

## REPORT TO ENVIRONMENTAL SERVICES COMMITTEE MEETING OF WEDNESDAY, SEPTEMBER 25, 2024

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**SUBJECT**     **Climate Budgeting Update**

### **ISSUE SUMMARY**

To summarize what staff heard at the June 26, 2023 workshop on Carbon/Climate Budgeting and to seek direction on recommended next steps.

### **BACKGROUND**

In November 2022, the District of Central Saanich submitted a letter to the Capital Regional District (CRD) Board requesting “that the CRD adopt a policy of carbon budgeting as part of its budget cycle, intending to provide CRD member local governments with their estimated annual carbon budgets.” As recommended by the Board on April 12, 2023, CRD staff hosted a workshop for both local government staff and elected officials on the topic of Carbon/Climate Budgets.

This report was initially presented to the Environmental Services Committee on January 17, 2024 and was deferred by request to allow the City of Victoria time to consider a related item.

### **Terminology Clarification**

CRD staff have previously reported to the Board on the concept of a “carbon budget”, which refers to a calculation of the total remaining carbon pollution the global community can emit before the chance of exceeding a global warming target is beyond risk thresholds. In the Canadian local government discourse, the term “carbon budget” has been used synonymously with the term “climate budget”, causing confusion in relation to the national and international use of the terms. Climate budget can be defined as a system that integrates climate considerations into the financial budget and creates transparency and accountability for climate action. In summary, the term “climate budget” is used to describe the governance mechanism, and the term “carbon budget” refers to a calculated pollution risk threshold.

### **Workshop Summary and Results**

At the April 2023 workshop, participants heard from national and international practitioners who work on the topic of Climate Budgets, and also from a climate communications expert – to help the group better understand what Climate Budgeting could mean for the region. Seven overarching themes were observed, and the synthesis of the discussions amongst participants revealed differing views associated with Climate Budgeting. The following opportunities and challenges are summarized:

- Climate Budgeting would support mainstreaming climate action and potential cross/extra-jurisdictional work if the CRD took on the work, but it may also have the unintended consequence of slowing down climate action by focusing staff capacity on data analysis and reporting.

- Similarly, while Climate Budgets would support more transparency, the technical nature of the work presents challenges with effectively communicating the complex results to the public.
- Staff also identified tensions associated with evaluating resiliency projects via Climate Budgeting and the difficulty of producing quantitative evaluation of project greenhouse gas impacts fast enough to impact decision-making.

For more detail on the themes observed, as well as the challenges and opportunities, refer to Appendix A.

Further discussions with both the CRD's Climate Action Inter-Municipal Working Group (staff) and Task Force (elected officials) indicated limited appetite for implementing a region-wide Carbon Budget or Climate Budget. Some staff indicated that they may be interested in utilizing certain elements of the Climate Budgeting framework in the near term, while others noted that they are not currently prepared to embed this in municipal processes. Overall, the focus of the Task Force has been on determining how the CRD can support greater community-wide climate action capacity building and education initiatives.

#### *City of Victoria Update*

City of Victoria staff were directed by Council to consider Climate Budgeting and reported back in April 2024. The City of Victoria has now committed to embedding high level climate budgeting considerations into the City's financial planning processes moving forward by highlighting key climate initiatives and integrating an emissions reduction potential and funding approach for each.

#### **The CRD's Proposed Approach**

Historically, no local government in the region utilized a Climate Budgeting framework, but many have a history of similar work. The CRD, for example, worked to establish a "climate lens" on capital projects over \$100,000 as an outcome of the 2018 Corporate Climate Action Plan. This initiative ultimately failed to achieve its objective, in part because it was not fully integrated into the CRD's existing governance systems. The CRD now employs three corporate policies that are fully integrated into those systems (i.e., Green Fleet Policy, Carbon Price Policy and Green Building Policy). These policies are the outcome of years of learning, internal engagement and Board direction, as highlighted in the 2021 CRD Climate Action Strategy and recent Board priorities. The efficacy of these policies will be measured over the next several years. For example, the Green Fleet Policy, adopted in 2023, resulted in the purchase of more than 36 electric vehicles last year and the emission reduction from those vehicles will be accumulated as they are used this year (2024) and in future years.

Global non-profit, C40 Cities, which has been working to promote the adoption of Climate Budgets, established seven principles for developing a Climate Budget (Appendix B). These principles have been used by global leaders, such as New York City, to develop a Climate Budget, and are broadly applicable to the CRD's climate lens work. Staff intend to utilize those principles to develop a modified Climate Budgeting approach that uses the learnings from Climate Budgeting efforts among municipal colleagues across the country as the CRD moves toward full integration of the climate lens into corporate decisions. These learnings will be shared through the CRD's regional inter-municipal network.

While it is not possible to implement full Climate Budgeting in this planning cycle (i.e., prior to the intended end of the current Climate Action Strategy), the CRD climate lens work will form the first steps toward the development of a modified Climate Budget, which is proposed to be built into the next Climate Action Strategy.

## **ALTERNATIVES**

### *Alternative 1*

The Environmental Services Committee recommends to the Capital Regional District Board:

That staff be directed to:

1. Work internally on the elements of Climate Budgeting to understand what new governance mechanisms would look like in practice.
2. Develop public communications materials, based on the latest greenhouse gas inventory data, for use by the CRD and local governments that more clearly communicate the urgency of this policy issue; and
3. Utilize Climate Budgeting approaches in the CRD's next climate action strategy planning cycle.

### *Alternative 2*

That this report be referred back to staff for additional information.

## **IMPLICATIONS**

### *Alignment with Board & Corporate Priorities*

The recommendations are broadly in line with the Board's priority Governance initiative 5b to strengthen Board decision-making frameworks to include a climate action lens.

### *Alignment with Existing Plans & Strategies*

The recommendations align with Goal 1 of the CRD Climate Action Strategy to integrate climate action priorities into decision-making across the organization and actions related to regional education and outreach. Implementing a Climate or Carbon budget is not specifically noted within the Strategy's current five-year action plan.

### *Environmental & Climate Action*

The recommendation would enable staff to continue to embed a climate lens within corporate decision-making processes, while working through some challenges identified with Climate Budgeting. Staff would properly evaluate the emerging governance framework in the creation of the CRD's next Climate Action Strategy.

### *Service Delivery Implications*

Staff have capacity within existing workplans to pursue the recommendation, as proposed, while continuing to implement existing commitments within the CRD's Climate Action Strategy.

**CONCLUSION**

Staff hosted a workshop where local government participants heard from national and international practitioners who work on the topic of Climate Budgets, and also from a climate communications expert – to help the group better understand what Climate Budgeting could mean for the region. The synthesis of the discussions and input collected revealed differing views across the region’s local governments. In the near term, staff propose adopting elements of climate budgeting within the CRD’s decision-making processes, in line with climate lens related goals within the 2021 CRD Climate Action Strategy and current Board priorities. Learnings will continue to be shared with municipal partners through existing inter-municipal networks and be utilized as the CRD renews its Climate Action Strategy in 2025.

**RECOMMENDATION**

The Environmental Services Committee recommends to the Capital Regional District Board:  
That staff be directed to:

1. Work internally on the elements of Climate Budgeting to understand what new governance mechanisms would look like in practice.
2. Develop public communications materials, based on the latest greenhouse gas inventory data, for use by the CRD and local governments that more clearly communicate the urgency of this policy issue; and
3. Utilize Climate Budgeting approaches in the CRD’s next climate action strategy planning cycle.

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**ATTACHMENTS**

Appendix A: What We Heard Summary Report – Climate/Carbon Budgeting Workshop  
(December 2023)

Appendix B: Climate Budgeting: Transforming Governance to Mainstream Climate Action – C40  
Cities and Arup