Canadian Taxpayers Federation

Reject the Green Job Myth

Submission to the Green Energy Advisory Task Force

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About the Canadian Taxpayers Federation

The Canadian Taxpayers Federation (CTF) is a federally incorporated, non-profit and non-partisan, advocacy organization dedicated to lower taxes, less waste and accountable government. The CTF was founded in Saskatchewan in 1990 when the *Association of Saskatchewan Taxpayers* and the *Resolution One Association of Alberta* joined forces to create a national taxpayers organization. Today, the CTF has over 65,000 supporters nationwide.

The CTF maintains a federal office in Ottawa and offices in the five provincial capitals of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario. Provincial offices conduct research and advocacy activities specific to their provinces in addition to acting as regional organizers of Canada-wide initiatives.

CTF offices field hundreds of media interviews each month, hold press conferences and issue regular news releases, commentaries and publications to advocate the common interest of taxpayers. The CTF's flagship publication, *The Taxpayer* magazine, is published four times a year and provided to CTF contributors. An issues and action update called *TaxAction* is produced each month. CTF offices also send out bi-weekly *Let's Talk Taxes* commentaries to more than 800 media outlets and personalities nationally.

CTF representatives speak at functions, make presentations to government, meet with politicians, and organize petition drives, events and campaigns to mobilize citizens to effect public policy change.

All CTF staff and board directors are prohibited from holding a membership in any political party. The CTF is independent of any institutional affiliations. Contributions to the CTF are not tax deductible. It is free to join the CTF as a supporter.

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Task Force on Procurement and Regulatory Reform

The B.C. government created a Green Energy Advisory Task Force to review BC Hydro regulations and to look for ways to expand 'green' power projects to create jobs while keeping electricity rates competitive. A tall order and unlikely to be achieved.

The Task Force on Procurement and Regulatory Reform is to make recommendations to improve BC Hydro's regulatory regime. However, the task force includes no one currently from BC Hydro and more importantly, no one from the actual BC Hydro regulator -- the BC Utilities Commission (BCUC). The absence of the current regulator creates a great deal of concern because BCUC's mandate is to keep BC Hydro rates competitive. However, without a strong voice for ratepayers at the table, this mandate could be undermined.

The BCUC is a regulatory agency created in 2001 to take the political meddling out of electricity pricing decisions. One of its main jobs is to make sure BC Hydro's energy purchase agreements keep electricity rates as low as possible for customers. Therefore, the Canadian Taxpayers Federation must begin its submission to this task force by protesting the composition of the panel itself. Not only does it lack representation from the BCUC, there are no representatives from consumer groups, business or industry, who would be on the hook to pick up the cost of subsidization of renewable energy projects. If the low-rate mandate is now off the table because the government is more interested in promoting a 'green' agenda, it could leave families shivering in the dark in the face of skyrocketing electricity costs.

Another goal of this task force is to enhance cost-effective power generation. If that is in fact the case, it is imperative that the mandate of the BCUC to protect ratepayers be unaltered. Otherwise, the green hysteria and the misguided push for energy self sufficiency could leave B.C. electricity customers with a legacy of high-cost electricity.

The BCUC has defended ratepayers from political grandstanding before. An electricity purchase agreement between BC Hydro and Alcan Aluminum, announced with the provincial government in 2006, fell apart after the BCUC ruled it was a bad deal for BC Hydro customers. The BCUC ruled that BC Hydro was offering to pay too much for the power, and told BC Hydro to make a better deal. It did, saving BC Hydro customers between $65 million and $120 million for 2008 through 2034.

This task force must not undermine the original reason for bringing the private sector into the electricity marketplace -- to keep prices competitive and shift some of the risk for new projects from the taxpayer to the private sector. Small, private hydro projects started operation in the 1990s and since 2002, BC Hydro’s new sources of energy must come from the private sector. As a result, we now have 48 operating run-of-river hydro projects supplying electricity to BC Hydro, and the price of energy has remained competitive.

In July 2008, the BCUC ruled that BC Hydro's 2008 Long Term Energy Acquisition Plan was “not in the public interest” because the cost of green electricity from independent power projects was too high. The BCUC told BC Hydro it could still bring forward independent power projects, but they would still be accepted or rejected based on their cost-effectiveness.

Unfortunately for ratepayers, the government told BC Hydro and the BCUC to consider social and environmental issues when making energy purchasing decisions. This means the mandate of the BCUC could change from getting the best deal for ratepayers to fulfilling the arbitrary political whims of the party in power.

B.C. is fortunate to have competitively priced hydro as its main source of electricity. The best way to improve future power calls of any colour is to prevent politics from undermining the current regulatory regime. Undermining the BCUC to subsidize pet green projects with lofty, expensive, and probably unachievable goals is a step in the wrong direction. The Green Energy Advisory Task Force is stacked against the consumer, and ultimately the taxpayer, to promote a green corporate welfare scheme that, if past experience is any guide, will be an expensive failure.

Green Energy Advisory Task Force on Community Engagement and First Nations Partnerships

The goal of the Green Energy Advisory Task Force on Community Engagement and First Nations Partnerships is to enhance job creation. However, the task force is stacked with representatives from renewable energy companies and environmental groups.
If they push the government to force BC Hydro to purchase electricity from the companies these groups promote, as the experience from Spain shows, people may not have jobs to pay for escalating electricity costs.

The 'green' job creation experience in Spain is touted by US President Obama as an example for the US to follow. However, a Spanish study shows that the US would lose nine jobs in the productive sector for every four jobs created in the subsidized renewable energy sector. In fact, as of November 2009, Spain had an unemployment rate of 19.3 per cent, the highest level in the EU.

The 'Study of the Effects on Employment of Public Aid to Renewable Energy Sources' also shows that in Spain, green job creation destroyed jobs in metallurgy, non-metallic mining and food processing, beverage and tobacco industries. Most of the renewable energy jobs created in Spain were temporary and created in the construction of the renewable energy projects. Only one-in-ten jobs in the 'green' energy sector were permanent jobs, and included those in operation and maintenance of the renewable sources of energy. The study found it cost almost $900,000 to create each 'green' job in Spain.

But we don't have to look as far away as Spain to see how green corporate welfare fails to create permanent jobs and wastes tax dollars. We have our own made-in-B.C. example -- Ballard Power. At its height in 2001, employment at Ballard Power reached about 1,400 but by April 2009, it had fallen to about 400. In August 2009, it announced the elimination of another 85 jobs. Ballard Power took $22 million from B.C. taxpayers by 2000 and tens of millions more from federal corporate welfare programs. Despite these generous Canadian taxpayer funded handouts, Ballard abandoned its automotive fuel cell business in 2008 and left the Japanese energy cogeneration market in 2009 because the Japanese government declined to subsidize it. Ballard has never made an operating profit in its 25 years of existence.

The Green Energy Advisory Task Force is stacked against the taxpayer to promote a green corporate welfare scheme that, if past experience is any guide, will be an expensive failure and not create permanent jobs. This process is a sham and as in most cases when the government picks winners, it makes losers out of competitors, taxpayers and consumers.

Task Force on Carbon Pricing, Trading and Export Market Development

The B.C. government has created a Green Energy Advisory Task Force to review BC Hydro regulations and to look for ways to expand 'green' power projects to produce jobs while keeping electricity rates competitive. A tall order and unlikely to be achieved.

The Task Force on Carbon Pricing, Trading and Export Market Development will likely create a new shade of corporate welfare, bringing fewer jobs, higher taxes and higher energy costs. It contains no representatives from business or consumer groups who will likely be left to pick up the cost of any recommendation the members of this task force would bring. Competitively priced energy in an undistorted market will create the best market opportunities for the most efficient companies. Government meddling in trade and export are more likely to create, rather than reduce, barriers.

A responsible government interested in export market development would be standing up against the imposition of a North American cap-and-trade system for carbon dioxide emissions. The expansion of electricity trade should guide these discussions, as a cap-and-trade system could easily turn into a protectionist system that would reduce Canadian jobs and economic growth. The US Congress is in favour of a cap-and-trade system that protects the interest of the US. If US energy producers are given a free quota of emissions under a US cap-and-trade system, any Canadian energy exporter would have to buy permission to export energy to the US, raising the cost of Canadian energy exports.

'Green' energy interests might think their exports will be given a free ride under this system, but BC Hydro belongs to a power sharing consortium which includes electric utilities in Alberta, Washington, Oregon, Idaho and California. BC Hydro's trading group, Powerex, imports and exports energy. According to B.C.'s 2007 Energy Plan, California generates about 20 per cent of its electricity from coal-fired plants and almost 40 per cent from natural gas. How will the coal and natural gas imports be accounted for in the cap-and-trade equation? In addition, the American Wind Energy Association is lobbying against Canada's energy exports because "output from the large base of Canadian hydro projects could potentially be rerouted into the U.S. market and 'flood' that market, depressing prices to levels too low to support non-hydro renewables." Buying into the green energy dream has the likelihood of creating an energy export nightmare.

Promoting cap-and-trade is a mistake. In a cap-and-trade system the government sets a limit (or cap) for companies on the amount of carbon dioxide they can emit into the atmosphere. Companies who exceed their cap would be charged a penalty (or tax). This creates a pseudo-market because companies that emit carbon below their cap can trade or sell their excess capacity to companies that emit above their cap.

These new costs and penalties will add a substantial new cost to businesses and service providers which will be passed along to consumers -- all aimed at the goal of reducing carbon dioxide emissions, as if CO_2 is a pollutant, which it is not. CO_2 is an inert gas that is vital to plant photosynthesis. People exhale it when they breathe.

Industries that emit more than their quota can buy offsets. Similar to the Catholic Church's corrupt practice of selling indulgences, industry can pay to emit. B.C. taxpayers are already forced to fund a carbon-offset boondoggle as our government works to make itself carbon neutral -- on taxpayer dime. The Pacific Carbon Trust, a member of this task force, pays $25 for a tonne of carbon when businesses in the private market pay only 14 cents. Schools and hospitals pay $25 dollars per tonne of carbon they emit to the Pacific Carbon Trust, then the Pacific Carbon Trust sends that money to groups that have lowered their emissions. The Trust has not disclosed how much it pays to companies for each tonne of reduced emissions. The BC government gave $14 million in 'seed' money to the Trust then paid about $860,000 to offset 34,370 tonnes of carbon emissions.

But instead of paying for hot air, the government could have reduced the deficit or given consumers a break on the HST.

The European experience provides a cap-and-tax cautionary tale. The EU's Emissions Trading System (ETS), founded in 2005, is the world's largest existing carbon emissions trading scheme and is the model for global cap and tax schemes discussed in Copenhagen. The ETS was far pricier than its proponents presumed, and didn't bring the promised emission reductions. Excuses for all of this are plenty, though it is inarguable that cap-and-trade is not well-suited for ubiquitous greenhouse gases like carbon dioxide, which are not "pollutants" in any traditional sense.

Additionally, recent news reports show the ETS has been manipulated by organized crime. Europol, the European Union's joint criminal intelligence agency, said over the past 18 months, criminals have used the EU's ETS to earn $7.4 billion in elicit gains. Europol investigators say up to 90 per cent of the trade in some European countries was completely bogus.

Politicians favour a cap-and-trade system because it is an indirect and non-transparent tax — they claim businesses pay for emissions reductions instead of taxpayers. Of course, people pay taxes, not businesses. Cap-and-trade, the key component in the Kyoto policy mix, has demonstrably increased not only energy costs and economic uncertainty but has already sent manufacturing jobs, (e.g., steel, and related construction jobs) from the EU to the United States and India.

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Green Energy Advisory Task Force on Resource Development

The B.C. government has created a Green Energy Advisory Task Force to review BC Hydro regulations and to look for ways to expand 'green' power projects to produce jobs while keeping electricity rates competitive. A tall order and unlikely to be achieved. Taxpayers left on the hook to fund the recommendations of the Green Energy Advisory Task Force on Resource Development are more likely to get a new shade of corporate welfare, bringing fewer jobs, higher taxes and higher energy costs.

This task force is stacked with renewable energy companies and environmental groups and includes no one from consumer or business groups. The CTF protests the inclusion of the company Nexterra on this Task Force. According to the B.C. government news release, Nexterra received $1.5-million from the Innovative Clean Energy (ICE) fund to help build a $9-million energy plant in New Westminster. What is not in the B.C. government news release, however, is that Nexterra also received $300,000 from Natural Resources Canada (NRCan) and $345,000 from the National Research Council of Canada (NRC-IRAP) for the same project. But there's more. Nexterra got $2.7-million from another arm of the federal government, Sustainable Development Technology Canada (SDTC), in February 2007 for a similar project.

According to NRCan, Nexterra has received more than $4-million from NRCan alone for the development of this technology.

It comes as no surprise that Nexterra was also given government funding for the same type of technology in the past. Dockside Green, the so-called sustainable housing development in Victoria got $85,000 from the B.C. government. The Green Municipal Fund committed $350,000 to this project. In fact, all three of Nexterra's projects in Canada have benefited from green corporate welfare.

NRCan, NRC-IRAP and STDC are federal government groups whose main purpose seems to be handing out tax dollars to boost the bottom lines of savvy, small–and-medium-sized companies. This means companies too busy working to apply for subsidies are actually helping fund their competitors.

The future of clean and renewable energy in B.C. should have the same goals as the energy policies of the past. When the NDP introduced independent power production to the province in the 1990s, the purpose was to keep electricity rates competitive. B.C. now has 48 functioning independent power producers in the province, and electricity rates have remained low.

Ironically, the misguided push for so-called green energy self sufficiency is undermining the reason for bringing the private sector into the electricity market in the first place -- to keep rates low.

Creating electricity from wind, for example, might seem like a cheap source of power, but it's not. As we've already seen in Denmark, its high cost requires taxpayer handouts to develop and survive.

The Danish government decided to become a leader in wind power production and manufacturing after the first oil crisis in 1973. It guaranteed long-term financing for large wind projects that used Danish-made turbines and obliged electricity utilities to purchase renewable energy from private wind power producers at a fixed price higher than the wholesale price of privately-generated fossil-fuel electricity. By 2000, Denmark had more than 6,000 working windmills and 55 per cent of all wind turbines in the world had been manufactured in Denmark.

After European Union electricity market deregulation in 1999, the guarantees and direct price supports were replaced by a system of tradable green certificates. By 2004, the industry had come to a virtual standstill. Only five windmills were installed in Denmark that year, the lowest in 20 years.

The wind turbine industry in Denmark has rationalized since subsidies were cut back. Between 2002 and 2007, the number of Danish turbine manufacturers shrank from eight to three. Vestas, Denmark's largest wind turbine manufacturer and the biggest in the world, took over its domestic rival NEG-Micon. Others were bought by foreign electrical giants, such as Germany's Seimens.

Meanwhile, compared with other countries in Europe, the Danes remain above-average emitters of carbon dioxide. When it's not windy, Denmark's power is generated mostly from coal burning plants. Carbon dioxide emissions from burning coal grew by 43 per cent between 2005 and 2006.

The stage is set for a similar boondoggle in B.C. The wind power industry in Canada gets a federal government subsidy of $10 per megawatt hour. But B.C. consumers can expect to dig deep as well. The cost of electricity from wind power is more than $70 per megawatt hour. That compares to about $48 for natural gas and $25 for electricity produced from B.C.'s heritage hydro assets.

Some very big companies back wind power so why should B.C. taxpayers be on the hook to subsidize them. The biggest U.S. wind turbine manufacturer, Zond Energy Systems, was owned by Enron and later sold to General Electric. General Electric plans investments in B.C. wind power projects. BP and Royal Dutch/Shell, two oil giants, have wind power investments all over the world. Companies like these hardly need our help, but will gladly take it if offered. Shell Oil was recently given more than $800 million to develop a carbon capture and storage facility in Alberta. The list goes on and on.

BC Hydro is expected to purchase high-cost electricity from wind plants. Denmark's electricity utilities were also forced to buy high-cost power giving Denmark one of the highest household electricity costs Europe, at almost 30 cents per kilowatt hour in 2005. In B.C., we pay about 6.5 cents per kilowatt hour. B.C. families could be looking at a hefty increase in electricity costs to subsidize these feel-good projects.

We must reject this new breed of 'green' corporate welfare. Corporate welfare programs hand out precious tax dollars to activities that may have developed anyway, while drawing money out of our pockets and businesses' coffers that would have otherwise been put to more useful purposes. In fact, corporate welfare can actually slow technological development when companies divert resources into getting grants instead of research and development or production. Governments have proven again and again that they are a poor replacement for the market when they try to pick winners, but are an easy mark for those seeking quick cash.

Subsidies to power projects in B.C. is a wealth transfer from the middle class to the wealthy and will create a welfare-dependent industry in the province, just as they did in Denmark. Taxpayers shouldn't be subsidizing industry, no matter how momentarily worthy the cause seems to be. Creating a welfare-dependent industry in the province may benefit the backers of these projects, but the potential cost to taxpayers is huge and the outlook for an unsubsidized industry is grim.

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