budget:**

### **1) SUSTAINABLE HOMES AND BUILDINGS**

#### ***Recommendations:***

- 1. Provide zero-interest financing to individuals, businesses, and public sector institutions for home and building energy efficiency retrofits and solar installation, assigning these loans to the property rather than to individuals. Payment amounts should be recycled to help provide the next round of loans.*

Commercial and residential buildings [produced](#) 2.67 MT of CO<sub>2</sub>e in 2020 or 13.82% of provincial emissions. In order to achieve meaningful emissions reductions and generate energy savings for the maximum number of Manitobans, the province needs to invest in building retrofits and solar installation. Improvements in energy efficiency will reduce the amount of new low-carbon energy needed to replace natural gas. The federal Canada Greener Homes grant provides some support, as does Efficiency Manitoba, but more support is needed if we are to meet our targets.

#### **Zero-interest financing for energy efficiency retrofits and solar:**

We recommend using zero-interest financing to help Manitobans cover a larger portion of the upfront expenses of retrofits and start realising energy savings, while costing the government less than a grant program.

Existing structures can be retrofitted to achieve or come very close to reaching high-performance levels. Progress could be measured by using the top tier of the new National Building Code as a standard for all buildings, not just new. Eligible retrofits would include everything from minor to deep retrofits: upgrades to lighting systems, adding sealing or insulation, roof replacement, and more, as well as installation of ground-mounted or rooftop solar systems.

The market price of fossil gas<sup>1</sup> has tripled in recent years (see Appendix 1). On top of that, carbon pricing is guaranteed to add to the cost of using fossil gas until at least 2030, and possibly beyond. Putting a price on carbon is a critical tool to incentivise decarbonization, but it needs to go hand in hand with support for households and businesses to afford the upfront investments needed to cut their carbon emissions and protect themselves from rising costs. To give an example of the kinds of savings that could be achieved, if a household installs a 6 KW rooftop solar system, it can generate between \$800 - \$900 worth of free electricity per year (at the current residential rate of electricity (9.324 cents per KWh) plus taxes (14.625%)).

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<sup>1</sup> [A 2020 American study showed](#) that a majority of respondents perceive fossil/natural gas more favourably than other fossil fuels, and that this may be influenced by the word "natural." Respondents associated "natural gas" with the word "clean," while alternatives were associated with pollution and climate change. Manitoba's Climate Action Team encourages the use of the term "fossil gas" to more accurately communicate that fossil gas is [no better than any other fossil fuel](#).

The zero-interest loans available for these retrofits would be much larger than the amounts available under the Canada Greener Homes grant, and should be amortized over a long period of time to help keep yearly payment costs down—we recommend \$40,000 over 25 years. These loans should also be assigned to the property receiving the retrofit, rather than the property owners, which means that the loan would not be held by the owner or show up on their financial record/portfolio, and should the owner wish to sell the property, the loan would be transferred to the new owner. This protects the owner from the initial cost of the retrofit and also removes an owner’s concern they might not recoup the retrofit investment if the property is put up for sale. The retrofit loan would be paid each year by whoever owns the building at that time, and that owner will benefit from the lower operating costs achieved from the building retrofit.

We recommend that loan repayments be returned directly to the program, providing capital for the next round of loans. This financing should be made available to private individuals and businesses as well as mandating the public sector (municipalities, school divisions, etc.) to use it to retrofit public buildings such as schools, community centres, and more.

Such a financing program would also support the creation of more jobs in the construction industry, increasing demand for skilled carpenters, HVAC trades, plasterers and drywall installers, and mechanical engineers and technicians.

## **2) PUBLIC TRANSIT**

### **Recommendations:**

1. *Increase funding for the Winnipeg Transit Master Plan.*
2. *Restore the 50/50 transit funding agreement with municipalities.*
3. *Conduct a feasibility study on establishing a public inter-community transportation service.*
4. *Establish a fund for municipality-led inter-community transportation.*

### **Urban:**

In 2020, transportation accounted for about [37% of Manitoba’s GHG emissions](#), a larger proportion than any other sector.<sup>2</sup> While the province needs to invest in all forms of clean transportation, we recommend prioritising public transit—both urban and inter-community. [A 2020 study](#) from the University of Toronto showed that climate targets cannot be met simply by replacing all combustion engine vehicles with EVs—a structural shift towards collective transport, including buses, trains, and light-rail, is required.<sup>3</sup> Public transit is a more efficient use of energy and materials compared to private vehicles, and serves all income groups. Public transit also helps the province reduce road maintenance costs.

We are happy to see the province contributing to funding the Winnipeg Transit Master Plan, but we call on it to increase its contribution so that the plan can be implemented on a faster timeline than the current twenty-five years.

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<sup>2</sup> Canada 2022 National Inventory Report, <https://unfccc.int/documents/461919>

<sup>3</sup> <https://www.utoronto.ca/news/electric-vehicles-can-fight-climate-change-they-re-not-silver-bullet-u-t-study>

The province has also stated it will be providing an additional \$13.4 million in the 2023-24 budget and \$34 million in total over the next two years to help transit systems in five Manitoban cities and towns cover pandemic-related losses. However, this one time funding does not make up for the loss of the 50/50 transit funding agreement with Manitoba municipalities. Municipal transit agencies need consistent support in the form of operational funding from the province. The shortfalls the province has had to step in to cover would certainly not have been as dire had the province not cancelled the 50/50 funding agreement in the first place. Consistent operational funding would complement the infrastructure investments mentioned above and help ensure Winnipeg's transit system matches, and ideally exceeds, other Canadian cities its size in terms of quality, efficiency, speed, and comfort.

### **Inter-community:**

Since the loss of Greyhound, Manitobans are also faced with severe challenges when it comes to travelling between communities. While a few bus lines run by other small private providers have sprung up, the network has shrunk considerably. And these small lines are precarious, with operators setting up and closing down year to year as they struggle to make a profit in the sparsely populated rural and northern regions of the province.

All of this demonstrates the need for inter-city transportation, like urban transit, to be publicly owned and operated. Inter-city transportation should be a public good provided by the province—like urban transit, healthcare, and other social services.

Rural transportation service links people in rural and remote communities to educational and economic opportunities, and helps them access medical services, social services, and the justice system. It can also be integrated with freight service and medical transport.

The provincial government has a duty to ensure all Manitobans can access essential medical care, regardless of where they live. To that end, the province currently subsidises medical transportation costs through the Northern Patient Transportation Program. A publicly owned transportation service would go further, ensuring northern Manitobans actually have convenient, affordable options for medical travel, and eliminating the need to subsidise the private sector to provide this service.

A provincial bus service would provide a safe, affordable means of transportation, especially for those unable to afford a car and who may otherwise resort to hitchhiking. One of the recommendations in the MMIW Inquiry, which the province has committed to implementing, was to ensure that safe and affordable transit and transportation services and infrastructure is in place for Indigenous women, girls, and 2SLGBTQQIA people living in remote or rural communities.

This provincially owned company would provide another source of stable employment for people living in communities across the province.

A provincial-wide, publicly owned transportation service would ensure the connectivity, consistency, affordability, safety and accessibility Manitobans deserve, compared to a patchwork of private operators. Private operators tend to have a lower level of safety and

accessibility, require subsidies without guaranteeing a return on investment, and will pull out if they are not able to make a profit (as demonstrated by Greyhound).

We recommend the province explore establishing a new, publicly-owned provincial transportation company, following the example of the [Saskatchewan Transportation Company \(STC\)](#) which provided convenient, reliable, and affordable transportation and transport service for eighty years in a similar geographic context as Manitoba's. The STC served 253 communities across the province, playing a key role in the healthcare system by offering subsidised medical transport passes for patients as well as the delivery of medical supplies and samples. It provided rural businesses and communities with freight service, library book delivery, and connections to friends, family, and services across the province. The STC received an annual operating grant (\$13.5 million in 2016-17) from the province, and also generated its own revenue through parcel delivery and other services. The Saskatchewan government's cancellation of the STC in 2017 was part of an unpopular austerity budget. Six years later, few private operators have stepped in and coverage remains sparse. The SK government's stated reason for the cancellation—the cost—misrepresents the purpose of public transportation, which is to provide a necessary public service to residents, not earn a profit.

The provinces of BC and Ontario also operate public inter-community transportation services (BC Bus North and Ontario Northland), though for northern regions only. This could be another model the province could explore.

In addition, we recommend the province follow the lead of Ontario, BC, and Alberta and create a fund for municipalities to develop their own smaller inter-community transportation services. This program could serve as an interim while the provincially-owned service was being developed, or it could continue on beyond the establishment of the Crown Corporation, connecting particularly small and remote communities to the provincial transportation network.

### **3) ELECTRIC VEHICLES**

#### ***Recommendations:***

- 1. Provide zero-interest financing to individuals, businesses, and public sector institutions to purchase new and used electric vehicles and install Level 2 Chargers at homes, apartments, and other types of residences. Payment amounts should be recycled to help provide the next round of loans.*
- 2. Expand and maintain Manitoba's network of public charging stations.*

Light duty gasoline and diesel vehicles in Manitoba emitted 3 MT of CO<sub>2</sub>e in 2020 or 14.29% of provincial emissions. The federal government has set a target for 100% of new vehicle sales to be electric by 2035, but only 1.4% of all new vehicles registered in Manitoba in 2021 were zero-emission-making Manitoba a national laggard in the adoption of electric vehicle technology. There are no electric buses currently operating in the province.

[Research by Clean Energy Canada](#) has found that driving an electric vehicle tends to be more economical over time due to lower fuel and maintenance costs—one calculation showed

savings of \$15,000 or more over eight years. [Polling shows](#) the majority of Canadians are interested in choosing electric for their next vehicle purchase. But the higher upfront price of EVs can be a barrier. The federal government offers the Incentives for Zero-Emission Vehicles (iZEV) Program which provides up to \$5000 at point-of-sale for eligible vehicles. Seven provinces and territories offer their own rebates for electric vehicles that can be stacked with the federal incentive. For example, British Columbia offers an income-contingent rebate of up to \$4,000 off the cost of a new EV (13% of all new vehicles sold in British Columbia in 2021 were electric). In Quebec, purchasing a new EV earns a provincial rebate of \$7,000 (9.5% of new vehicles sold in Quebec in 2021 were electric).

### **Zero-interest financing for EV purchases:**

The provincial government does not offer any rebates for the purchase of electric vehicles or at home chargers. Comparing electric vehicle sales in Quebec and BC versus Manitoba (13% and 9.5% respectively versus 1.4%) demonstrates the difference provincial support makes. A zero-interest financing program for EVs would not only help Manitobans afford these vehicles, it would also promote adequate supply, since suppliers tend to send more vehicles to provinces that offer EV incentive programs. Providing larger, zero-interest loans instead of smaller rebates would go even further towards reducing upfront costs, ensuring Manitobans of all income levels can benefit. And since electric vehicles cost their owners less over time, those savings could be put towards paying off the loan. We recommend providing financing of up to half the maximum purchase price allowed under the federal government rebate program, which would mean \$20,000-\$25,000 per vehicle. As in other provinces, the financing could still be stacked with the federal incentive.

Provide PACE loans on the purchase of electric vehicles that will cover up to half the maximum purchase price allowed under the federal government rebate program. For instance, if this maximum purchase price is \$60,000, the zero-interest PACE loan would be at most \$30,000. This makes the higher upfront cost of the EV affordable to the owner, who can use their savings from owning an EV to pay back the PACE loan. This approach also avoids large cash subsidies from government to new vehicle owners.

Similar to the home retrofit zero-interest loans, this financing should be made available to private individuals and businesses as well as mandating the public sector (municipalities, school divisions, etc.) to use it to electrify their fleets.

### **Charging network:**

Both BC and Quebec also offer rebates for the installation of home-based Level 2 chargers. The federal government has also announced it is partnering with the Manitoba Motor Dealers Association (MMDA) and Eco-West Canada to help construct hundreds of additional public access charging stations. Manitoba has a total of just over 100 charging stations currently, with the majority in Winnipeg, putting it behind other provinces. Much more extensive coverage is needed, especially in rural areas, in order for EVs to be a practical option across the province.

## **4) CARBON PRICING REGIME**

**Recommendations:**

1. *Assigning carbon pricing to all GHG emissions, including those from agriculture, landfills and industrial processes.*
2. *Use carbon pricing revenue to finance the energy efficiency and electric vehicle zero-interest loans programs described above, while keeping rebates in place for low and moderate income households.*

Manitoba is currently subject to the federal carbon pricing backstop. The province should design its own carbon pricing regime that can better dis-incentivize climate pollution while also providing revenue to finance the programs described above.

**Assigning carbon pricing to all GHG emissions:**

Currently, agriculture, landfills, and certain industrial sources are not subject to carbon pricing, meaning they are essentially being subsidized. There is no incentive for those sectors to cut down on carbon pollution and the provincial government is losing potential revenue. Together, these sectors produce about 40% of provincial emissions every year. These sectors released 8.7 million tonnes of CO<sub>2</sub>e into the atmosphere in 2020, which would equate to around \$565.5 million in additional revenue (based on the federal 2023 rate of \$65 / tonne).

**Redirecting carbon pricing revenue:**

Our aim in expanding carbon pricing is not just to disincentive pollution—the province also needs to use this revenue to help individuals, households, and businesses pay for meaningful emissions reduction strategies. We recommend that all carbon pricing revenue be directed back to the sectors it came from—either to fund the zero-interest loan programs described above, or create other incentives to reduce fossil fuel use in other sectors. Directing the majority of carbon pricing revenue towards climate action programs will go farther towards reducing emissions compared to returning it all in the form of a rebate, and these programs will save more Manitobans more money over the long-term. We do recommend keeping a carbon pricing rebate in place for people with low to moderate incomes (the bottom 40%), recognizing that that is financially necessary for some.

The capital pools for the programs described above for energy efficiency and electric vehicle financing would be created from carbon pricing revenue from the relevant sector. This would keep the provincial government from having to borrow to fund those programs. In the 2023/2024 fiscal year, carbon pricing revenue from residential and commercial buildings will be in the range of \$175 million, while light-duty gasoline vehicles and trucks would generate \$212 million. That would be enough to finance retrofits of \$40,000 for 4,375 single family homes and loans of \$20,000 for 10,600 EV purchases this year alone. The amount of carbon tax revenue will keep increasing each year as the carbon tax increases to reach \$170 / tCO<sub>2</sub>e in 2030, allowing for more loans every year.

**5) MINING****Recommendations:**

1. *Limit public subsidies of all forms to the mining industry.*

In the last few years, the provincial government has been increasing support for Manitoba's mining industry, creating several new incentives on top of existing tax credits, including a new mine tax holiday, the creation of the Manitoba Mineral Development Fund two years ago, and more. It has also made [structural and regulatory changes](#) to speed up application and permitting processes and lessen "red tape." Rhetorically, [the provincial government has framed](#) this support as positioning the province to contribute to the transition to low-carbon energy through its lithium resources.

CAT is concerned about this increase in public subsidies for mining, which of course will result in the expansion of the industry overall, not just minerals needed for the energy transition. All mining has impacts on the environment, as well as the Indigenous communities on whose traditional territories it is taking place. As discussed above, transportation emissions cannot be meaningfully reduced by replacing every combustion engine vehicle with an EV, so the criticalness of lithium extraction to the transition should not be exaggerated. Also, subsidies to the private sector only decrease the revenue available for public services, and allow private companies to realize profits far greater in value than any economic benefits flowing to communities. There are other economic development strategies the province could be prioritizing for northern communities beyond increasing reliance on boom and bust extractive industries.

The province needs to limit the amount of public subsidies to the mining industry, limiting the amount of funding, tax credits, and public resources dedicated to the sector. It also needs to ensure regulatory structures are robust, and that companies are held accountable to following the strongest and strictest consultation processes. Permits should be dependent on achieving informed consent from affected communities. The province should also ensure strong community benefit agreements are always in place, and that proponents are held accountable to fulfilling the terms of these agreements completely. It should also ensure it is prioritizing investments in non-extractive economic development strategies for the north, such as growing the education, health, food, and other service sectors.

## **Non-budgetary recommendations:**

### **1) GOVERNMENT LEADERSHIP ON CLIMATE**

#### ***Recommendations:***

- 1. Establish and fund a new climate unit at the most senior level of the provincial government.*

In order to implement these changes and ensure Manitobans realize the benefits in the most efficient and systematic manner, we need a coordinated, whole of government approach that puts climate action at the forefront of all government decisions. We cannot have some departments and programs working on implementing these solutions while others work at cross purposes.



The government needs to lead with climate action in all decisions in all departments and public entities, including Crown corporations. This will require ensuring that climate action is being considered at the most senior levels of government. We suggest creating a new climate coordination unit that has a permanent advisory seat at the Treasury Board and Cabinet to ensure all legislative and budgetary decisions are assessed according to their climate impacts.

The entity would be responsible for coordinating the shift away from fossil fuels, including overseeing the programs to shift away from fossil fuels described above. Ensuring these programs are properly coordinated, with government oversight, will assure the public that necessary changes to their home and methods of transportation - the two most expensive items in most household budgets - are completed properly, safely, and in a manner that saves households and businesses money.

While Manitoba Hydro or Efficiency Manitoba has the potential to fill this role, neither has the current mandate of resources. Whether it is a new entity or not, it will need the proper legislative mandate, sufficient financial resources, and staffing.

## Appendix 1

### Residential Natural Gas Rates, Feb 2018-August 2022

Primary gas rates have almost tripled, driving up the total bill for residential customers (though totals not shown here).

Effective date	Basic monthly charge	Primary Gas (¢/m <sup>3</sup> )	Supplemental Gas (¢/m <sup>3</sup> )	Transportation to Centra (¢/m <sup>3</sup> )	Distribution to customer (¢/m <sup>3</sup> )	Furnace Replacement Program refund (¢/m <sup>3</sup> )
2022 Aug	\$14.00	19.77	13.84	4.52	7.44	—
2022 May	\$14.00	20.55	13.84	4.52	7.44	—
2022 Feb	\$14.00	13.43	13.84	4.52	7.44	—
2021 Nov	\$14.00	19.16	13.84	4.52	7.44	—
2021 Aug	\$14.00	13.23	13.84	4.52	7.44	—
2021 May	\$14.00	10.45	13.84	4.52	7.44	—
2021 Feb	\$14.00	10.12	13.84	4.52	7.44	—
2020 Nov	\$14.00	10.81	13.84	4.52	7.44	—
2020 Aug	\$14.00	9.32	13.84	4.19	6.28	(2.59)
2020 May	\$14.00	8.63	13.84	4.19	6.28	(2.59)
2020 Feb	\$14.00	8.63	13.84	4.19	6.28	(2.59)
2019 Nov	\$14.00	9.10	13.84	4.19	6.28	(2.59)
2019 Aug	\$14.00	8.52	15.59	5.38	8.66	
2019 May	\$14.00	9.45	15.59	5.38	8.66	
2019 Feb	\$14.00	9.09	15.59	5.38	8.66	
2018 Nov	\$14.00	8.32	15.59	5.38	8.66	
2018 Aug	\$14.00	8.02	15.59	5.38	8.66	
2018 May	\$14.00	7.62	15.59	5.38	8.66	
2018 Feb	\$14.00	7.62	15.59	5.38	8.66	

Source: [https://www.hydro.mb.ca/accounts\\_and\\_services/rates/historical\\_rates/#ng-residential](https://www.hydro.mb.ca/accounts_and_services/rates/historical_rates/#ng-residential)