

# Smart Budget: An EPR Toolkit for Local Governments

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## Sustainable Prosperity

Making markets work *for* the environment.

### The Smart Budget Toolkit: Environmental Pricing Reform for Municipalities

May 2010

# Overview of Presentation

- Context - trends
- Environmental Pricing Reform - EPR
- EPR tools for local governments
- Challenges and overcoming them
- E.g. energy efficiency building retrofits
- Conclusions

## Context - trends

- Employment lag behind economic recovery
- Green goals vs. results – gap widening
- Local financing problems to get worse?
  - Property tax box
  - New downloading (unfunded)
  - Reduced transfers and grants
- Age of cheap energy has passed

# Environmental Pricing Reform - EPR

## Part 1: About Environmental Pricing Reform \_\_\_\_\_

### 1.1 An Overview \_\_\_\_\_

### 1.2 The Benefits of Environmental Pricing Reform (EPR) \_\_\_\_\_

#### 1.2.1 Meeting Challenges \_\_\_\_\_

#### 1.2.2 Broader and Fairer Revenue \_\_\_\_\_

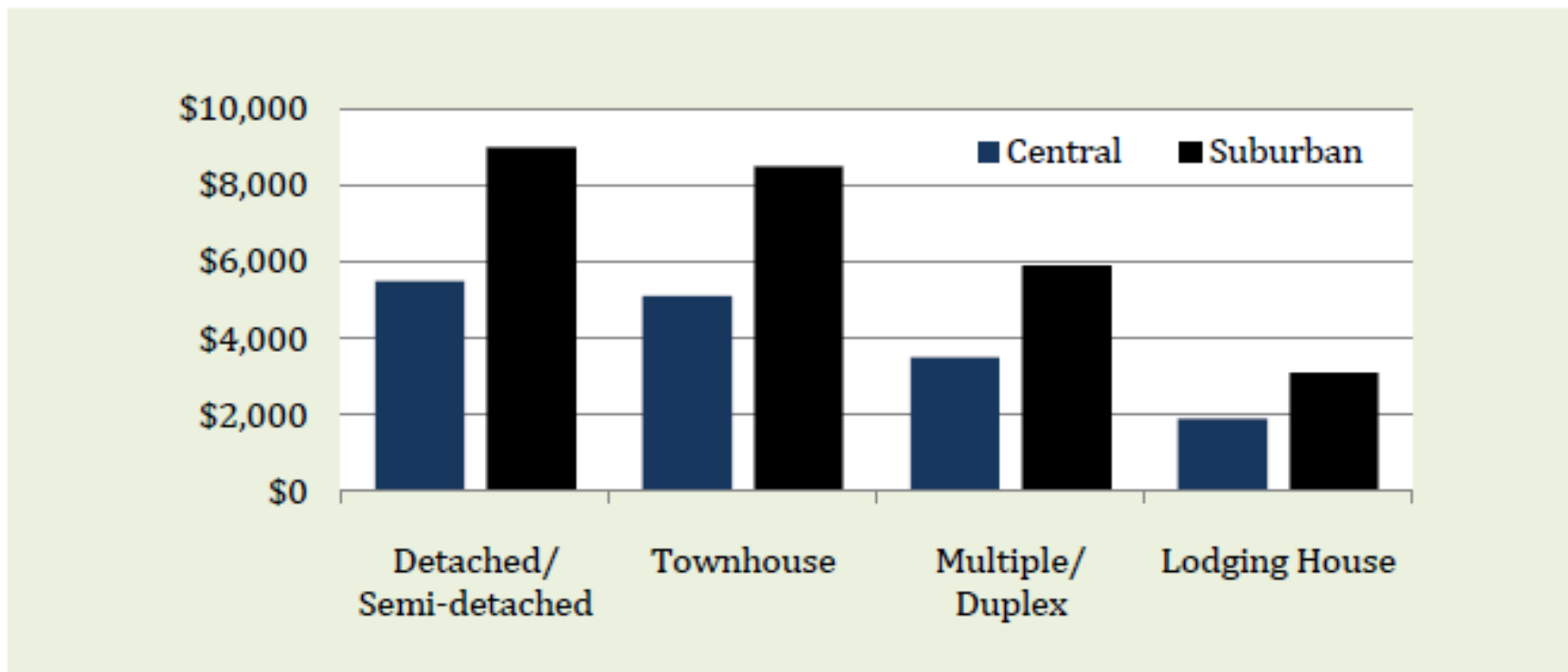
#### 1.2.3 Fairness for Local Taxpayers \_\_\_\_\_

# Environmental Pricing Reform - EPR

- Environmental problems – local, global
  - Nobody wants them; no ‘bad guys’
- Current set of incentives creates them
  - Change the incentives
  - “Tax bads, not goods” etc. (EPR)
- Outcomes
  - environment, economy, jobs, revenue diversification, etc.

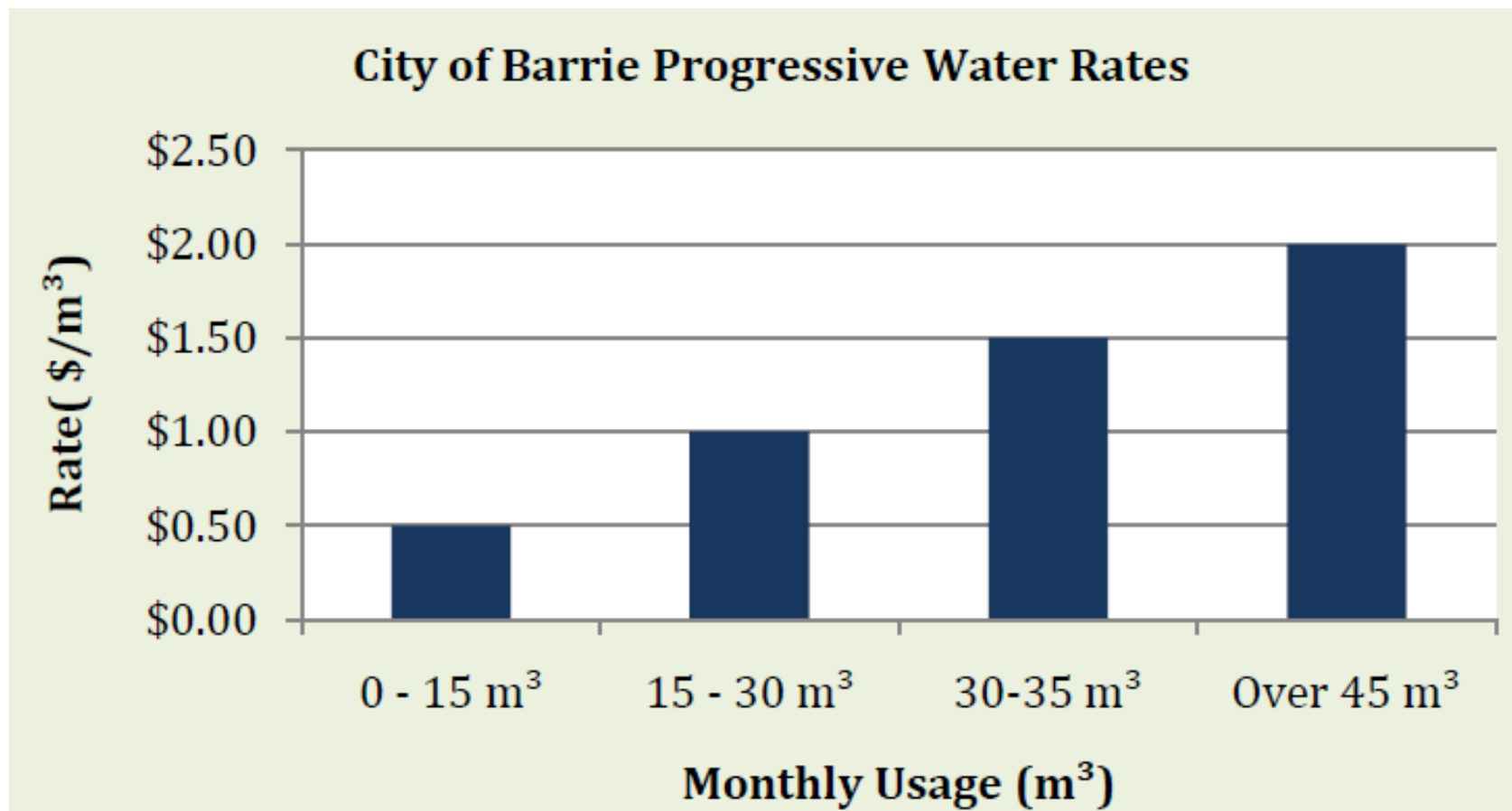
# Adjusting prices – an example

Figure 4: Kitchener Residential DCC Rates by Type and Location



Data source: City of Kitchener

# Adjusting prices – an example



# EPR tools for local governments

## Issues, and examples of EPR tools:

### Part 2: EPR Options for Municipal Governments \_\_\_\_

#### 2.1 Choosing the Right Tool for the Job \_\_\_\_\_

##### 2.1.1 Land Use Challenges \_\_\_\_\_

##### 2.1.2 Transportation Challenges \_\_\_\_\_

##### 2.1.3 Waste Management Challenges \_\_\_\_\_

##### 2.1.4 Air Quality Challenges \_\_\_\_\_

##### 2.1.5 Electricity Consumption Challenges \_\_\_\_\_

##### 2.1.6 Sustainable Building Challenges \_\_\_\_\_

##### 2.1.7 Social Equity Challenges \_\_\_\_\_

##### 2.1.8 Local Government Financing Challenges \_\_\_\_\_

# EPR tools for local governments

Issues, and examples of EPR tools:

- Land use and sprawl
  - DCCs. Greenfield bldg fees → brownfield
- Transportation
  - Road pricing. Gas tax → transit.
- Utilities and services
  - Unit pricing. Pay-as-you-throw → recycling
- Buildings – energy efficiency, water, etc.

# Challenges and overcoming them

## 2.3 Building EPR Partnerships \_\_\_\_\_

### 2.3.1 Proactive Communications Strategies \_\_\_\_

### 2.3.2 Stakeholder Engagement Strategies \_\_\_\_\_

### 2.3.3 Building Regional Coalitions \_\_\_\_\_

### 2.3.4 Start by Starting \_\_\_\_\_

# Challenges and overcoming them

- Challenges to adoption of EPR
- Can arise from...
  1. Equity and fairness concerns
  2. Vested interest opposition
  3. Fiscal impact on local government
  4. Others

# Energy efficiency building retrofits

- Insulation, improved windows, furnaces
- Energy, emissions reductions
- Reduce costs for building owners
  - Make businesses more competitive
  - Better than tax reduction: permanent

# Energy efficiency building retrofits

## Challenges?

### 1. Equity

- Progressive impact

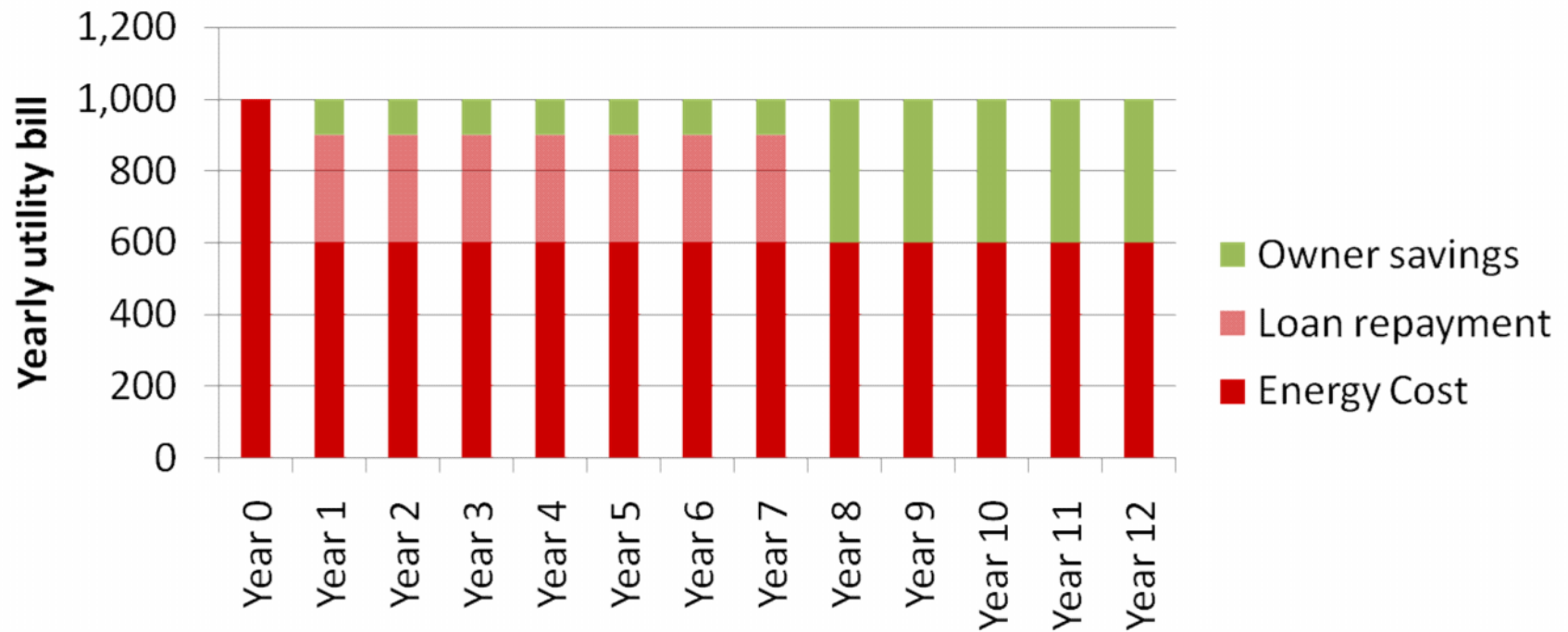
### 2. Vested interests

- Utilities – depends on their incentives

### 3. Fiscal impacts

- Zero – financed by energy savings
- Loan up-front costs, pay down on utility bill

# Energy efficiency building retrofits loan repayments, savings



# Conclusions

- EPR can address many local issues
  - environment, economy, jobs, revenue diversification
- Diverse challenges. Solutions:
  - Policy instrument design, communications, stakeholder work, etc.
- Tailored process needed
  - Goals, research, design, consultations, etc.

## Part 3: Further Reading and Resources \_

3.1 General Documents \_\_\_\_\_

3.2 Health \_\_\_\_\_

3.3 Costs and Financing \_\_\_\_\_

3.4 Financial Tools \_\_\_\_\_

3.5 Smart Growth \_\_\_\_\_

3.6 Transportation \_\_\_\_\_

3.7 Vehicle specific tools \_\_\_\_\_

3.8 Parking pricing \_\_\_\_\_

3.9 Road Pricing \_\_\_\_\_

3.10 Waste costs \_\_\_\_\_

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