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Breaking News

Thursday, January 03**8:16 PM****Selling Canadians on Green Bonds to wean us from carbon**

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From Friday's Globe and Mail

Would you buy a Green Bond as your bit to ease climate change if it paid the same rate as a Canada Savings Bond?

The Harper government is trying to figure out the answer. If the answer is yes, don't be surprised if Green Bonds arrive in the next budget and at financial institutions thereafter. And if Green Bonds materialize, credit a small group of young Canadians for the idea.

Five Action Canada fellows – Tom Rand, Andrew Sniderman (a Rhodes Scholar-designate), Emily Paddon, Ben Fine and Oliver Madison – dreamed up the Green Bond idea. Action Canada, funded by the federal government and businessman Sam Belzberg but now in need of additional private-sector support, is a program that selects about 15 exceptionally bright Canadians in their 20s and 30s and exposes them to public policy issues.

The Action Canada fellows have shopped the Green Bond idea around Ottawa, meeting ministers, ministerial staffers, civil servants and bankers. The Conservatives' reaction so far has been very positive. They like the idea's potential political sexiness – grandparents buying Green Bonds for grandchildren.

They like its market friendliness. They like allowing citizens to feel they are doing something about climate change. They like the political optics, in other words. But they better act fast before another party grabs the idea.

Before Christmas, the Green Bond concept sat in the upper reaches of the Finance Department, a phenomenal rise up the policy ladder for an idea coming from so far outside the system. But, of course, in this government, Friday cannot be declared Friday without Prime Minister Stephen Harper's blessing, and his view remains unknown.

Green Bonds would be marketed privately, through financial institutions, and supervised by an arm's-length group. The government would guarantee a rate of return akin to that of CSBs to reduce investor risk, because there would be high risk involved. Rates could be higher, however, if they were tied to future carbon credits.

Green Bonds would put money not just into renewable energy projects but next-generation ones involving "threshold" technologies. A conventional wind farm, for example, can get money today from commercial lenders at competitive rates.

Green Bond money would be invested in technologies (forms of biomass, solar, tidal etc.) that can't yet attract commercial rates. Money would fill the gap between commercial rates and the higher rates that the market would demand for "threshold" projects, thereby making these projects more likely to be developed.

As those working in the renewable energy sector will often lament, a "valley of death" awaits inventors. They can find seed money for research and developing prototypes. But bringing these ideas to commercial market is the "valley of death" that Green Bonds are designed to help overcome.

A myriad of technical details must be worked out. It's not clear how much backing Green Bonds would cost the government. Any government must know that some Green Bond investments would fail, for which a minister would be forced to answer in the House of Commons.

How many Canadians would buy a Green Bond? In the European Union, a Climate Awareness Bond that went

on sale in June has raised about \$1.5-billion. But then the EU has about 13 times more people than Canada.

When Ottawa-based pollster Nick Nanos asked 1,003 Canadians about Green Bonds, 62 per cent said they "supported" or "somewhat supported" the idea, and 62 per cent said they would buy a Green Bond. With numbers like those, any political party would have to pay attention.

Politics aside, every time crude oil prices rise (above \$100 a barrel this week), the relative costs of renewable energy improve. Similarly, the Harper government has already said carbon emissions will have a price through a cap-and-trade system.

So fossil fuels, still cheaper than renewables, will lose some of that advantage as the world oil price increases and a market price is assessed for carbon emissions from those fuels.

Green Bonds would be a niche product. No one should oversell their capacity to wean an economy from carbon. But the idea is intriguing.

If a Green Bond arrives in 2008, think of those young policy entrepreneurs from Action Canada.

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***Please note there is a typo in this article. The above referenced percentages should read 82 per cent not 62 per cent:**

When Ottawa-based pollster Nick Nanos asked 1,003 Canadians about Green Bonds, 82 per cent said they "supported" or ..., and 82 per cent said they would buy a Green Bond.