BC SOLUTIONS

News & Commentary from the Canadian Centre for Policy Alternatives' BC Office | MAY 2019

False advertising by the Alberta government and oil lobby

BY J. DAVID HUGHES

As an Alberta-born and -raised earth scientist who has made a career studying fossil fuels and energy issues, I have been dismayed at the recent bombardment of "fake news" from the Alberta government on the Trans Mountain Pipeline Expansion (TMX). The stream of pro-oil messages from Alberta is only likely to get worse with the new and more aggressive provincial government elected a few weeks ago. This kind of propaganda doesn't stand up to scrutiny, however. One ad tells us:

> *Canada's economy loses out on an estimated $80 million dollars in economic benefits every day that the expansion is delayed. Trans Mountain changes that, providing an $80 million-a-day economic boost to our country, supporting thousands of jobs from coast to coast to coast.*

Every day? In fact, the earliest Trans Mountain could be completed is 2022. Two other pipelines under development—Enbridge's Line 3, due in late 2019, and Keystone XL, due in 2021—will provide twice the export capacity of Trans Mountain to higher-priced US markets. Although the Trans Mountain delay is costing Canada nothing, given that pipeline bottlenecks will be eliminated without it, a counter on the Alberta government's website claims that as of January 29, the court-ordered shutdown has cost Canada $12.2 billion. →

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The differential between Alberta heavy oil (Western Canada Select or WCS) and the North American price (West Texas Intermediate or WTI) is normally about $15 per barrel. This is due to the fact that WCS is priced at Hardisty, Alberta, and incurs a transportation cost of $7 via pipeline to Cushing, Oklahoma, where WTI is priced. And because WCS is a lower grade of oil than WTI, it incurs a further quality discount of about $8 per barrel as it is costlier to refine.

Lately, WCS has been trading at a differential of less than $11 due to the completion of maintenance at US refineries that had been temporarily offline, shortfalls from suppliers in Mexico and Venezuela, and the curtailment of production in Alberta. This amounts to a premium of $4 per barrel or $13.7 million per day on exports compared to normal—not a loss of $80 million per day as stated in the Alberta ad.

As for the alleged thousands of jobs, Kinder Morgan itself stated in its application to the National Energy Board for the TMX that only 90 permanent jobs would be created. Another ad tells us:

> *By expanding the capacity of Trans Mountain, we gain access to more markets for our oil, and command a higher price for our resource. The Trans Mountain Expansion opens new overseas markets, giving us access to more customers and better prices, generating billions for Canadian priorities.*

In fact, the US has 55% of the world's heavy oil refining capacity and heavy oil prices on the US Gulf Coast are $3 higher than in Asia which, coupled with higher transport costs to Asia, means that oil transported to the US via Line 3 and Keystone XL will capture a premium of $5 per barrel compared to Asia exports via Trans Mountain. The "billions for Canadian priorities" are a figment of the government's imagination. A third ad tells us:

> *The Trans Mountain Pipeline will generate billions in revenue to fund innovation and clean technology, speeding our country's transition to a greener energy future. Expanding the Trans Mountain Pipeline provides billions for innovation and clean technology.*

Given the fact that Trans Mountain will lose $5 per barrel selling oil to Asia compared to oil shipped via the US-bound pipelines under development—not to mention that Trans Mountain will provide few permanent jobs, while putting marine habitats at risk in Canada's most populated port city—this rhetoric comes right out of George Orwell's playbook.

Alberta groups such as Canada Action, run by a Calgary realtor, have doubled down on the Alberta government's rhetoric, claiming Canada is losing $100 million per day, and will lose $92 billion from 2008 to 2020 without new pipelines. Canada Action hosted a free conference at the Telus Convention Centre in December featuring conspiracy theories claiming that Canada's pipeline and oil production problems are due to US-funded environmental groups (if so, why has bitumen production increased 137%, or 1.8 million barrels per day, from 2007 to 2018?). When Canada Action was asked for funding sources and references for its loss claims, it provided no response.

The Alberta government's ad campaign has cost at least $23 million for what amounts to fake news to convince the public that it is doing something for the oil and gas industry.

Given the fact that Canada has two new pipelines coming on stream—which will eliminate bottlenecks before Trans Mountain could be built—and that there is no price premium in Asia, these ads amount to pure propaganda.

It is time for an adult conversation on energy given Canada's emissions-reduction commitments and the need for long-term energy security. Conducting a misleading campaign with taxpayers' money is the antithesis of what is required.

J. David Hughes is an earth scientist, a research associate with the CCPA-BC, and a Corporate Mapping Project collaborator. *The Corporate Mapping Project investigates the power of the fossil fuel industry in Western Canada and is supported by the Social Science and Humanities Research Council of Canada (SSHRC).*

Welcoming our new Associate Director

EMIRA MEARS—an accomplished communications professional, digital strategist and entrepreneur—joined the CCPA-BC as Associate Director earlier this year.

Emira has worked with many organizations in the progressive sector through her former company, Raised Eyebrow, and also played a lead role with Hollyhock's Social Venture Institute. A published author with a long history as a feminist community leader, Emira is now directing the CCPA-BC's communication team and is co-managing the organization alongside BC Director Shannon Daub and Operations Director Mariwan Jaaf. We are delighted to welcome her to our team.

Only BC's very richest paying higher tax rate

BY ALEX HEMINGWAY

Under personal tax changes announced by the BC government over the past year and a half—including elimination of Medical Services Plan (MSP) premiums—the vast majority of households are seeing their tax bills fall, while the richest 1% are paying more.

This is good news for tax fairness in BC. Of course, taxes are only part of the story. Investments in the high-quality, universal public services that taxes pay for are equally important.

To understand the effect of recent tax changes, we examined total provincial taxes paid by households at different income levels—including income tax, PST, MSP, tobacco and the carbon tax. This total as a share of household income is called the "effective tax rate."

Our analysis finds that the vast majority of households will pay a smaller portion of their income in taxes in 2020 because of the personal tax changes announced by the current BC government. Modest- and middle-income households benefit most from the changes, while only the richest 1% pay more.

The tax reduction for households is driven almost entirely by the elimination of MSP premiums. MSP is a very unfair tax because whether you make $45,000 or $450,000, you pay the same flat dollar amount (though those with very low incomes get assistance).

There are crucial differences, however, between the tax cuts brought in by each government. Strikingly, the benefits of the new government's tax changes are distributed in almost precisely the opposite way as the tax changes under the previous government. The tax changes between 2000 and 2016 most notably benefited the top 1% and benefited modest- and middle-income households least.

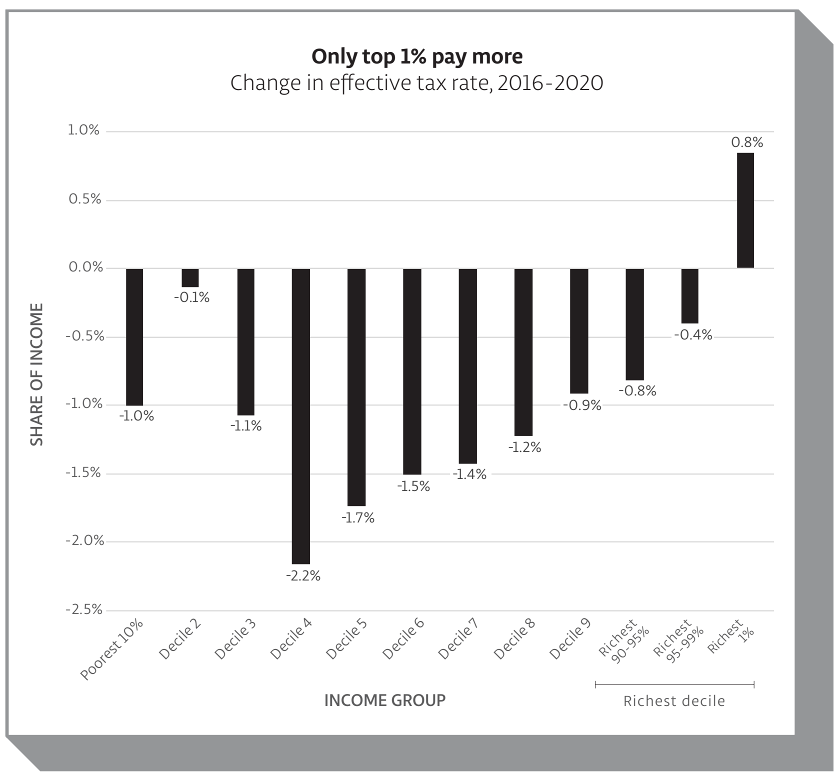
Forgone revenue from elimination of the MSP is largely being replaced by new revenue from a mix of other tax measures on business and the affluent. Replacing the revenue from MSP has helped the government make new social investments in areas like child care and housing.

Still, two decades of successive tax cuts have eroded BC's ability to generate revenues and fund public services. If we dedicated the same share of our economy to public spending today as we did in 2000, $7 billion more would be available each year to invest in urgent social and environmental priorities. In concrete terms, BC could quadruple funding to the CleanBC climate plan, add 10,000 units of new affordable housing per year, raise welfare rates to 100% of the poverty line, fully implement universal $10-per-day child care and eliminate tuition fees for domestic students—with room to spare.

To begin to restore BC's fiscal capacity, we recommend an additional top income tax bracket of 22% on incomes above $200,000, as well as additional progressive tax measures on the enormous windfalls of property wealth in BC, much of which is publicly created and should be harnessed for the public good.

As we welcome recent improvements to tax fairness in BC, it's important to remember that income and wealth inequality have reached dizzying heights in our province, and growing social and environmental crises demand action now.

Alex Hemingway is an economist and the CCPA-BC's public finance policy analyst.



NOTE: RESULTS FOR THE POOREST 10% SHOULD BE INTERPRETED WITH CAUTION. THIS GROUP'S TAX BILLS ARE COMPOSED ALMOST ENTIRELY OF COMMODITY TAXES (E.G., SALES TAX, CARBON TAX, FUEL TAX, TOBACCO TAX), WHICH ARE THE LEAST PRECISELY MODELLED PARTS OF THE SPSD/M AND MAY BE SENSITIVE TO CHANGES IN THE SYSTEM OF NATIONAL ACCOUNTS.

How clean is a BC that subsidizes accelerated fossil fuel extraction?

BY BEN PARFITT

When the provincial government unveiled its new climate plan late last year, the biggest smiles may have been on the faces of senior executives at BC Hydro's headquarters just a few blocks away, and on those of oil and gas company executives in distant Calgary.

That's because the CleanBC plan accepts as a given a massive new liquefied natural gas (LNG) plant in Kitimat, as well as a 700-kilometre-long gas pipeline linking that plant to northeast BC, where gas drilling and fracking operations are already through the roof and poised to soar higher.

To square the circle of cuts to greenhouse gas emissions alongside a massive ramp-up in fossil fuel output, the government has made it a priority to get fossil fuel companies to use more "clean" electricity as they increase their gas production.

In a nutshell, the government wants fossil fuel companies to stop burning natural gas to power their facilities and to switch to hydroelectric power sources wherever possible. And it's prepared to grease the wheels of that transition by offering the industry hundreds of millions of dollars in public subsidies.

Here's what we know so far:

First, fossil fuel companies will receive further breaks on their already generously low royalty payments for electrifying some of the infrastructure needed to gather and move their fracked gas to market. This will happen under the auspices of a "credit" program, introduced with little fanfare in 2016 by the previous government.

> The current government, which was sharply critical of its predecessor's energy policies—including its commitments to build Site C and various transmission line projects—is now carrying on where the other left off.

A September news release from the Ministry of Energy and Mines stated that the "clean infrastructure royalty credit program" saved oil and gas companies $19.3 million last year alone.

Those savings are part of a vast suite of subsidies that enabled natural gas companies to reduce their royalty payments by $447 million last year, with the most generous subsidies offsetting the costs of drilling deep and horizontal gas wells and building roads and pipelines. That translates into a staggering loss of funds, as royalties represent the public's rightful share of the revenues derived from publicly owned resources.

Some of this new infrastructure will reduce methane releases. But questions deserve to be asked: Why use tax dollars to subsidize such conversions? Can companies simply not afford to install such equipment without the public's financial help? What if the government simply required (i.e., regulated) that such investments be made?

Another way that fossil fuel companies have benefitted from the public purse is through the "carbon neutral government program." Brought in when Gordon Campbell was premier, the program requires all government offices to be carbon neutral. To reach neutrality, the government uses public funds to buy "carbon credits" so that it can "offset" its own greenhouse gas emissions.

In the past two years alone, one company, ARC Resources, received more than $1.2 million in taxpayer dollars for "offsets" it sold to the Province after building a new gas-processing plant near Dawson Creek. Rather than using natural gas to power the plant, the company took advantage of new hydroelectric transmission lines in the region to install equipment on site that took the electricity and used it to power the plant. The alleged savings in "avoided" greenhouse gas emissions then became credits.

ARC Resources is not alone in electrifying its gas processing plants. Three of the largest such plants in western North America were built by Encana on farmlands near the ARC plant, all connected to the region's newly expanded hydroelectric grid.

The transmission line that now electrifies the ARC and Encana plants is the recently built $300 million Dawson Creek/Chetwynd Area Transmission line (DCAT). Although the fossil fuel industry's need for power was repeatedly given as the primary reason for building the line, BC Hydro customers are now on the hook to pay for the DCAT—$300 million—through higher electricity rates.

Consider that bill a down payment. A second transmission line project is underway to provide even more power from BC Hydro's Peace River dams to the heavily drilled and fracked Groundbirch area. The price tag for the Peace Region Electricity Supply project will be on par with DCAT's.

ENCANA SUNRISE GAS PLANT NEAR FARMINGTON. PHOTO: GARTH LENZ

The current government, which was sharply critical of its predecessor's energy policies—including its commitments to build Site C and various transmission line projects—is now carrying on where the other left off.

"This is economic madness, and a rejection of everything that the NDP had proposed prior to forming government to reverse the Christy Clark policies in this area," says Marc Eliesen, a former president and CEO of BC Hydro.

> The government elects to keep the subsidy taps wide open while promoting more fossil fuel extraction and LNG production. Worse, that production will enjoy one other subsidy: it will be exempt from future carbon tax increases.

In response to questions filed by the CCPA-BC, BC Hydro said they project further demand from the natural gas industry. "This is based on potential projects customers have approached us about." BC Hydro said in an email. "That's why we're proceeding with the Peace Region Electricity Supply (PRES) project."

BC Hydro later clarified that its projected increases in demand for power by the gas industry were for "upstream" facilities only, and did not include estimates on how much power may be needed for "downstream" LNG facilities, such as the (now approved) LNG Canada project in Kitimat.

All of this appears to suggest there is a pressing need for more power, when in fact revised baseline projections of electricity demand in the province show that in the absence of Site C BC Hydro will have an electricity surplus until at least the early 2030s. If even "more aggressive" conservation and climate change actions were taken, the CCPA and others have pointed out, that date could easily be pushed back further still.

As Eliesen and other critics of Site C have noted time and again, BC Hydro has "consistently overestimated" future power demands to justify massive investments in the dam and related transmission lines.

In a "deliberate attempt to drive demand" for electricity, BC Hydro and successive provincial governments ignore gains from energy conservation efforts, "over-exaggerate" projected new demands for power, and "actively engage" in subsidizing one industry to generate a perception that massive amounts of new power are needed, Eliesen told the Utilities Commission in 2017.

The CleanBC plan sidesteps such inconvenient truths. Instead, the government elects to keep the subsidy taps wide open while promoting more fossil fuel extraction and LNG production. Worse, that production will enjoy one other subsidy: it will be exempt from future carbon tax increases.

Meanwhile, BC Hydro ratepayers specifically and taxpayers more generally will be left to pay the bill for electrifying an industry that is already producing more hydrocarbons than at any point in history and is poised to produce a whole lot more.

There's very little clean about that.

Ben Parfitt is the CCPA-BC's resource policy analyst.

CORPORATE MAPPING PROJECT

This article is part of the Corporate Mapping Project, a research and public engagement project investigating the power of the fossil fuel industry in Western Canada, led by the University of Victoria, the Canadian Centre for Policy Alternatives (BC and Saskatchewan Offices) and Parkland Institute. This research is supported by the Social Science and Humanities Research Council of Canada (SSHRC).

The importance of community health centres in BC

BY ANDREW LONGHURST & MARCY COHEN

Community health centres (CHCs) have been an effective but under-valued model for delivering primary health care for decades in Canada and the US.

What are CHCs? Commonly accepted characteristics include:

1. CHCs provide team-based inter-professional primary care that includes a range of health care and social service providers.
2. CHCs are non-profit, community-governed organizations that are responsive to the patients and communities they serve.
3. CHCs actively address social determinants of health such as poverty, access to housing, education and cultural barriers.

On February 1, the CCPA, BC Health Coalition, and Health Sciences Association of BC convened an invitational roundtable followed by a public talk in response to growing interest in the CHC model from communities across the province and from the BC government. Participants heard how CHCs in Ontario, Saskatchewan and Oregon provide responsive, effective primary care. As BC moves to support a role for CHCs, what can we learn from these other jurisdictions?

> Research has shown that in Ontario, CHCs are more effective in managing chronic conditions, reducing emergency visits, and improving access to care for people with serious mental health issues.

Learning from the United States

Today in the United States, there are approximately 1,370 CHCs delivering care to almost 28 million people. This non-profit, community-governed sector plays a vital role as the social safety net for the broader primary care system.

In the US, CHCs serve predominately publicly insured (i.e., Medicaid or low-income) and uninsured patients. But despite providing care to a disproportionate number of higher-needs groups, research has shown that US CHCs were associated with lower health care costs. Some of these studies found that CHC patients had lower rates of emergency department visits and hospitalization than non-CHC patients.

Learning from Ontario

In Canada, CHCs grew out of local community organizing, especially in low-income areas that identified a need for better access to comprehensive primary care services.

There are now approximately 300 CHCs represented by the Canadian Association of Community Health Centres. A quarter of these are located in Ontario, where CHCs have a long history of growth and sustained support by government. Ontario CHCs serve about 500,000 patients each year—about 4% of the Ontario population.

CHCs in Ontario are globally funded (one funding envelope to cover all operating and staffing costs). The global funding model gives them flexibility to hire staff and develop services appropriate to the needs of their patient populations, and to shift funding priorities in response to changing community needs. It also opens up opportunities for CHCs to develop funding partnerships to support new community and sector-wide initiatives.

Research has shown that in Ontario, CHCs are more effective in managing chronic conditions, reducing emergency visits and improving access to care for people with serious mental health issues. To date, however, there is no conclusive evidence on their cost-effectiveness due to the lack of available data in Canada.

However, as early as 2012, the Ontario CHC sector began prioritizing the use of data and research to identify where improvements could be made to enhance both the quality and cost-effectiveness of the care they provide. Indeed, Ontario CHCs are at the forefront of primary care models in their commitment to using data and research to inform how to improve the quality of the services they provide.

As CHC leaders from Oregon, Saskatchewan and Ontario noted, the CHC model can also address the challenges of recruiting and retaining health care professionals. CHCs can attract new family medicine graduates who prefer alternatives to fee-for-service payment, such as a salary that provides a

pension, parental leave and other benefits. It also provides an opportunity to work the full scope of practice with a team committed to quality improvement. This differs significantly from the fee-for-service model, where the payment goes to the physician and not the team, creating disincentives to working with other providers and developing collaborative strategies.

Why has the CHC model struggled to take hold in BC?

Like elsewhere in the 1970s, a handful of CHCs were established in BC. And although the Social Credit government ended support for CHCs in the mid-1970s, a few continue to operate.

> CHCs provide an opportunity for family medicine doctors to work the full scope of practice with a team committed to quality improvement.

The reasons that the CHC sector struggled to develop in BC are complex. However, opposition from the BC Medical Association (now called Doctors of BC) to non-fee-for-service forms of physician compensation was a significant factor. It was one of the main reasons why the NDP government of the 1990s backed away from scaling up the CHC model despite recommendations from BC's Royal Commission on Health Care and Costs and the BC Ministry of Health policy supporting CHCs.

What's next?

In May 2018 the BC government announced its primary care policy directions would focus on several models including CHCs. A number of stakeholders were consulted by the Ministry of Health on a provincial CHC policy framework, with a view to supporting the existing CHC sector and the development of new CHCs. Communities are looking forward to working with government on a provincial CHC implementation strategy.

We have a unique opportunity to learn from other jurisdictions and develop the CHC model as a key pillar of BC's primary care reforms.

Andrew Longhurst and Marcy Cohen are research associates with the CCPA–BC.

Further learning

Listen to audio from the February 1, 2019 roundtable, *The Promise of Team-Based Primary Health Care: The Importance of Community Health Centres in BC's Primary Care Reforms*, convened by the BC Health Coalition, the Canadian Centre for Policy Alternatives' BC Office, and the Health Sciences Association of BC.

Panel 1: Learning from other jurisdictions
https://soundcloud.com/policyalternatives/chcs-in-bc_panel-1

Panel 2: The situation in BC
https://soundcloud.com/policyalternatives/chcs-in-bc_panel-2

BC's first-ever poverty reduction strategy: An important step forward, but does it go far enough?

BY IGLIKA IVANOVA & SETH KLEIN

After ten years of community calls for action, BC has at long last joined the ranks of provinces with a comprehensive poverty reduction plan. BC's new strategy, TogetherBC, was unveiled in March.

There is much to celebrate. It is encouraging to see that the strategy is comprehensive, recognizing the complexity of poverty and the vital importance of coordinated action across different ministries.

The flagship elements of the plan had been previously announced, including:

- The new BC Child Opportunity Benefit (which boosts and extends income supports for families with children);
- Landmark investments in affordable, quality child care;
- Scheduled increases to BC's minimum wage;
- Better supports for children and youth in foster care, higher rates for extended family caregivers, and post-secondary tuition waivers for former youth in care; and
- Free access to adult basic education and improvements to employment training programs delivered by WorkBC.

Also notable are changes to the rules for accessing welfare benefits, which will end a number of punitive, arbitrary policies—such as those that restricted the assistance available to people without a fixed address, and those that forced people to be "independent" for two years before being able to access welfare, which significantly limited the ability of youth to access support. It's heartening to see the easing of harmful policies that delayed and denied assistance.

However, while TogetherBC speaks of the need to address both the depth and breadth of poverty, we had hoped for more ambitious targets and a stronger focus on eliminating the deepest and most extreme forms of poverty (such as homelessness and hunger).

It is hard to imagine how deep poverty can be effectively tackled without a more ambitious buildout of below-market housing and substantial increases to welfare and disability rates, which remain completely inadequate to meet even the most minimal costs of food, shelter and other basic necessities.

Along with our allies at the BC Poverty Reduction Coalition, we have long advocated that all British Columbians should have incomes that reach at least 75% of the poverty line within two years of introducing a plan. As we have noted, the cost of doing this would be less than 1% of the total provincial budget—entirely manageable for BC.

In contrast, the BC government's goal is to raise the *average* income of people in poverty to 75% of poverty line, which means that many will still be forced to survive on incomes well below that line.

> While there is much to celebrate, we had hoped for more ambitious targets, and a stronger focus on eliminating the deepest and most extreme forms of poverty

That said, TogetherBC's conclusion highlights low welfare rates, food insecurity and the need for affordable transportation as issues that were "named during the poverty reduction consultations, but not yet met by TogetherBC." Hopefully this indicates the government will act to fill these gaps in the near future.

In the meantime, we will continue to closely monitor progress, propose solutions, and hold the government accountable for delivering on a bold and ambitious poverty reduction strategy.

Iglika Ivanova is a senior economist and the Public Interest Researcher at the CCPA-BC. Seth Klein is the former BC Director of the CCPA.

#AllOnBoard for transit equity

Can access to transit in Metro Vancouver be more equitable? We think so. The #AllOnBoard campaign's call for free transit for youth and a sliding-scale pass for adults based on income would contribute to poverty reduction and reduce the harms associated with fare-evasion ticketing. Read more about the campaign and how its call could be funded: policynote.ca/equitable-transit

Inside job: How BC Hydro customers wound up bankrolling private power companies

BY JOHN CALVERT

The chickens have finally come home to roost on the previous BC government's private power giveaway. The recently released provincial report by Ken Davidson on the costs of BC Hydro's power purchases is a damning indictment of its electricity policies—policies whose exorbitant and wholly unnecessary costs will saddle BC ratepayers with an enormous financial burden for decades into the future.

These policies constituted a deliberate disregard for the long-term interests of BC Hydro customers and for the financial viability of the Crown Corporation itself.

The report indicates that under the BC Liberal government, BC Hydro entered into 105 contracts worth $47 billion in contractual commitments—which future ratepayers will be paying off over the next 30 to 60 years. Davidson calculates that this will cost the average ratepayer an extra $200 annually for at least two decades to come.

None of this should have happened.

For well over a decade, critics of this approach (myself among them) voiced their alarm at the enormous projected future costs of the government's electricity policies. There was no shortage of competent financial analyses of the long-term consequences of these policies. But the government simply ignored the critics. And the private power corporations—the beneficiaries of the lucrative Hydro contracts—maligned the critics as economic illiterates, opponents of green energy, or ideologues committed to preventing the growth of private enterprise in BC. When disgruntled ratepayers attempted to launch a class action lawsuit to stop the giveaway to private developers, the government passed special legislation to stop it.

These policies constituted a deliberate disregard for the long-term interests of BC Hydro customers and for the financial viability of the Crown Corporation itself.

The government cast its energy policies as necessary to fulfil BC's goal of expanding domestic production of renewable energy. Its communications strategy papered over the actual details while promoting it as environmentally responsible and economically sound. But the details were the opposite of what the government claimed.

To justify purchasing large volumes of privately generated electricity, the provincial government needed to create the illusion of a future demand for it. This entailed making highly

inflated projections of future energy requirements and then directing BC Hydro to purchase the energy needed to meet those projections. When the projections did not produce enough demand to satisfy the growing appetite of developers to sell more private power, the government mandated BC Hydro to incorporate a 3,000 GWh insurance reserve into its plans, increasing the volume of power it would have to purchase.

This new energy would have to come from private sources because the government implemented a policy that forbid BC Hydro from itself building any new small hydro or wind projects. The Province justified this approach by saying that investors, not the public, would bear the risks of these projects. A competitive tender process would, it claimed, ensure that the price paid by BC Hydro for new energy would be competitive. But the government also stipulated that this new energy had to come from BC, effectively restricting the pool of bidders to investors in private power projects within BC. And, by requiring the Crown utility to meet its inflated targets for new energy purchases regardless of the cost, it guaranteed an expanding →

continued from previous

public market for privately produced energy.

The government also ensured that private investors would be able to utilize BC's run-of-river resources for hydroelectricity, charging almost nothing for water licenses while keeping the water rental charge for small projects at a fraction of what BC Hydro paid the Province. BC Hydro assisted these projects with extensions to its transmission lines so they could feed their energy into the grid.

> The previous government transformed BC Hydro—which in the 1990s used to provide up to three quarters of a billion dollars in revenue to the province—into a collection agent for private power interests.

Similarly, the government transferred licenses of occupation for wind farm development to investors for virtually nothing, despite the fact that BC Hydro had done the research identifying the best locations for future wind energy development.

One of the strengths of the Davidson report is that it systematically documents, in considerable detail, the steps the government took to force BC Hydro to purchase large volumes of power that it did not need at prices three or four times more than the energy was worth.

Worse, BC Hydro was buying the wrong kind of power at the wrong time of year. Run-of-river energy comes primarily during the spring freshet. But this is precisely the time that both the Peace and Columbia rivers also experience a surge in water levels, meaning there is normally a surplus of power and correspondingly low prices during this period. However, run-of-river projects produce very little power in the fall and winter when BC most needs it. This is also the time when prices in the Pacific Northwest electricity market peak. Thus, BC Hydro ended up paying premium prices for energy it did not need and often had to dump on the energy market at fire sale prices, with ratepayers swallowing the losses.

The government further protected investors by locking in these high prices for specified volumes of electricity by having BC Hydro sign 30- to 60-year contracts. BC Hydro must take this power—and pay full price for it—regardless of whether it needs it, and regardless of what it otherwise might pay were it to purchase the energy on the international market. This arrangement effectively shifted future price risks to BC Hydro ratepayers with devastating financial consequences as the report documents.

Prices were also inflated by the fact that these were capital projects financed by borrowing. Private investors did not have the strong credit rating of BC Hydro, so the interest charges they had to pay on the money they borrowed were far higher than the Crown utility would have to pay for similar projects. This high interest premium was folded into the price that private investors charged to BC Hydro in their contracts.

The report also notes that $1.4 billion or 81% of the energy BC Hydro is currently purchasing annually now goes to out-of-province investors, with corresponding adverse impacts on local business activity, employment and provincial revenues. This was exactly the opposite of what the government promised when it claimed it was creating a BC-based private sector electricity industry.

Underlying this entire debacle is another major issue. Despite the billions of dollars now flowing into the coffers of out-of-province investors, the public has received no assets for all the money expended. The projects will remain the property of private investors permanently. Whatever revenue they may generate after the lucrative contracts with BC Hydro end will still flow into private pockets—instead of being used to pay for schools, hospitals or other public services.

The previous government transformed BC Hydro—which in the 1990s used to provide up to three quarters of a billion dollars in revenue to the province—into a collection agent for private power interests. It now functions by taking money from ratepayers and passing it through to the beneficiaries of that government's private power agenda, an activity that will continue for generations to come.

John Calvert is an associate professor in the Faculty of Health Sciences at Simon Fraser University and a research associate with the CCPA's BC Office.

BC Budget 2019: Positive investments, but room for more

Released in February, BC Budget 2019 maintains momentum in funding last year's ambitious commitments and delivers new investments to several key areas, including a more generous child benefit; a range of poverty reduction measures; funding for the CleanBC climate plan; interest-free BC student loans; and capital investments in infrastructure around the province.

Opportunities to go further for low- and middle-income British Columbians were left on the table. With increasing surpluses projected, BC Budget 2019 could have invested much more to address the depth of the challenges facing our province.

More at: policynote.ca/budget2019-nine-things-to-know

Dam good investigative research: A conversation with Ben Parfitt

The CCPA-BC's Ben Parfitt is known for his investigative research on the risks posed by fracking industry operations. In the last three years, his work has exposed a troubling increase in fracking-induced earthquakes, a sprawling network of unauthorized dams, escalating industrial water use, and industrial threats to "at risk" wildlife species. How does one intrepid researcher uncover so much? LINDSEY BERTRAND sat down with Ben to find out.

How did you get started working on fracking and LNG issues?

I first became interested in fracking when the Munk School of Global Affairs asked me to do a report on Canada's then-emerging shale gas industry. Through that work I learned that some of the most intense fracking operations in the country were in northeast BC.

I got going in earnest, though, when I worked on a CCPA report that linked fracking to the then proposed and now approved Site C dam. After that, I received tips from whistleblowers who bravely provided information on problematic industry activities that the public did not yet know about.

Information you then had to confirm.

Exactly. The whistleblowing prompted me to file many Freedom of Information (FOI) requests with the provincial Oil and Gas Commission, BC Hydro, the Ministry of Forests and Lands (which has responsibility for water) and others.

Each request returned a wealth of material that confirmed a whole bunch of things including: connections between the fracking industry and BC Hydro, the growing number of natural gas wells that leaked methane, and the industry's serious impacts on threatened caribou populations.

> I certainly hope to continue to deepen our relationships with First Nations in the region, as well as landowners—farmers in particular—who are directly impacted by these operations.

Is that what you did to research the unauthorized dams built by natural gas companies in BC's northeast to store water for their fracking operations?

Yes. I first got information from a whistleblower on the likelihood that these dams existed. Then we had to ensure that information was real. So I flew up to Fort St. John with a photographer, then spent a week in the field driving around and used some limited time in helicopters to get to some of the more remote sites and photograph and film what was going on. Once that

was done, I used FOIs to get much more detail on those dams.

Your work has also drawn on a lot of scientific knowledge: the pieces on landslides, earthquakes and groundwater contamination. How has that come into play?

When I started to look into these things—particularly around the concerns about earthquakes and gas drilling and fracking—I found a wealth of academic literature written about various aspects of the fracking industry and I relied heavily on the pioneering reporting by veteran investigative journalist and author Andrew Nikiforuk.

Typically, my work has involved a combination of FOIs, field work and literature reviews, as well as talking to people who actually live and breathe this stuff every day.

Whom do you mean?

People who live in the region and are directly affected by fracking industry operations.

As I tried to corroborate the existence of the dams, for example, I reached out to the Blueberry River First Nation whose members have dealt with gas industry developments on their traditional lands for decades. Or when I looked at how the →

continued from previous

gas industry in the northeast was affecting wildlife populations, I turned to the Fort Nelson First Nation because leaked documents indicated that caribou populations in their territory were significantly impacted.

I certainly hope to continue to deepen our relationships with First Nations in the region, as well as landowners—farmers in particular—who are directly impacted by these operations.

I also hope to continue to liaise with other organizations that do great work on this issue. I think of the David Suzuki Foundation in that regard, as well as the Wilderness Committee and the Union of BC Indian Chiefs, among others.

While we're on hope, what are your hopes for change?

It's my hope that if we continue to shine a light on the controversial issues associated with fracking, we create the space for better regulations. But better regulations are ultimately a stop-gap measure. What we really need is a managed wind-down of fossil fuel production including natural gas drilling and fracking. Global greenhouse gas emissions are rising at precisely the moment when they need to fall quickly if we are to avoid catastrophic climate change.

In the meantime, I hope to just keep digging up information that remains hidden from public view. The more of that information out there, the better.

How can readers help us get there?

The way readers can best support this work is to…well, first to read it, and then to spread it around to others. That's what's really important.

The other thing is to acknowledge that our organization and others are really dependent on the ongoing support of individuals. We've been blessed to have that support, and I hope that it'll continue.

Lindsey Bertrand is the CCPA–BC's communication and digital engagement specialist and Ben Parfitt is the resource policy analyst.

We are continually inspired by supporters like yourselves who share our belief that facts and ideas matter and that public policy should be made by and for the many.

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tel: 604-801-5121
520–700 West Pender St.
Vancouver BC V6C 1G8

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@ccpa_bc

Editorial team
Lindsey Bertrand, Shannon Daub, Emira Mears & Terra Poirier
Design: Paula Grasdal & Terra Poirier
Layout & production: Terra Poirier

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