

TransformTO Short-term Strategies Business Case

Date: December 12, 2016
To: City Council
From: Chief Corporate Officer
Wards: All

SUMMARY

This report responds to the request from the Parks and Environment Committee to develop business cases for the Short-term Strategies to reduce greenhouse gas (GHG) emissions, as presented in PE15.1 TransformTO: Climate Action for a Healthy, Equitable and Prosperous Toronto – Report #1. It is provided to identify the scale of investment and resource requirements needed to accelerate climate action in Toronto to deliver additional emissions reduction of up to 857,000 tonnes by 2020 to move Toronto towards the trajectory needed for Council's long term low-carbon goal (i.e. 80% emission reduction by 2050).

RECOMMENDATIONS

The Chief Corporate Officer recommends that:

1. City Council receive this report for information.

FINANCIAL IMPACT

There is no financial impact associated with receiving this report. However, adopting actions to accelerate GHG emission reductions would have significant cost implications not included in the 2017 Preliminary Budget which was tabled by staff on December 6, 2016.

Presented for information is a package of business cases developed by City staff, as well as high-level cost estimates associated with the TransformTO Short-term Strategies presented in PE15.1 TransformTO: Climate Action for a Healthy, Equitable and Prosperous Toronto – Report #1.

An estimated range of capital investment is required community-wide to implement the TransformTO Short-term Strategies. In this context and given the significant funding

identified, "community-wide investment" means potential financial contributions from all levels of government (i.e., Federal, Provincial and City) plus the private sector and individual property owners. Two scenarios for investment in climate action are described below in terms of impact investment:

Low scenario: A community-wide investment of \$320 million represents a moderate scale-up and enhancement of existing City programs and new programs, which could achieve an additional 455,000 tonnes of emissions reductions by 2020.

High scenario: A community-wide investment of \$866 million represents an aggressive scale-up and enhancement of existing City programs and new programs, which could achieve an additional 857,000 tonnes of emissions reductions.

If these actions to accelerate were to be adopted by Council, to commence in 2017, an incremental operating budget request of \$1.6 million gross and net would be required to be added to the 2017 Operating Budget for Council consideration. Additional incremental operating investments would also be required for 2018 and future years to continue the implementation of these strategies. This funding would enable program optimization and improve the likelihood of leveraging capital sources, including provincial cap and trade proceeds and federal infrastructure monies.

Currently, the TransformTO Short-term Strategies are not listed in the proposed new and/or enhanced service improvements per Appendix 7 (New / Enhanced Not Included in the Preliminary Budget) of the 2017 Preliminary Capital and Operating Budgets that were presented to Budget Committee on December 6th. The direction from Parks and Environment Committee to develop these business cases on the Short-term Strategies was received on November 17th and did not allow for sufficient time to properly develop and review for inclusion in 2017 Preliminary Budget.

The future operating and capital financial impacts beyond 2017 associated with the implementation of TransformTO Short-term Strategies, as shown in Table 1, are high-level estimates which require further detailed costing analysis, reviews, refinements as well as coordination with participating City Programs through future annual budget processes.

With respect to the funding strategy, staff are monitoring and engaging with provincial and federal counterparts in pursuit of available funding that is aligned with the City's climate change priorities.

The Deputy City Manager & Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

In July 2014, City Council requested the preparation of a program for accelerating the actions being taken to address climate change (item 2014.PE28.4).

In response to this direction, City Council approved in May 2015 (item 2015.PE3.6) the terms of reference for Transformation Toronto 2050 (now called TransformTO: Climate Action for a Healthy, Equitable and Prosperous Toronto), which outlined the steps to be taken towards the renewal of Toronto's 2007 Climate Change and Clean Air Action Plan and the 2009 Sustainable Energy Strategy.

At the November 17, 2016 meeting of the Parks and Environment Committee, the Chief Corporate Officer was directed to report directly to City Council on December 13, 2016 with business cases for each of the TransformTO Short-term Strategies presented in Attachment A of TransformTO: Climate Action for a Healthy, Equitable and Prosperous Toronto: Report #1 (item 2016.PE15.1).

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.PE15.1>

COMMENTS

In July 2007, Toronto City Council made the commitment to work towards reducing Toronto's greenhouse gas emissions by 80% against 1990 levels by the year 2050. Research and analysis completed to date, as part of the TransformTO initiative, has projected that Toronto is on track to meet its interim target of a 30% reduction by 2020. While this a significant achievement, TransformTO has identified that Toronto is not on the path to achieving its long-term goal for 2050. We need to significantly accelerate and enhance efforts to reduce greenhouse gas emissions, if Toronto is to achieve its carbon reduction goal for 2050.

The strategies presented in the first report of TransformTO initiative could accelerate Toronto's efforts to reduce greenhouse gas emissions and help ensure Toronto gets closer to the trajectory needed to achieve the goal for 2050. When considering these strategies, at its meeting of November 17, 2016, the Parks and Environment Committee asked for businesses cases for each of the strategies set out in Attachment A. This report responds to this direction.

The recommended strategies outlined in the first report of the TransformTO initiative, build upon existing Council approved directives, policies and programs. By expanding and enhancing these efforts, Toronto could accelerate the rate of greenhouse gas reductions being achieved.

Attachment A to this report identifies for each recommended strategy (1) the objective to be achieved by implementing the strategy over the next four years, (2) the total required capital and operating financial resources required from the City, other orders of Government, the private sector and individuals for the 2017 to 2020 time period, (3) where possible, the estimated net present value of successful implementation of the strategy, and (4) potential funding sources.

Toronto's greenhouse gas reduction goal is a community-wide, meaning only through action and investment by all segments of society will Toronto see significant reductions in carbon emissions. The strategies presented in the first report of the TransformTO initiative, acknowledge this principle and seek to expand and enhance strategies that facilitate and leverage investments by other orders of Government, the private sector,

residents and the broader public sector. Therefore the financial resources outlined in Attachment A represent the total resources needed to come from all potential sources, not solely the financial resources of the City.

Table 1 provides a summary of the TransformTO Short-term Strategies resourcing needs for 2017 to 2020. As presented, the total community-wide projected capital requirement is in the range of \$320 - \$866 million combined with a total estimated operating expenditure of approximately \$23.8 million.

Some of the short-term strategies are directions that are tied to existing concurrent resource allocations and pending Council decisions. In these cases, a program update has been provided in lieu of a business case. See Appendix A for an update regarding TransformTO Strategies 3.1 Explore road pricing, 3.2 Support safe cycling and walking and 3.3. Enhance transit service.

Table 1: TransformTO Short-term Strategy
Preliminary Estimate of Capital and Operating Requirements

TransformTO Short-term Strategy		Projected Community-wide Capital Requirements 2017-2020 (\$000)		Preliminary Estimate – Total Operating Requirement 2017-2020 (\$000)
		Low Emission Reduction Scenario	High Emission Reduction Scenario	
1.1	Enhance the Better Buildings Partnership	\$85,000	\$156,000	\$6,200
1.2	Innovative financing mechanisms	-	-	\$320
1.3	Dedicate funding for community-based climate action	\$20,000	\$20,000	\$250
1.4	Improve energy efficiency of social housing	\$55,000	\$240,000	\$1,100
1.5	Continue support for residential property owners	\$18,000	\$208,000	\$2,500

TransformTO Short-term Strategy		Projected Community-wide Capital Requirements 2017-2020 (\$000)		Preliminary Estimate – Total Operating Requirement 2017-2020 (\$000)
		Low Emission Reduction Scenario	High Emission Reduction Scenario	
2.1	Advance leading-edge new construction standard	-	-	\$910
2.2	Advance community energy planning	-	-	\$1,500
2.3	Advance low-carbon/renewable thermal energy networks	\$1,000	\$10,000	\$1,200
2.4	Create renewable energy strategy	-	-	\$310
3.1	Explore road pricing	Refer to Appendix A for status update		
3.2	Support safe cycling and walking	Refer to Appendix A for status update		
3.3	Enhance transit service	Refer to Appendix A for status update		
3.4	Develop a freight strategy	-	-	\$270
3.5	Enable electric vehicles	-	-	\$230
4.1	Expand energy retrofits at City facilities	\$84,000	\$147,000	\$1,900
4.2	Scale-up renewable energy installations	\$26,000	\$53,000	\$1,100
4.3	Utilize landfill gas and biogas	\$30,800	\$30,800	-
4.4	Improve fleet fuel efficiency	\$650	\$900	\$1,000

TransformTO Short-term Strategy		Projected Community-wide Capital Requirements 2017-2020 (\$000)		Preliminary Estimate – Total Operating Requirement 2017-2020 (\$000)
		Low Emission Reduction Scenario	High Emission Reduction Scenario	
4.5	Promote Smart Commute for Toronto Public Service	-	-	\$300
5.1	Continue TransformTO Community Engagement	-	-	\$1,900
5.2	Use building energy disclosure as an engagement tool	-	-	\$480
5.3	Leverage Live Green Toronto	-	-	\$2,300
5.4	Collaborate with utilities on local programming	-	-	-
TOTAL		\$320,450	\$865,700	\$23,800

The report provides preliminary estimates of the total capital and operating investments required by the City, other orders of Government, the private sector, residents and the broader public sector to implement the strategies. The total estimated capital investment required over four years ranges from \$320 million for the low greenhouse gas reduction scenario to \$866 million for the high greenhouse gas reduction scenario. The total estimated operating investment to support implementation over four years is approximately \$23.8 million including \$1.6 million start-up funding that could initiate the strategies in 2017. All these preliminary estimates are not included in the 2017 – 2026 Preliminary Capital Plan and the 2017 Preliminary Operating Budget.

CONTACT

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SIGNATURE

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ATTACHMENTS

Attachment A: TransformTO Short-Term Strategies Business Cases