

Fact Sheet # 6

Putting a Price on Carbon

In addition to generating revenue, taxation can be used to achieve positive policy objectives, such as poverty reduction and environmental goals.

In light of growing concern over climate change and environmental devastation, Canadians are increasingly supportive of the introduction of a carbon tax.⁴⁵ A carbon tax places a price on emissions of greenhouse gases by taxing carbon containing fossil fuels. It is considered to be an effective, efficient way to curb energy use, and help offset the harmful impacts of climate change – both at home and abroad.

Public justice calls us to care for creation and be responsible citizens. Recognizing that economic, social, and ecological sustainability are intrinsically connected, we must make sustainable choices and wise economic decisions. This requires a critical view of the consumer and growth-driven mentality that in large part fuels pollution and its effects.

Canada should put a price on carbon. The money raised from a carbon tax (or cap-and-trade system) should be used as credits for low income people, for programs that help families and businesses to adapt their practices and their homes and buildings, to encourage the development of new, green practices and technologies, and as investments into clean energy infrastructure in order to facilitate the transition off fossil fuels.

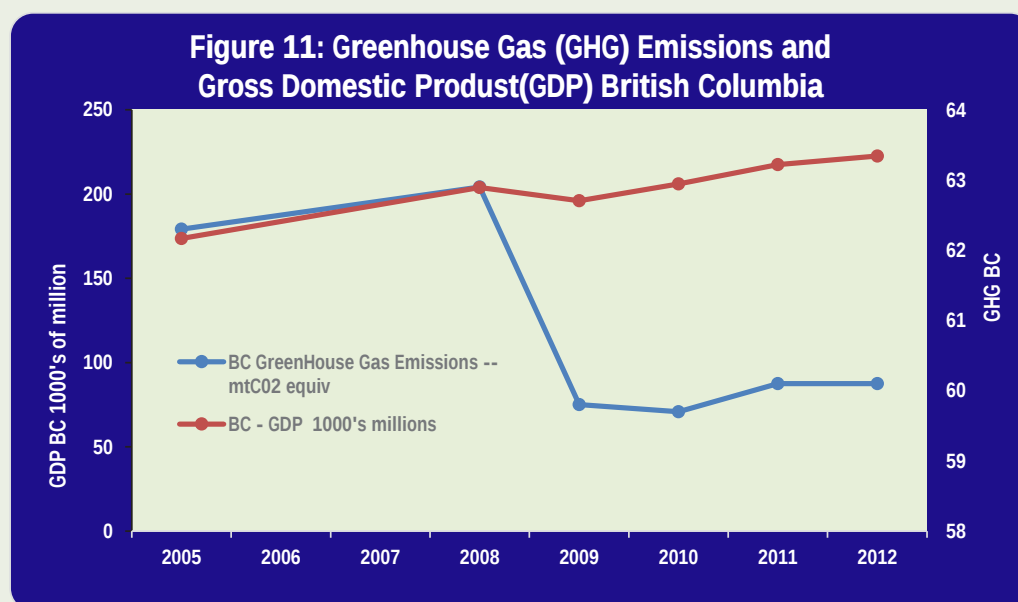
Canada is failing in its international commitments – government leadership is needed.

- In 2009, Canada committed to reduce our greenhouse gas (GHG) emissions by 17% from our 2005 level by the year 2020. However, in 2014, Environment Canada suggested that there is a 116 million tonne gap between what is predicted for 2020 and our stated target.⁴⁶ In other words, we're less than half way to

meeting our target.

- While the private sector has a role to play in mitigating and adapting to the effects of climate change, the unregulated market has not been able to respond to the climate crisis.

A carbon tax can result in economic growth and reduced greenhouse gas emissions, as shown in British Columbia



Sources: National Inventory Report 2014. http://unfccc.int/national_reports/annex_i_ghg_inventories/national_inventories_submissions/items/8108.php | 2014NIR – PT1-Final.pdf

Statistics Canada, CANSIM, table 380-0063. <http://www.statcan.gc.ca/tables-tableaux/sum-som/I01/cst01/econ03-eng.htm>

A carbon tax has proved effective in British Columbia

- In 2008, British Columbia introduced a tax on carbon emissions, beginning at \$10 per tonne of emissions in 2008 and rising \$5 every year until it reached \$30 in July 2012.
- British Columbia's carbon tax has contributed to a 15% reduction in fuel consumption and a 9.9% reduction in per capita GHG emissions. It raises \$1 billion in revenue each year.⁴⁷
- Two-thirds (64%) of respondents to a 2012 poll believe that B.C.'s carbon tax has been good for the province.⁴⁸ A review of the carbon tax policy conducted a year later revealed that support is on the rise.⁴⁹

Canadians support the idea of a carbon tax

- Across the country, 54% of Canadians would support a B.C.-style carbon tax in their province as a way of addressing climate change.
- A majority (57%) of Canadians say it is reasonable for households to pay an additional \$100 per year to help address climate change.⁵⁰
- An even larger majority (69%) say that "Canada should introduce a policy that provides a financial incentive to reduce carbon emissions over time."⁵¹

A carbon tax is more efficient than a cap-and-trade system

- Establishing a carbon tax is a more transparent and economically efficient strategy for meeting Canada's international GHG reduction targets than a cap-and-trade system, and less intrusive than government regulation of specific sectors.
- Unlike a cap-and-trade system, a carbon tax can be administered simply as governments already have the knowledge and infrastructure necessary to implement a tax. Furthermore, the tax imposes a single price on carbon, thereby offering price stability and predictable tax revenues.

Carbon Tax vs. Cap-and-Trade

Carbon pricing takes two main forms: a carbon tax policy and a cap-and-trade system.

To administer a **carbon tax**, the government sets a price per tonne of emissions and adds that cost to the price of the energy source.

A **cap-and-trade** or emissions trading system is a market-based approach to carbon pricing. Under this system the government, or group of governments, sets a yearly cap or limit on the amount of greenhouse gases which can be emitted by industry. The cap is based on one-

tonne "permits" which are distributed or sold to covered industrial sectors. Facilities are not allowed to go over their permitted emission allowances; if they do they must purchase additional allowances on the market. Facilities that emit less than their permitted allowances may sell their permit surplus on the market or save them for future use. Overtime the number of allowances distributed is decreased, lowering the level of greenhouse gas emissions and raising the market-value of emission allowances.

Source: Carbon and the Common Good: A CPJ backgrounder on pricing carbon emissions. 2012

A carbon tax would generate \$15 billion a year in revenue to aid in adaptation and further reduction of GHG emissions

- A harmonized carbon tax set at \$30 per tonne of GHG emissions would increase government revenues by about \$15 billion per year.⁵²
- Half of the income from the tax could be passed on to low-income families in the form of a rebate to help cover the carbon tax's impact (since low-income people spend a higher percentage of their budgets on energy). The remaining income from the carbon tax could fund programs that will reduce Canada's GHG emissions – such as investments in research and development, energy efficiency, and renewable energy – and help transition to a green economy.

- The goal of the carbon tax is to reduce and possibly eliminate the behaviour being taxed. As the behaviour changes, revenue will decrease. If the tax is made revenue-neutral through the elimination of other taxes, governments will be faced with declining revenue. It therefore makes more sense to use the revenue generated by green taxes for credits to off-set the tax's adverse impact on the poor and for programs to mitigate and adapt to climate change.



⁴⁵ Bruce Anderson and David Coletto (2015). "Should Carbon Be Priced? Should Public Opinion Decide Pipelines?" <http://abacusdata.ca/the-politics-of-climate-carbon-and-social-license/>

⁴⁶ Environment Canada (2014). "Measuring Canada's Progress on Greenhouse Gas Emissions," in Canada's Emission Trends 2014. <http://ec.gc.ca/ges-ghg/default.asp?lang=En&n=E0533893-1>

⁴⁷ British Columbia, Ministry of Finance (2010), Budget and Fiscal Plan 2010/11 – 2012/13. http://www.bcbudget.gov.bc.ca/2010/bfp/2010_Budget_Fiscal_Plan.pdf

⁴⁸ Sustainable Prosperity (2012), British Columbia's Carbon Tax Shift: The First Four Years, University of Ottawa. <http://www.sustainableprosperity.ca/dl872&display>

⁴⁹ Pembina Institute (2014). The B.C. Carbon Tax – Backgrounder, p. 3. <http://www.pembina.org/pub/the-bc-carbon-tax>

⁵⁰ Environics Institute and David Suzuki Foundation (2013), Canadian public opinion about the BC carbon tax. <http://www.environicsinstitute.org/uploads/news/focus%20canada%202013%20-%20public%20opinion%20on%20bc%20carbon%20tax%20-%20december%2016-2013.pdf>

⁵¹ Bruce Anderson and David Coletto (2015). "Should carbon be priced? Should public opinion decide pipelines?" Abacus Data. <http://abacusdata.ca/the-politics-of-climate-carbon-and-social-license/>

⁵² Canadian Centre for Policy Alternatives (2014), "Alternative Federal Budget 2014: Striking a better balance," pp. 34-36. https://www.policyalternatives.ca/sites/default/files/uploads/publications/National%20Office/2014/02/AFB2014_MainDocument.pdf