

2023
**Report of the Auditor General
to the Nova Scotia
House of Assembly**

**Effectiveness of the Green Fund
Over First Two Years**



Performance Audit
Independence • Integrity • Impact

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February 28, 2023

Honourable Keith Bain
Speaker
House of Assembly
Province of Nova Scotia

Dear Sir:

I have the honour to submit herewith my Report to the House of Assembly under Section 18(2) of the Auditor General Act, to be laid before the House in accordance with Section 18(4) of the Auditor General Act.

Respectfully,



Kim Adair, FCPA, FCA, ICD.D

Auditor General of Nova Scotia

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Effectiveness of the Green Fund Over First Two Years

Department of Environment and Climate Change

Key Messages

- Department of Environment and Climate Change is not effectively monitoring or reviewing the performance of Green Fund programs however programs meet the purposes defined in the *Environment Act*
- Unclear why Green Fund special purpose account money transferred out of Government each year
- In the first two years, the province disbursed \$73.7 million to Green Fund program partners, but as of March 31, 2022, only \$11.9 million spent on programs
- During the audit period, no Climate Change Plan to direct Green Fund programming
- Testing showed Green Fund partners delivering programs in accordance with agreements, some improvements needed

Why We Did This Audit

- \$73.7 million in Green Fund revenue collected from cap-and-trade auctions as of March 31, 2022
- Funding to climate change reduction initiatives important
- Green Fund created in 2019, important to ensure funds are being used for intended purposes
- Provincial goal to reduce greenhouse gas emissions by at least 53 per cent below 2005 levels by 2030 and to be net-zero by 2050

Unclear Why Green Fund Special Purpose Account Money Transferred Out of Government Each Year

- As of March 31, 2022, \$59.8 million of Green Fund proceeds held in partner bank accounts outside of Government

Department of Environment and Climate Change Not Effectively Monitoring Green Fund Programming – \$73.7 Million

- Reporting requirements and performance targets clearly defined in contracts
- Quarterly and annual performance updates from program partners not effectively reviewed by Department
- Performance targets reported incorrectly, but error unnoticed by Department
- Provincial partner program support and administration costs not monitored on a program-by-program basis
- Annual reporting occurring, but needs to be more transparent
- Unclear authority to charge departmental staffing, administration, and operational expenses to Green Fund

During the Audit Period there was no Climate Change Plan for Clean Growth to Direct Green Fund to Meet Climate Change Goals

- Interim criteria developed in absence of strategic climate change plan
- Programs selected meet the objectives of the Green Fund
- Transparent process needed for selecting Green Fund program partners

Our Testing Indicates EfficiencyOne, and Clean Foundation Green Fund Programs Delivered in Accordance with Agreements to Date

- Green Fund has contracts with program partners, but some contract clauses missing
- Audit testing indicates programs delivered effectively – some improvements needed

Reference Guide – Key Findings and Observations

Paragraph	Key Findings and Observations
<u><i>Unclear Why Green Fund Special Purpose Account Money Transferred Out of Government Each Year</i></u>	
<u>29</u>	<u>As of March 31, 2022, \$59.8 million of Green Fund proceeds held in partner bank accounts outside of Government</u>
<u><i>Department of Environment and Climate Change Not Effectively Monitoring Green Fund Programming – \$73.7 Million</i></u>	
<u>36</u>	<u>Reporting requirements and performance targets clearly defined in contracts</u>
<u>41</u>	<u>Quarterly and annual performance updates from program partners not effectively reviewed by Department</u>
<u>48</u>	<u>Performance targets reported incorrectly, but error unnoticed by Department</u>
<u>50</u>	<u>Provincial partner program support and administration costs not monitored on a program-by-program basis</u>
<u>54</u>	<u>Annual reporting occurring, but needs to be more transparent</u>
<u>56</u>	<u>Unclear authority to charge departmental staffing, administration, and operational expenses to Green Fund</u>
<u><i>During the Audit Period there was no Climate Change Plan for Clean Growth to Direct Green Fund to Meet Climate Change Goals</i></u>	
<u>62</u>	<u>Interim criteria developed in absence of strategic climate change plan</u>
<u>65</u>	<u>Programs selected meet the objectives of the Green Fund</u>
<u>67</u>	<u>Transparent process needed for selecting Green Fund program partners</u>
<u><i>Our Testing Indicates EfficiencyOne and Clean Foundation Green Fund Programs Delivered in Accordance with Agreements to Date</i></u>	
<u>71</u>	<u>Green Fund has contracts with program partners, but some contract clauses missing</u>
<u>76</u>	<u>Audit testing indicates programs delivered effectively – some improvements needed</u>

Recommendations and Responses

Recommendation	Department Response	
<p>1.1 We recommend the Department of Environment and Climate Change disburse Green Fund money based on partners' annual funding requirements.</p> <p>See paragraph 1.35</p>	<p>We accept the spirit of this recommendation as informing how future recommendations will be advanced to government for expenditures of the Green Fund and the Nova Scotia Climate Change Fund, once it is established. It is important to recognize that final decisions with respect to how policy is advanced are made by Treasury and Policy Board.</p>	<p> Department Agrees</p> <p> Target Date for Implementation: Ongoing</p>
<p>1.2 We recommend the Department of Environment and Climate Change appropriately monitor Green Fund programs including:</p> <ul style="list-style-type: none"> - Meeting regularly to determine if established performance targets are being achieved, and documenting discussions - Taking action if performance targets are not on track to be met - Reviewing administration fees on a program basis to ensure fees are in line with contract requirements. <p>See paragraph 1.53</p>	<p>The Department accepts this recommendation. Effective oversight and monitoring of projects funded under the Green Fund is an essential component of the Department's work.</p> <p>The Department will enhance its monitoring process as recommended for both the Green Fund and for the new Nova Scotia Climate Change Fund when it is operational.</p>	<p> Department Agrees</p> <p> Target Date for Implementation: June 1, 2023</p>
<p>1.3 We recommend the Department of Environment and Climate Change clearly report results against performance targets in its public annual report.</p> <p>See paragraph 1.55</p>	<p>The Department accepts this recommendation. In accordance with the <i>Environment Act</i>, the Department submits an annual report to the legislature regarding the Green Fund. Links to past reports can be found here: https://climatechange.novascotia.ca/cap-trade-regulations</p> <p>Going forward, the Department will clearly report results against performance targets in the annual public report for both the Green Fund and for the new Nova Scotia Climate Change Fund when it is operational.</p>	<p> Department Agrees</p> <p> Target Date for Implementation: July 31, 2023</p>
<p>1.4 We recommend, in accordance with the <i>Environment Act</i>, the Department of Environment and Climate Change define legitimate departmental administrative, staffing and other operational expenses that can be charged to the Green Fund.</p> <p>See paragraph 1.59</p>	<p>The Department accepts this recommendation. The Department will establish a policy to provide better clarity on legitimate departmental, administrative, staffing and other operational expenses as contemplated pursuant to s. 112O(2)(f) of the <i>Environment Act</i>, as well as s. 112ZC(2)(h) of the <i>Environment Act</i> for when the new Nova Scotia Climate Change Fund is operational.</p>	<p> Department Agrees</p> <p> Target Date for Implementation: April 1, 2024</p>

Recommendations and Responses

Recommendation	Department Response
<p>1.5 We recommend the Department of Environment and Climate Change use a transparent and competitive procurement or grant application process when selecting Green Fund program partners.</p> <p>See paragraph 1.70</p>	<p>The Department accepts this recommendation. We are governed by the <i>Public Procurement Act</i> and by the established expenditure management guidelines of Treasury and Policy Board. We will ensure we adhere to the Act and its guidance regarding procurement practices when selecting program partners, and the direction of Treasury and Policy Board as required in the <i>Environment Act</i> s. 112ZC(2)(h). We will develop an internal guide based on the <i>Public Procurement Act</i> and government procurement standards to ensure staff are selecting the most appropriate procurement processes for the new Nova Scotia Climate Change Fund, when it is operational.</p> <p>✓ Department Agrees</p> <p>📅 Target Date for Implementation: April 1, 2024</p>
<p>1.6 We recommend the Department of Environment and Climate Change consistently include mandatory provisions in all third-party contracts including but not limited to:</p> <ul style="list-style-type: none"> - Unspent funding clause - Interest clause - Defined administration fees - Dispute resolution process - Performance management process <p>See paragraph 1.75</p>	<p>The Department accepts this recommendation.</p> <p>These provisions are already contained in the EfficiencyOne contracts. The Department will propose to Clean Foundation that these provisions be added to the existing contracts with them.</p> <p>✓ Department Agrees</p> <p>📅 Target Date for Implementation: April 1, 2023</p> <p>We will require that all future third-party contracts under both the Green Fund and the Nova Scotia Climate Change Fund contain the recommended contract provisions.</p>

Questions Nova Scotians May Want to Ask

1. What will happen to the Green Fund when the cap-and-trade program no longer exists?
2. How will the Department of Environment and Climate Change ensure ongoing programs are adequately monitored to achieve value for money and Green Fund objectives?
3. How will the December 2022 Climate Change Plan for Clean Growth use Green Fund programs to achieve objectives?
4. Will programs receiving Green Fund grants continue to receive funding following the end of the cap-and-trade program?
5. How will the Nova Scotia Climate Change Fund fill gaps once it replaces the Green Fund?

1 Effectiveness of the Green Fund Over First Two Years

Background

Definitions



Auction: The sale or trading of emission allowances. Proceeds from the cap-and-trade auctions are deposited into the Green Fund special purpose fund.



Cap: The maximum number of emission allowances created by the province each year.



Cap-and-trade program: A market program where there is a limit, or “cap”, on the total amount of greenhouse gas emissions from covered sources allowed in the province. Mandatory participants in the program are required to submit emission allowances for each tonne of greenhouse gas for which they are responsible.



Emissions: Substances, such as greenhouse gases, which are released or discharged into the air.



Emission Allowance: The total cap or limit of emissions for the year is divided into parts which can be bought or sold. One allowance is equivalent to one tonne of emissions.



Green Fund: A special purpose fund that receives all revenue from the sale of emission allowances through the cap-and-trade program, collection of applicable fines, and accrued income which will support provincial climate change initiatives.



Greenhouse gas (GHG): Greenhouse gases include carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), sulphur hexafluoride (SF₆), nitrogen trifluoride (NF₃), hydrofluorocarbons (HFCs), and perfluorocarbons (PFCs).



Special Purpose Fund: Money set aside from normal department operations, for a specific internally designated purpose. Special purpose funds are controlled by the government and are consolidated in the province's financial statements.

Source: Office of the Auditor General, Nova Scotia

- 1.1 The Nova Scotia Green Fund is a special purpose fund established in 2019 through the *Environment Act*. The Green Fund was created as the mechanism to receive and disburse proceeds generated from Nova Scotia's cap-and-trade program.

- 1.2 The *Environment Act* requires that all Green Fund grants must meet one or more of the following criteria:

Green Fund Criteria – Funds must be used for:
Measures that will reduce, limit, or avoid greenhouse gas (GHG) emissions
Research and development of innovative technology to reduce, limit or avoid GHG emissions
Measures that will mitigate the economic and social impact of measures to reduce, limit or avoid GHG emissions
Public awareness campaigns respecting climate change or measures to reduce, limit or avoid GHG emissions
Financing adaptation projects to prepare for climate change
Development and participation in regional and international initiatives respecting climate change
A purpose prescribed by the regulations

Source: *Environment Act*

- 1.3 The Green Fund is administered through the Department of Environment and Climate Change. There is a program administrator responsible for operations and administration of the Green Fund. Since the fund began in 2019, grants have targeted climate change while benefiting priority populations, such as, children, youth, seniors, persons with a disability, visible minority, Indigenous etc. and were distributed to address the categories shown below:



Source: *Department of Environment and Climate Change, unaudited*

- 1.4 The Green Fund receives revenue from the proceeds of the province's cap-and-trade program. Revenue is then disbursed through partner grants for approved programs that meet the Green Fund criteria. All grants issued are approved by the Treasury and Policy Board. Program descriptions of grants outlined below can be found in [Appendix II](#).

First Two Years of Green Fund – Special Purpose Account

	2022	2021	Funding Total
Revenue			
Auction proceeds	\$44,818,000	\$28,747,000	\$73,565,000
Bank interest	139,000	12,000	151,000
Total Revenue	\$44,957,000	\$28,759,000	\$73,716,000
Expenses			
Grants			
Affordable Housing Retrofits	\$ 2,000,000	-	\$ 2,000,000
Affordable Multiple-Family Housing	-	\$11,450,000	11,450,000
BIPOC and Mi'kmaq Clean Energy Training	2,000,000	-	2,000,000
Clean Leadership Program	-	2,000,000	2,000,000
Electric Vehicle Chargers for Multi-unit Residential Buildings	1,000,000	-	1,000,000
Flood Line Mapping Program	999,000	-	999,000
Home Energy Assessment	8,000,000	-	8,000,000
HomeWarming	-	4,750,000	4,750,000
Industrial Energy Managers	1,500,000	-	1,500,000
Next Ride – EV Engagement Campaign	1,500,000	-	1,500,000
Off Oil Pilot	1,500,000	-	1,500,000
Small Business Energy Solutions	-	3,500,000	3,500,000
Solar for Non-profit Organizations	1,500,000	-	1,500,000
SolarHomes	8,000,000	5,500,000	13,500,000
Sustainable Communities Challenge Fund	15,000,000	-	15,000,000
Other small grants	450,000	149,000	599,000
Total Grants	\$43,449,000	\$27,349,000	\$70,798,000
			-
Operational Expenses	\$ 1,032,000	\$ 1,087,000	\$ 2,119,000
Salaries and benefits	476,000	323,000	799,000
Total Expenses	\$44,957,000	\$28,759,000	\$73,716,000
Surplus (deficit)	0	0	0

Source: March 31, 2022, Green Fund audited financial statements, rounded to nearest thousand. Operational Expenses include communications, consulting services, and professional services incurred to facilitate the cap-and-trade auctions.

- 1.5 Our audit focused on how the Department of Environment and Climate Change selects and oversees Green Fund programs and partners. The purpose of the audit is to determine if the Green Fund is achieving its purpose of reducing greenhouse gas emissions, encouraging adaptation, and preparing for climate change impacts through financing programs.
- 1.6 EfficiencyOne is an independent, non-profit organization responsible for administering electricity demand-side management programs and other fuel energy efficiency and conservation programs.

EfficiencyOne is the franchise holder and has the exclusive right to use the Efficiency Nova Scotia brand in administering both electric and non-electric energy efficiency programs. As of March 31, 2022, it was the largest recipient of Green Fund grants, which are used to deliver programs under its management. At year end March 31, 2022, EfficiencyOne received \$46.7 million, 63 percent, of total funds disbursed by the Green Fund.

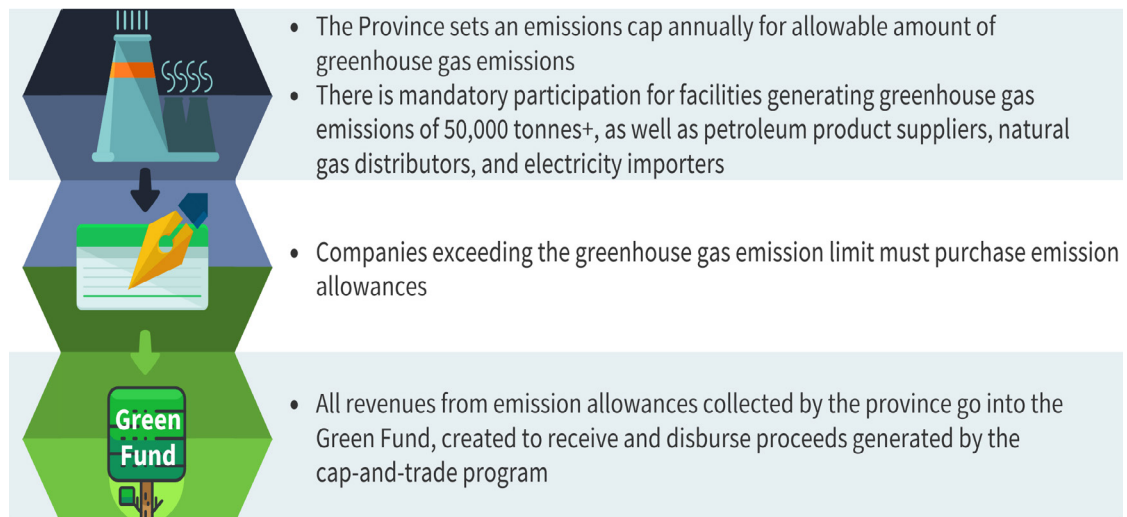
- 1.7 The Department of Natural Resources and Renewables had an established relationship with EfficiencyOne prior to the creation of the Green Fund. The Green Fund EfficiencyOne contract maintains that relationship and a Memorandum of Understanding between the Department of Environment and Climate Change, and the Department of Natural Resources and Renewables outlines the roles and responsibilities for the management, coordination and delivery of projects receiving funding from the Green Fund.
- 1.8 Department of Environment and Climate Change is responsible for:
 - Administration and transfer of Green Fund monies for project-related expenses
 - Public announcements in relation to Green Fund projects
 - Public reporting of Green Fund
 - Tracking of performance as defined in the EfficiencyOne Green Fund contract
 - Approval of any proposed changes to the programs identified in the contract
- 1.9 The Department of Natural Resources and Renewables is responsible for:
 - Administration and implementation of the EfficiencyOne Green Fund contract
 - Act as representative of the Province as described in the contract
 - Provide Department of Environment and Climate Change a copy of the Annual Report on progress in meeting performance targets
 - Provide Department of Environment and Climate Change a copy of all quarterly and financial reports
 - Invite Department of Environment and Climate Change contact person to quarterly report meetings
 - Seek approval from Department of Environment and Climate Change for any proposed changes to the programs identified in the contract
- 1.10 Clean Foundation is a registered charity that works to reduce energy poverty, develop the green economy workforce, educate, and promote action on climate change while protecting the natural environment and promoting social equity. As of March 31, 2022, Clean Foundation received \$5.5 million, 7.5 per cent, of total funds disbursed by the Green Fund.

- 1.11 We selected a sample of programs in operation in 2021, delivered by Green Fund partners EfficiencyOne and Clean Foundation, to determine if they were effectively administering Green Fund programming. We completed detailed testing on the following programs:
- Affordable Multi-Family Housing – EfficiencyOne, \$11.45 million
 - HomeWarming – EfficiencyOne, \$4.75 million
 - Small Business Energy Solutions – EfficiencyOne, \$3.5 million
 - Clean Leadership Program, Climate Change Group – Clean Foundation, \$2 million
- 1.12 Additional programs that were not in the scope of our audit because funds were not spent at the time of our testing include:
- Sustainable Communities Challenge Fund – Nova Scotia Federation of Municipalities, \$15 million. A program to support community action on climate change.
 - Province of Nova Scotia Programs – Various programs and operational expenses including Affordable Housing Retrofits, \$2 million, and the Flood Line Mapping Program, \$1 million at the Department of Municipal Affairs and Housing; for a total of \$6.5 million.
- 1.13 A list of all program descriptions for 2021 and 2022 are included in [Appendix II](#).

Evolution of Carbon Pricing in Nova Scotia

- 1.14 Carbon pricing is an instrument to reduce greenhouse gas emissions. Mandatory cap-and-trade participants are required to pay for the greenhouse gas emissions they produce, creating an economic incentive for emitters to reduce their greenhouse gas emissions.
- 1.15 In 2016, all Canadian provinces and territories agreed to implement the Pan-Canadian Approach to Pricing Carbon Pollution. This provides each province the flexibility to develop their own approach while still meeting federal benchmarks. The Federal program was set for review in 2022.
- 1.16 Currently Nova Scotia has legislated greenhouse gas emissions reduction targets outlined in the *Environmental Goals and Climate Change Reduction Act*. The province has committed to reducing greenhouse gas emissions by at least 53 per cent below 2005 levels by 2030 and to be net-zero by 2050.
- 1.17 In January 2019, Nova Scotia implemented a cap-and-trade program. An annual limit, or cap, is set for the amount of greenhouse gas emissions allowed. Mandatory participation in the program is required for facilities generating 50,000 tonnes or more of greenhouse gas emissions, petroleum product suppliers, natural gas distributors, and electricity importers. Companies receive a set number of allowances; if they exceed that allowance, they can purchase, or trade, from another company that has emitted less. Each year, the cap is reduced to encourage companies to reduce their greenhouse gas emissions. A list of mandatory cap-and-trade participants for 2022-23 is included in [Appendix III](#).

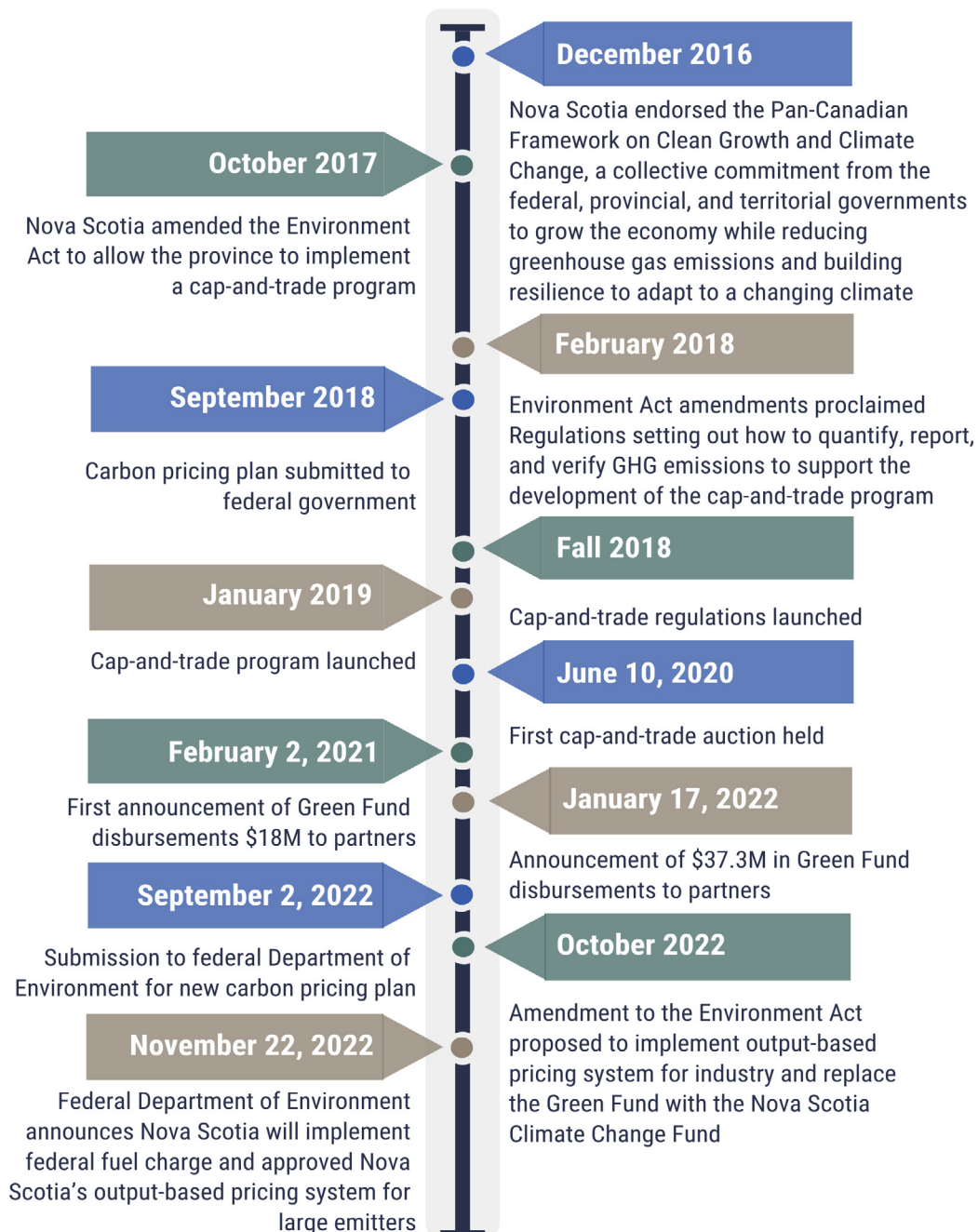
Where the Province Gets the Money for the Green Fund



Source: Office of the Auditor General, Nova Scotia

- 1.18 Auctions are held twice a year. The cap-and-trade program has generated \$73.7 million as of March 31, 2022. The *Environment Act* dictates that 100 per cent of cap-and-trade revenue will be transferred into the special purpose fund known as the Green Fund.
- 1.19 Once revenue generated from the cap-and-trade program is transferred into the Green Fund special purpose account, the funds are to be spent based on Green Fund criteria as outlined in the *Environment Act*. The purpose of the Green Fund is not meant to directly offset the total amount of greenhouse gas emissions at the cap-and-trade level, but to fund climate change initiatives focusing on mitigation, adaptation, and research.
- 1.20 During the course of the audit, the federal benchmarks for carbon pricing were increased and the Nova Scotia cap-and-trade program no longer meets the federal benchmarks. In September 2022, the province submitted a proposal for a new carbon pricing system to the federal Department of Environment for approval. An output-based pricing system targets the largest greenhouse gas emitters in the province and took effect January 1, 2023. The program sets greenhouse gas emission targets for the electricity sector and other large industrial emitters, such as power plants and cement plants.
- 1.21 The November 2022 amendments to the *Environment Act* create a new system and replaces the Green Fund with the Nova Scotia Climate Change Fund. Although the Green Fund will no longer exist, we expect our recommendations will guide improvements as the Department of Environment and Climate Change transitions to the new Nova Scotia Climate Change Fund.

Timeline of Green Fund Implementation



Source: Office of the Auditor General, Nova Scotia

Unclear Why Green Fund Special Purpose Account Money Transferred Out of Government Each Year

- 1.22 The Green Fund is a special purpose account, meaning the proceeds from the cap-and-trade auctions are set aside from normal Department operations and designated for a specific purpose.

- 1.23 During the first two years of Green Fund operations, its proceeds, totaling \$73.7 million, were entirely transferred out to approved partners at year end. This eliminates the Green Fund balance. It is unclear why this occurs, as the primary feature of the special purpose account is to allow unspent funds to carry forward for future use and not lapse at year end.
- 1.24 The practice of disbursing all Green Fund money within the year to multi-year programs increases the risk that funds may not be used for their intended purpose. It also reduces the Government's flexibility to redirect funds to other targeted areas. For example, if the Government identifies the value in supporting new green technology initiatives, it would have no funding available because it was moved out of the Green Fund and committed to programs stretching three to five years into the future.
- 1.25 Management indicated cap-and-trade revenue is not predictable; therefore, providing funding up front offers more certainty to program partners to plan and hire staff accordingly for longer-term programs over multiple years. In our view, the objective of ensuring multi-year funding certainty for program partners can be more appropriately achieved through contractual terms and conditions, while continuing to hold the funds until needed.
- 1.26 It is our understanding that the Department of Environment and Climate Change was directed to reinvest all Green Fund revenue in climate change initiatives within the same fiscal year, with no ability to carry over special purpose account funds. We question this perspective, as the special purpose fund policy does not negate the ability to carry over funds.
- 1.27 Special purpose funds are consolidated into the Public Accounts. By clearing out the Green Fund special purpose account it results in no bottom-line impact on the provincial financial statements' year end surplus or deficit.
- 1.28 Retaining funds within the Green Fund and disbursing them based on partners' annual funding requirements would be a more effective way for the Department to fund Green Fund programs. This safeguards the flexibility to redirect funds as priorities change, and enables the disbursement to other partners.



As of March 31, 2022, \$59.8 million of Green Fund proceeds held in partner bank accounts outside of Government

- 1.29 Since the Green Fund began funding programs in 2021, \$73.7 million has been allocated to programs, however, by March 31, 2022, only \$11.9 million has been spent on programming and \$2 million remains within Government departments for programming. The remaining \$59.8 million is held in the bank accounts of the partners.
- 1.30 By providing funds up front, the province has relinquished control of interest earned on the funds. For example, the Clean Foundation's \$2 million allocation for five-year programming for Clean Leadership did not contain a contract clause defining the outcome of interest earned, or any unspent funds at the end of the contract. For the \$46.7 million provided to EfficiencyOne, we found contract terms and conditions regarding unspent funds and interest earned, which mitigate the risk that funds may not be used for the intended purpose.

Allocation of Green Fund Auction Proceeds and Interest: June 2020 – March 2022: \$73.7 Million



Source: Office of the Auditor General, Nova Scotia

- 1.31 Due to the timing of funds disbursed to EfficiencyOne, only one year of programming has occurred. Two years of Clean Leadership programming has occurred with Clean Foundation. Providing funding up front for multi-year programs means Government is not receiving immediate benefits.
- 1.32 In 2021, EfficiencyOne was granted \$11.45 million to deliver the Affordable Multiple-Family Housing Program over a span of five years. The money for the entire five-year period was transferred up front to EfficiencyOne. Giving up control of Green Fund money for five years increases the risk funds may not be used for the intended purpose. We expect the province to have a thorough process in place to ensure the program is meeting its anticipated results through regular reporting and clear performance targets.
- 1.33 At the time of the audit, EfficiencyOne completed one year of program delivery, while Clean Foundation completed two years of program delivery funded through the Green Fund. This \$21.7 million was the focus of our audit testing, which is explained in detail later in the report. The table below shows the remaining funding for the duration of the programs.

Green Fund Programs of \$21.7 Million: Funding Spent vs Unspent at March 31, 2022



Source: Office of the Auditor General, Nova Scotia; EfficiencyOne, and Clean Foundation Reports

- 1.34 The large balances in program partner bank accounts highlight the importance of providing funding as needed.
- 1.35 As the Green Fund is a special purpose account, the Department of Environment and Climate Change is able to hold funds in the account and disburse as required. Multi-year program contracts could be signed with program partners to ensure funding certainty while retaining funds in the Green Fund special purpose account. This protects Government funds as it reduces the risk that funds are not used for the intended purpose.

Recommendation 1.1

We recommend the Department of Environment and Climate Change disburse Green Fund money based on partners' annual funding requirements.

Department of Environment and Climate Change Response: Agree. We accept the spirit of this recommendation as informing how future recommendations will be advanced to government for expenditures of the Green Fund and the Nova Scotia Climate Change Fund, once it is established. It is important to recognize that final decisions with respect to how policy is advanced are made by Treasury and Policy Board. Target Date: Ongoing.

Department of Environment and Climate Change Not Effectively Monitoring Green Fund Programming – \$73.7 Million



Reporting requirements and performance targets clearly defined in contracts

- 1.36 We reviewed the EfficiencyOne and Clean Foundation contracts to assess whether appropriate monitoring and oversight measures were clearly defined for all parties. We were satisfied that each contract had clear reporting requirements.
- 1.37 Each contract clearly defined key performance targets in line with the intention of the program. There are defined reporting requirements outlining the frequency program partners are required to provide status reports to the province. The report allows the province to adequately evaluate the program's progress to date.
- 1.38 EfficiencyOne was granted \$46.7 million in Green Fund proceeds to provide programs which support energy efficiency upgrades for low-income households, small businesses and not-for-profits. These programs include rebates on the installation of new windows, improving insulation or installing heating pumps. For these programs, we found, key performance targets were selected to measure the total impact of energy and environmental upgrades. Performance targets were set for each program in the following areas:
 - energy savings (gigajoules)
 - greenhouse gas emission reduction (tonnes)
- 1.39 Clean Foundation was granted \$2 million of the total \$5.5 million in Green Fund proceeds to deliver a Climate Change Clean Leadership program to a group of interns. This internship program places students and young professionals on clean-growth and climate adaptation ventures. The annual target of the clean leadership climate change group is to attract and provide internships to 25 Indigenous youth and 10 African Nova Scotian youth.

- 1.40 For EfficiencyOne, reports are required quarterly; Clean Foundation is required to submit a report annually. Our testing showed that reports were submitted to the province as contractually obligated, and contained the required information to effectively communicate if key performance targets were met or on track to be met.



Quarterly and annual performance updates from program partners not effectively reviewed by Department

- 1.41 Under the contract with EfficiencyOne, provincial representatives are required to meet within 15 days of the quarterly report for a review, a discussion on the status of ongoing programs, and to plan for future progress of overall goals. We determined that these meetings were occurring, however improvements to the Department of Environment and Climate Change monitoring process are needed. For example, the Department of Environment and Climate Change is not reviewing the information to determine if performance targets are on track, or if the outcomes of the program are consistent with the original intentions.
- 1.42 Performance targets are determined on a program-by-program basis but are based across the total lifespan of the program. For example, the Affordable Multi-Family Housing Program has a savings target of 1,206 tonnes of greenhouse gas after five years. This makes an annual review more challenging as typically there are no specific annual targets. We conducted a review of all quarterly reports submitted by EfficiencyOne to the province and identified some programs the department should ask questions about to determine EfficiencyOne's ability to meet multi-year program targets.
- 1.43 We divided the contractual performance targets for each program by the length of the program. For example, the Affordable Multi-Family Housing Program would be 241 tonnes of greenhouse gas. While annualizing performance targets is not required in the contract, we believe it is a simple example of how the Department could be monitoring the programs to determine if they are on track to meet performance targets. This is important as all Green Fund special purpose account money has been transferred out of Government.

EfficiencyOne Performance Target Results 2021-2022

Program	Length of Program Funding	Estimated Total Program Participation	Estimated Annual Participation	Actual Participation	Contractual Target Energy Savings	OAG Recalculated Annual Energy Savings (GJ)	Actual Annual Energy Savings	Contractual Target Program GHG Reduction (tonnes)	OAG Recalculated Annual GHG Reduction (tonnes)	Actual Annual GHG Reduction (tonnes)
Small Business Energy Solutions	3 years	694	231	75	27,160	9,053	9,425	698	232	242
Affordable Multi-Family Housing	5 years	130	26	24	22,000	4,400	776	1,206	241	92
Home Warming	1 year	640	640	648	20,500	20,500	19,907	1,271	1,271	1,234
Total			897	747		33,953	30,108		1,745	1,568



Target tracking low



Close to target



Meets target

Source: Office of the Auditor General, Nova Scotia; EfficiencyOne Quarterly Report; Unaudited

- 1.44 For example, the Small Business Energy Solutions program had an anticipated total participation of 694 individuals completing projects over three years, or 231 individuals annually. Although participation is not a formal performance target, it does provide the Department with valuable information to be able to ask questions. After one year, the actual results showed just 75 individuals completing projects under the program, or 11 per cent of the anticipated total. Despite fewer participants completing projects, the program spent 39 per cent of the total budget and surpassed its annualized energy savings and greenhouse gas targets. The quarterly reports indicate that fewer individuals are using the program, but those who do are completing larger jobs resulting in more energy savings.
- 1.45 With an effective monitoring system in place, we would expect this to be identified and questioned by the Department of Environment and Climate Change. As this is year one into a three-year program, there is ample time for the Department and EfficiencyOne to discuss if consistent energy reductions achieved by fewer participants still accomplishes the intended purpose of the program. We questioned EfficiencyOne about all variances and were provided with explanations.
- 1.46 At Clean Foundation, we found that the 2021-22 hiring target for African Nova Scotian interns was met and the target for 25 Indigenous interns at the Clean Leadership Program was missed by one.

Clean Leadership Performance Target Results 2021-22					
Program	Length of Program Funding	Target Indigenous Clean Leaders	Actual Indigenous Clean Leaders	Target African NS Clean Leaders	Actual African NS Clean Leaders
Clean Leadership Climate Change Group	5 years	25	24	11	11

Source: Office of the Auditor General; Clean Foundation Annual Report; Unaudited

- 1.47 The Department of Environment and Climate Change provided evidence of email exchanges with questions about the programs and a presentation to the Department executive that identified challenges and mitigation strategies. Some monitoring of the Green Fund programs was occurring; however, a more defined and detailed monitoring program is needed.



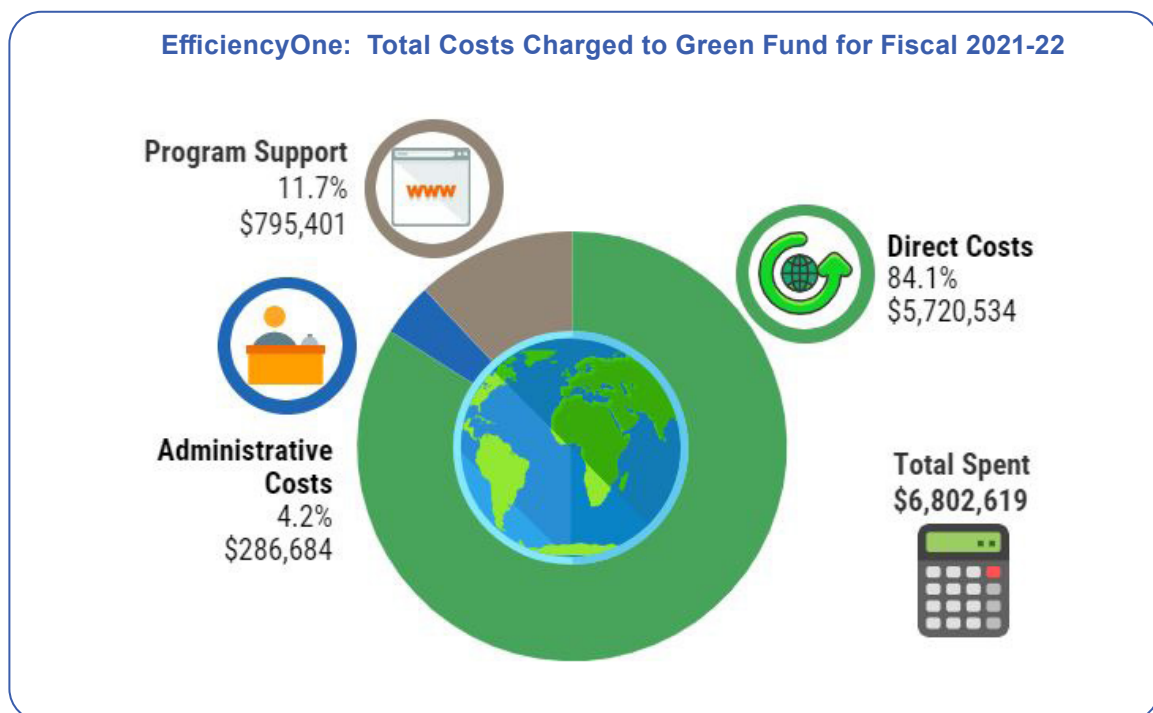
Performance targets reported incorrectly, but error unnoticed by Department

- 1.48 In reviewing EfficiencyOne's annual performance report to the province for 2021-22, we noticed that performance targets for greenhouse gas reductions had not been updated to reflect those agreed upon in the amended contract for two of the three programs. The error went unnoticed and uncorrected by both the Department and EfficiencyOne. If the correct target had been used in the performance report it would have shown that the program was not on track to meet its greenhouse gas reduction target.
- 1.49 This error indicates that effective monitoring is not occurring. Performance targets provide an accurate foundation to evaluate the success of a program and can play a significant role in future funding decisions. It is critical for the program partners to report accurate performance targets and for the Department to regularly assess ongoing performance of Green Fund programs.



Provincial partner program support and administration costs not monitored on a program-by-program basis

- 1.50 For programs provided by EfficiencyOne throughout 2021-22, we confirmed all financial information is reported to the Department as outlined in the contract, including program costs and administrative expenses. However, the report amalgamates the financial results of all programs for the year. It would provide more transparency if the Department requested administration and operating costs to be broken-out on a program-by-program basis. That would decrease the risk for administrative costs in individual programs to fluctuate and go unnoticed as they would no longer be hidden amongst other programs.
- 1.51 Overall, EfficiencyOne administrative costs for all programs were \$286.7 thousand. Administrative costs are defined in the contract and include expenses such as rent, information technology, administrative staff salaries etc. Program support costs include research, advertising and marketing, and website development. Program support costs totalled \$795 thousand. Program support and administrative costs were 16 per cent of the total \$6.8 million spent in 2021-22.



Source: Office of the Auditor General, Nova Scotia; EfficiencyOne; Unaudited

- 1.52 Like EfficiencyOne, Clean Foundation's annual report to the Department of Environment and Climate Change provides an expense breakdown based on the entire spending of the Clean Leadership Program. This includes the total amount spent on internships, program delivery costs, program expenses, and administration fees. Although this meets the contractual reporting requirements, a more transparent approach would be to provide a more detailed report focusing on the Clean Leadership climate change group of interns, as this is the only portion of the program receiving Green Fund money.
- 1.53 The Department of Environment and Climate Change meets regularly with program partners, however, as a result of annually transferring all Green Fund money out of Government, it is important the Department appropriately monitor programs.

Recommendation 1.2

We recommend the Department of Environment and Climate Change appropriately monitor Green Fund programs including:

- Meeting regularly to determine if established performance targets are being achieved, and documenting discussions
- Taking action if performance targets are not on track to be met
- Reviewing administration fees on a program basis to ensure fees are in line with contract requirements.

Department of Environment and Climate Change Response: The Department accepts this recommendation. Effective oversight and monitoring of projects funded under the Green Fund is an essential component of the Department's work.

The Department will enhance its monitoring process as recommended for both the Green Fund and for the new Nova Scotia Climate Change Fund when it is operational. Target Date: June 1, 2023.



Annual reporting occurring, but needs to be more transparent

1.54 The *Environment Act* legislates the Minister to report on the use of the Green Fund no later than July 31 of each year. Two annual reports from 2020-21 and 2021-22 have been made publicly available. We found that there are no additional reporting requirements for the annual report. We would expect that this report would provide a transparent picture for Nova Scotians, and indicate if Green Fund partners are meeting defined targets. This has not occurred in the first two Green Fund annual reports.

1.55 The annual report currently provides a total summary of greenhouse gas emission savings, energy savings and annual lifetime energy bill savings for all Green Fund programs. When each program has specifically defined targets, we would expect to see clear reporting on whether the targets are being met so the Department and Nova Scotians could understand the effectiveness of each individual program.

Recommendation 1.3

We recommend the Department of Environment and Climate Change clearly report results against performance targets in its public annual report.

Department of Environment and Climate Change Response: Agree. The Department accepts this recommendation.

In accordance with the *Environment Act*, the Department submits an annual report to the legislature regarding the Green Fund. Links to past reports can be found here: <https://climatechange.novascotia.ca/cap-trade-regulations>

Going forward, the Department will clearly report results against performance targets in the annual public report for both the Green Fund and for the new Nova Scotia Climate Change Fund when it is operational. Target Date: July 31, 2023.



Unclear authority to charge departmental staffing, administration, and operational expenses to Green Fund

1.56 In 2020-21, the Green Fund incurred \$1.09 million in operational expenses. This figure slightly decreased to \$1.03 million in fiscal 2021-22. Roughly 90 per cent of the total operational expense relates to the professional services required to hold the cap-and-trade auctions. However, there are other minor components of the operational costs, including consulting services, and telecommunications.

- 1.57 During our discussions with the Department of Environment and Climate Change, we were informed there is no Green Fund specific policy that defines acceptable operational expenses. Therefore, any expenses would need to meet the Green Fund purposes outlined in the *Environment Act*. Components like telecommunications, in our view, fall outside the purposes defined in the Act and are therefore in violation of the Act. While these telecommunication expenses charged to the Green Fund are minor, with no policy in place there is a risk larger operational costs that are not in accordance with the *Environment Act* may be charged to the Green Fund.
- 1.58 On December 8, 2021, Treasury and Policy Board approved additional full-time employees for the Department of Environment and Climate Change to be funded through the Green Fund. This resulted in an expense of \$247 thousand in 2021-22, and budgets of \$1.6 million in 2022-23, and \$1.5 million in 2023-24. Our understanding is, beyond 2024-25, these positions will be absorbed into the operational budget of the Department.

Departmental Approved Employee Salary Costs Charged to Green Fund			
Fiscal 2021-22 Green Fund	Fiscal 2022-23 Green Fund	Fiscal 2023-24 Green Fund	Total Approved Green Fund Salary Costs 2021-2024
\$247,000	\$1,578,000	\$1,536,000	\$3,361,000

Source: Department of Environment and Climate Change; Unaudited

- 1.59 We confirmed that all positions approved for funding are connected to initiatives that meet the Green Fund criteria. Therefore, the approval does not violate the purpose of the Green Fund as defined in the *Environment Act*. However, using the Green Fund instead of the department's regular budget for internal government positions takes away available resources that could otherwise be directly allocated to Green Fund programs.

Recommendation 1.4

We recommend, in accordance with the *Environment Act*, the Department of Environment and Climate Change define legitimate departmental administrative, staffing and other operational expenses that can be charged to the Green Fund.

Department of Environment and Climate Change Response: The Department accepts this recommendation. The Department will establish a policy to provide better clarity on legitimate departmental, administrative, staffing and other operational expenses as contemplated pursuant to s. 112O(2)(f) of the *Environment Act*, as well as s. 112ZC(2)(h) of the *Environment Act* for when the new Nova Scotia Climate Change Fund is operational. Target Date: April 1, 2024.

During the Audit Period there was no Climate Change Plan for Clean Growth to Direct Green Fund to Meet Climate Change Goals

- 1.60 In October of 2019, Nova Scotia passed the *Sustainable Development Goals Act*. The Act created a framework for new goals and targets to fight climate change, including a "Climate Change Plan for Clean Growth" legislated to be released in December 2020. No plan was published by Government, and the *Sustainable Development Goals Act* was repealed by the *Environmental Goals and Climate Change Reduction Act* in November 2021.
- 1.61 On December 7, 2022, the "Climate Change Plan for Clean Growth" was released and outlined 68 initiatives to help meet greenhouse gas reduction targets. However, the delay in its release meant that the Green Fund operations lacked a climate change plan to help it meet climate change goals.



Interim criteria developed in absence of strategic climate change plan

1.62 In January 2020, Treasury and Policy Board approved the use of interim criteria to guide the Green Fund. The criteria were based on the Green Fund purposes as defined in the *Environment Act*:

- Support for low income and vulnerable populations;
- Maximize greenhouse gas reductions in the short term (before 2023), with a focus on reductions that help mitigate pressure on the cap-and-trade program;
- Support communities to reduce their greenhouse gas emissions and to build resilience to the impacts of climate change;
- Maximize Green Fund impact through opportunities to leverage funds from other sources (federal, other provincial, municipal, private, not-for-profit);
- Prioritize projects and programs that can be quickly developed and implemented;
- Support climate change education to build capacity and awareness;
- Support for projects and programs that help to meet the objectives of the *Sustainable Development Goals Act*.

1.63 Interim Green Fund criteria established by the Department are now past the intended one-year timeframe. A provincial strategic climate change plan would provide the required direction for Green Fund.

1.64 While the funded programs meet the purposes of the Green Fund, and the purpose of the Green Fund is not solely to reduce greenhouse gas emissions, it is unclear the extent to which Green Fund programs will contribute to the reduction of greenhouse gas emissions by at least 53 per cent below 2005 levels by 2030, and by being net-zero by 2050.



Programs selected meet the objectives of the Green Fund

1.65 As of March 31, 2022, approximately 15 programs have been awarded grants from the Green Fund. We reviewed program descriptions and executive council approvals to verify that each program met at least one of the purposes for the Green Fund outlined within the *Environment Act*. In many cases programs meet multiple purposes.

Green Fund Program Purposes						
	Reduce GHG	Research and development	Mitigate the economic and social impact	Public awareness campaigns	Financing adaptation projects	Regional and international initiatives
Affordable Housing Retrofits	X					
Affordable Multiple-Family Housing	X		X			
BIPOC and Mi'kmaq Clean Energy Training			X	X		
Clean Leadership Program			X	X		
Electric Vehicle Chargers for Multi-unit Residential Buildings	X					
Flood Line Mapping Program					X	
Home Energy Assessment	X		X			
HomeWarming	X		X			
Industrial Energy Managers	X					
Next Ride - EV Engagement Campaign				X		
Off Oil Pilot	X					
Small Business Energy Solutions	X					
Solar for Non-profit Organizations	X		X			
SolarHomes	X		X			
Sustainable Communities Challenge Fund					X	X
Other small grants					X	X

Source: Office of the Auditor General, Nova Scotia

- 1.66 Additionally, projects must pass formal Treasury and Policy Board review prior to being approved for Green Fund grants. This ensures programs align with the purposes outlined in the *Environment Act*.



Transparent process needed for selecting Green Fund program partners

- 1.67 Despite the Finance and Treasury Board approval process there is no program proposal submission process. Instead, in the Green Fund's first year, partners were identified and chosen internally by the Department. Selection of partners and projects is based on numerous factors which can include strategic priorities outlined by Government, mandate letters, home energy costs, federal funding, job loss, and sector downturns. By allowing the Department to identify and select projects, external organizations are not able to apply for funding that may better meet the objectives of the Green Fund.
- 1.68 Initial Green Fund program partners were selected by the Department based on established programs they had in place. EfficiencyOne was delivering HomeWarming, Affordable Multi-Family

Housing, and Small Business Energy Solutions programs through other funding mechanisms. The Clean Leadership program offered through Clean Foundation was also a pre-established program. This allowed the rollout of pre-established programs and meant the Department did not have to take additional time and resources to build new programs.

- 1.69 The Department did not use a transparent competitive procurement or grant application process to select program partners EfficiencyOne and Clean Foundation. This increases the risk that program partners are inappropriately selected, limited to only those Government selects, and/or Government may not receive value for money.
- 1.70 We did note the Department used a public procurement process in early 2022 to select the Nova Scotia Federation of Municipalities to administer the Sustainable Communities Challenge Fund.

Recommendation 1.5

We recommend the Department of Environment and Climate Change use a transparent and competitive procurement or grant application process when selecting Green Fund program partners.

Department of Environment and Climate Change Response: The Department accepts this recommendation. We are governed by the *Public Procurement Act* and by the established expenditure management guidelines of Treasury and Policy Board. We will ensure we adhere to the Act and its guidance regarding procurement practices when selecting program partners, and the direction of Treasury and Policy Board as required in the *Environment Act* s. 112ZC(2)(h). We will develop an internal guide based on the *Public Procurement Act* and government procurement standards to ensure staff are selecting the most appropriate procurement processes for the new Nova Scotia Climate Change Fund, when it is operational. Target Date: April 1, 2024.

Our Testing Indicates EfficiencyOne, and Clean Foundation Green Fund Programs Delivered in Accordance with Agreements to Date



Green Fund has contracts with program partners, but some contract clauses missing

- 1.71 We examined the contracts of two program partners, EfficiencyOne and Clean Foundation, awarded Green Fund grants over the 2021-22 fiscal year. The scale of these contracts differs significantly. EfficiencyOne is responsible for the delivery of multiple programs and has received \$46.7 million in grants, whereas Clean Foundation is responsible for \$5.5 million in grants.
- 1.72 Given the scale of EfficiencyOne, we noted that the contract was detailed with clearly defined terms and conditions to protect public interests; ensured annual performance and reporting targets are defined; and provided adequate controls to protect funds once allocated. The EfficiencyOne contract has the following in place:
 - Clearly defined reporting requirements
 - Specific sections to direct how unspent funds should be handled, including an interest clause
 - Specific deliverable targets outlined and regularly updated to reflect EfficiencyOne's expanding portfolio of programs
- 1.73 We identified shortcomings in the contract with Clean Foundation including the following gaps:
 - No clause in place for unspent funding
 - No clause defining administration fees
 - No dispute resolution process and no process to address performance issues
 - No audit clause
 - No interest clause

- 1.74 Although the \$5.5 million in funding provided to Clean Foundation is significantly lower than \$46.7 million provided to EfficiencyOne, these contract shortcomings present problems that can increase the risk for Nova Scotians to not receive value for the money spent. For example, failure to include an interest clause means money that was not spent the first year is uninvested, and returns from interest may not be used for Green Fund purposes.
- 1.75 As the Green Fund continues to receive revenue over the course of final cap-and-trade auctions, the Department of Environment and Climate Change should ensure contracts with program partners have clear expectations around costs associated with the delivery of each program, and what is to happen to unspent funds.

Recommendation 1.6

We recommend the Department of Environment and Climate Change consistently include mandatory provisions in all third-party contracts including but not limited to:

- Unspent funding clause
- Interest clause
- Defined administration fees
- Dispute resolution process
- Performance management process

Department Response: The Department accepts this recommendation.

These provisions are already contained in the EfficiencyOne contracts. The Department will propose to Clean Foundation that these provisions be added to the existing contracts with them.

We will require that all future third-party contracts under both the Green Fund and the Nova Scotia Climate Change Fund contain the recommended contract provisions. Target Date: April 1, 2023.



Audit testing indicates programs delivered effectively – some improvements needed

- 1.76 We audited the following programs at EfficiencyOne and Clean Foundation:
- Affordable Multi-Family Housing – EfficiencyOne
 - HomeWarming – EfficiencyOne
 - Small Business Energy Solutions – EfficiencyOne
 - Clean Leadership Program, Climate Change Group – Clean Foundation
- 1.77 We found that all programs have clear program descriptions, including eligibility criteria. Program documentation included clear directions for managers, and clear processes for program administrators. Applicants are required to submit necessary supporting documentation to verify they meet the eligibility criteria. For example, EfficiencyOne's HomeWarming program requires all participants to provide income tax documents for proof of income, and proof of home ownership, prior to being accepted into the program.
- 1.78 We found eligibility criteria were consistently applied to all participants tested at EfficiencyOne. However, we noted missing documentation with some program applications. There were

incomplete fields, as well as incomplete information on some quote worksheets. Through our testing, we were able to verify all application and quote details. Management indicated incomplete fields were due to attempts to streamline their application process. This increases the risk that program eligibility criteria could go undocumented and that errors could occur in program delivery. Management noted that moving to an online application process could address this issue by requiring the completion of mandatory fields before submission.

- 1.79 We observed good internal controls at EfficiencyOne to annually evaluate energy savings reported to the Department. Following the end of each year, EfficiencyOne contracts an independent third-party to assess program efficiency and effectiveness in a sample of projects completed during the year. The third-party evaluator verifies if total energy savings and greenhouse gas emission reductions align with reporting. As of March 31, 2022, a total of 1,568 tonnes of greenhouse gas emission reductions have been attributed to the three programs. There were evaluations completed for all three programs in 2021-22.
- 1.80 For the Small Business Energy Solutions program, we identified key controls are followed in the application process. The eligibility of all applicants is verified, and all pricing comes from quotes. All projects must be approved before work is started, and signing off on the completion of work is required for the refund process.
- 1.81 There are also post-project controls completed by verifying the work of 25 per cent of the jobs. During 2020-21 and the start of 2021-22, EfficiencyOne management noted that in-person site visits to verify completed work were stopped due to COVID-19 restrictions. In the 10 completed projects we tested, we found that four (40 per cent) had documentation of in-person site visits to verify work. To mitigate the risk of incomplete work, EfficiencyOne could request photographic or video evidence that all agreed-upon work was complete prior to payment.
- 1.82 At Clean Foundation, we found one of 10 samples where an employer was added late to the Clean Leadership Program and there was no documentation to ensure the internship met the required criteria to be included.

Reasonable Assurance Engagement Description and Conclusions

In Winter 2023, we completed an independent assurance report of the Green Fund at the Department of Environment and Climate Change. The purpose of this performance audit was to determine if the Green Fund is achieving its purpose of reducing greenhouse gas emissions, encouraging adaptation, and preparing for climate change impacts through financing programs.

It is our role to independently express a conclusion about whether the Green Fund complies in all significant respects with the applicable criteria. Management at the Department of Environment and Climate Change has acknowledged its responsibility for the Green Fund.

This audit was performed to a reasonable level of assurance in accordance with the Canadian Standard on Assurance Engagements (CSAE) 3001—Direct Engagements set out by the Chartered Professional Accountants of Canada; and sections 18 and 21 of the *Auditor General Act*.

We apply the Canadian Standard on Quality Management 1, which requires the Office to design, implement and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

In conducting the audit work, we have complied with the independence and other ethical requirements of the Code of Professional Conduct of Chartered Professional Accountants of Nova Scotia as well as those outlined in Nova Scotia's Code of Conduct for public servants.

The objectives and criteria used in the audit are below:

Objective:

To determine if the Department of Environment and Climate Change is appropriately developing or selecting Green Fund programming and funding partners.

To determine if the Department of Environment and Climate Change is providing effective oversight to assess whether funded programs are meeting their objectives.

Criteria:

1. The Department of Environment and Climate Change should have a defined process to select funding partners and programs to be funded by the Green Fund that is consistent with the purposes defined in the *Environment Act*.
2. The Department of Environment and Climate Change should monitor funding partners to assess whether they are complying with the terms of the contribution agreements, including achieving performance targets, and take corrective action if issues are identified.
3. The Department of Environment and Climate Change should evaluate Green Fund programming to assess whether purposes defined in the *Environment Act* are being met.
4. The Department of Environment and Climate Change should annually publicly report Green Fund Special Purpose Account revenue and expenses and results of Green Fund programming.

Objective:

To determine if EfficiencyOne and Clean Foundation are effectively delivering Green Fund programming.

Criteria:

1. EfficiencyOne and Clean Foundation should have documented eligibility criteria and application requirements for each Green Fund program that are consistent with contribution agreements.
2. EfficiencyOne and Clean Foundation should apply and document a consistent evaluation process to approve applicants for Green Fund programs, including the total amount of funding to be provided.
3. EfficiencyOne and Clean Foundation should only award funding to applicants that meet the defined eligibility criteria and when conditions have been met.

Generally accepted criteria consistent with the objectives of the audit did not exist. Audit criteria were developed specifically for this engagement. Criteria were accepted as appropriate by senior management at the Department of Environment and Climate Change, EfficiencyOne, and Clean Foundation.

Our audit approach consisted of interviews with management and staff of the Department of Environment and Climate Change, EfficiencyOne, and Clean Foundation, reviewing policy, examining processes for the Green Fund programs and detailed file review. We examined relevant processes, plans, reports and other supporting documentation. Our audit period covered January 1, 2020, to March 31, 2022. We examined documentation outside of that period as necessary.

We obtained sufficient and appropriate audit evidence on which to base our conclusions on February 6, 2023, in Halifax, Nova Scotia.

Based on the reasonable assurance procedures performed and evidence obtained we have formed the following conclusions:

- The Department of Environment and Climate Change did not have an appropriate process to select Green Fund funding partners, Clean Foundation and EfficiencyOne.
- All programs delivered by funding partners to date meet the established Green Fund criteria outlined in the *Environment Act*.
- The Department of Environment and Climate Change is not providing effective oversight to assess whether the funded programs are meeting their objectives.
- Our testing indicates EfficiencyOne and Clean Foundation are effectively delivering Green Fund programming, however, some improvements needed. Only \$11.9 million of \$73.7 million funds spent as of March 31, 2022.

Appendix II

Program Descriptions

Affordable Housing Retrofits – Department of Municipal Affairs and Housing \$2 million over 1 year – Ending 2022-23

Energy efficient upgrades to affordable one and two-unit public housing units in Cape Breton.

Affordable Multiple-Family Housing – EfficiencyOne \$11.5 million over 5 years – Ending 2024-25

Selected for testing

Offers financial incentives to owners of affordable rental units and non-profit organizations to upgrade their units and facilities assisting low-income, vulnerable Nova Scotians.

BIPOC and Mi'kmaq Clean Energy Training – Clean Foundation \$2 million over 3 years – Ending 2023-24

Trains people from underrepresented groups to become energy advisors and clean energy tradespeople in the green economy.

Clean Leadership Program – Clean Foundation \$2 million over 5 years – Ending 2024-25

Selected for testing

Works to inspire and develop committed youth leaders in environmental fields through subsidized summer internships within host organizations in Nova Scotia. Interns participate in 15-week or 9-week placements where they gain practical work experience, support environmental projects, gain tools for future success in their chosen fields and gain insight into potential career paths. The program supports small and medium-sized employers through the wage subsidy and from human resources and payroll support.

Electric Vehicle Chargers for Multi-unit Residential Buildings – EfficiencyOne \$1 million over 3 years – Ending 2023-24

Provides incentives for installing smart charging stations in new and existing condos and apartments.

Flood Line Mapping Program – Department of Municipal Affairs and Housing \$1 million over 1 year – Ending 2022-23

Provides Nova Scotian communities with coastal and inland floodplain maps that incorporate climate change. The project aims to reduce disaster related financial losses for all levels of government and reduce risk by developing new tools, building capacity to implement flood risk information, and enhancing climate change resilience.

Home Energy Assessment – EfficiencyOne \$8 million over 1 year – Ending 2022-23

Provides low-cost, subsidized energy assessments to participants using oil heating, and incentives of up to \$5,000 for energy efficiency retrofits. Eligible retrofits, which include heat pump installations and insulation, save Nova Scotians money on their energy bills.

HomeWarming – EfficiencyOne \$4.8 million over 1 year – Ending 2022-23

Selected for testing

Provides energy efficiency upgrades at no cost to low-income homeowners. The service includes home energy assessments and retrofits, such as insulation, draft proofing, and associated modifications to the home to maintain occupant comfort and health.

Industrial Energy Managers – EfficiencyOne \$1.5 million over 3 years – Ending 2023-24

Provides energy management support to assist in addressing energy use and reducing greenhouse gas emissions. Funding to expand the program to include larger electricity-consuming industrial facilities.

Next Ride EV Engagement Campaign – Clean Foundation \$1.5 million over 3 years – Ending 2023-24

To support an electric vehicle marketing campaign that allows people to test drive electric vehicles and to further electric vehicle engagement.

Off Oil Pilot – EfficiencyOne \$1.5 million over 3 years – Ending 2023-24

Requires all oil heating equipment and oil tank to be removed and replaced with an electric-based heating system.

Small Business Energy Solutions – EfficiencyOne \$3.5 million over 3 years – Ending 2022-23

Selected for testing

Offers rebates for energy saving measures for small business, not-for-profit, and institutional customers in Nova Scotia that heat using electricity.

SolarHomes – EfficiencyOne \$13.5 million over 3 years – Ending 2022-23

Offers incentives to single-family homes to install solar photovoltaic (PV) systems. The rebate makes solar PV more affordable and saves participants money on their electricity bills.

Solar for Non-profit Organizations – EfficiencyOne \$1.5 million over 2 years – Ending 2022-23

To expand the SolarHomes rebate eligibility to include churches, food banks and other registered non-profit organizations.

Sustainable Communities Challenge Fund – Nova Scotia Federation of Municipalities \$15 million over 3 years – Ending 2023-24

This will be spent over three years and will be administered by an external organization. The Sustainable Communities Challenge Fund is proposed as a goal in the *Environmental Goals and Climate Change Reduction Act* to create competitive opportunities for communities to undertake climate change mitigation and adaptation initiatives. Municipalities and community groups have identified that additional financial support is needed to implement transformative projects that reduce greenhouse gas emissions and prepare for the impacts of climate change.

Mandatory Cap-and-Trade Participants for 2022-23

The following types of companies must report their greenhouse gas emissions, get them verified by a third party, and participate in the cap-and-trade program:

- Facilities that generate 50,000 tonnes of greenhouse gas emissions or more per year from one or more specified activities
- Petroleum product suppliers that first place or produce 200 litres of fuel or more per year for consumption in the Nova Scotia market
- Natural gas distributors that deliver natural gas for consumption in Nova Scotia that, when combusted, produce 10,000 tonnes of greenhouse gas emissions or more per year
- Electricity importers with 10,000 tonnes of greenhouse gas emissions or more per year from imported electricity consumed in Nova Scotia

Mandatory Cap-and-Trade Participants

Canadian Enterprise Gas Products Ltd
 Canadian National Railway Company
 Elbow River Marketing Ltd
 Heritage Gas Ltd
 Imperial Oil
 Irving Oil Ltd
 Kildair Service ULC
 KIRO Energy Marketing ULC
 Lafarge Canada Inc
 Maritimes & Northeast Pipeline Ltd Partnership
 NGL Supply Co Ltd
 Northern Pulp Nova Scotia Corporation
 Nova Scotia Power Inc
 Parkland Corporation
 Plains Midstream Canada ULC
 Scotia Propane Ltd
 Sobeys Capital Inc
 Suncor Energy Marketing Inc
 Suncor Energy Products Partnership
 Superior Plus LP
 Supreme Tank Inc
 Valero Energy Inc
 Wilson Fuel Company Ltd

Source: Department of Environment and Climate Change;
<https://climatechange.novascotia.ca/cap-trade-regulations/>

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