

Carbon Charge, Price on Pollution or Carbon Tax?

What every CFUW member should know

by Louise Brownlee

Whatever you call it, the federal government's carbon charge, referred to as a carbon tax by critics and the media, is going to be a key election issue.

There are four aspects to this issue that CFUW members should know:

#1 - In 2015, CFUW National adopted a policy urging that the Canadian government tackle climate change through the use of carbon taxes - specifically:

- "implement national, comprehensive and predictable carbon taxes to reduce greenhouse gas emissions;
- adopt carbon taxes as the centre of a robust Canadian climate action plan; and,
- support the adoption of carbon taxes and other carbon reduction strategies around the world."

#2 - The province of British Columbia has had a carbon tax since 2008 and it's working well. There are other examples of the positive results achieved by carbon pricing - see charts on following pages.

The B.C carbon tax has achieved the important goal of shifting B.C. consumer behaviour away from buying products that pollute the atmosphere. Fuel consumption and carbon emissions have declined with no impact on the economy. Critics of the carbon tax believe it made the province less competitive but a Feb. 2019 article in the Globe & Mail referred to B.C as "the economic powerhouse of Canada."

Stewart Elgie, professor of law and economics at the University of Ottawa, has studied the B.C. carbon tax and concluded that it is **"a model for the world that well-designed carbon pricing can be**

good for the environment and the economy. In the 11 years since B.C. brought in its carbon tax, it's outpaced the rest of Canada both on emission reduction and GDP growth."

Source: <https://www.cbc.ca/news/canada/british-columbia/carbon-tax-bc-1.5083734>

#3 - The federal carbon charge that went into effect in Ontario on April 1, 2019 was designed to be revenue neutral.

Ninety per cent of the carbon charge collected in Ontario is expected to be returned to the tax payers. Ontario residents filing income tax returns can claim a carbon charge rebate on their tax



form called the "Climate Action Incentive" payment. The average Ontario family will receive a rebate of about \$300/year. Higher income families who purchase more greenhouse gas emitting products may end up paying more. The remaining 10 per cent will be allocated to municipalities, schools, hospitals, non-profit and other organizations to implement projects to reduce their energy costs.

Although the provincial governments of Ontario and Saskatchewan legally challenged federal jurisdiction, both the

Ontario and Saskatchewan Courts of Appeal ruled that the charges in the pricing system **did not amount to taxes and instead were regulatory charges.** Ontario's highest court ruled that the federal government's national carbon pricing system is an appropriate expression of federal authority under Canada's constitution. Ontario's Court of Appeal ruled that requiring a national price on carbon pollution fell under the federal government's peace, order and good government (POGG) power stipulated in the Canadian Constitution, rejecting assertions from the Ontario government it infringed on provincial responsibilities. Source: <https://ipolitics.ca/2019/06/28/federal-carbon-tax-is-constitutional-rules-ontario-court-of-appeal/>

#4 - A carbon charge reflects the true cost to consumers when they purchase greenhouse gas emitting products.

Canadians understand that polluting the environment with greenhouse gases is not free. It causes flooding, forest fires and extreme weather - damage to property and human lives. The carbon charge or price on pollution is designed to promote the growth of clean energy products and meet our international commitment towards greenhouse gas reduction. The carbon charge is a tangible way for Canadians to act on climate change for future generations. Evidence-based research by the OECD found that putting a price on carbon is the most efficient way to reduce emissions.

But even then, more needs to be done. I hope this article promotes discussion and awareness within our Club.

Six Places Carbon Charges are Working: Charts prepared by Canada's Ecofiscal Commission

Canada's Ecofiscal Commission is an independent economics organization formed in 2014 by a group of Canadian economists from across Canada.

Chaired by McGill University economist Christopher Ragan, the group seeks to broaden the discussion of environmental pricing reform beyond the academic sphere and into the realm of practical policy application.

The Commission focuses on three major policy streams (Climate and energy, Water, and Livable Cities). Key areas of research and policy include:

Carbon price

Energy subsidies

Water pricing

Municipal user fees

Congestion pricing

Landfill and solid waste pricing

<https://ecofiscal.ca>

HOW B.C.'S CARBON TAX HAS WORKED SINCE 2008



Improved fuel economy by at least 4%



Reduced residential use of natural gas by at least 7% per capita



Reduced gasoline use by at least 7% per capita over the first four years



Reduced diesel use by 3.3%

Sources: Lawley & Thivierge, 2016; Antweiler & Gulati, 2016; Xiang & Lawley, 2018; Bernard & Kichian, 2018

If we want our climate to remain as stable as possible, economists overwhelmingly recommend we start by putting a price on carbon. The evidence shows that it can slow climate change in a way that's best for the economy. More to the point: carbon pricing works. It has for a long time."

Source: Eco-Fiscal

HOW SWEDEN'S CARBON TAX HAS WORKED SINCE 1991



Highest carbon tax in the world, economy much stronger than European average



Slowed emissions by as much as 25% in first 10 years



Encouraged use of low-carbon fuels; biofuel use quadrupled in just 5 years



Lowest emissions per unit of GDP and the second lowest emissions per capita in the European Union

Sources: Johansson, 2000; Eurostat, 2018; Ackva & Hoppe, 2018

HOW THE US'S OLDEST CAP-AND-TRADE SYSTEM HAS WORKED SINCE 2009



The 10 states in the Regional Greenhouse Gas Initiative (RGGI) account for 20% of US GDP



Emissions from electricity generation are down by 20% since 2012



Avoided more than US\$5 billion worth of asthma attacks, hospital visits, chronic illnesses and premature deaths



Revenues improved energy efficiency, lowered electricity bills, created 40,000 job-years

Sources: Abt Associates, 2017; Zhou, 2017; Hibbard et al., 2018; Congressional Research Service, 2019

HOW A CAP-AND-TRADE SYSTEM BEAT ACID RAIN



The U.S. created the world's first pollution market in 1991



Power plants started using different types of coal and invested in “scrubbing” technology



The program saved as much as \$800 million per year compared to using regulations



Generating \$100 billion in annual health benefits since 2010

Sources: Carlson et al., 2000; EPA, 2005; Chestnut & Mills, 2005; Schmalensee and Stavins, 2013

HOW THE EU'S CAP-AND-TRADE SYSTEM HAS WORKED SINCE 2005



The world's largest carbon market operates in 31 European countries



Participating firms increased low-carbon innovation by as much as 10%



Generated a 1% increase in European low-carbon patenting



Emissions have fallen 8% since 2013

Sources: European Commission, 2019; Cael and Dechezleprêtre, 2016

Pollution pricing works. It's working around the world. It's working here in Canada. ***A climate change plan without a price on carbon is like a house without a foundation.*** Sure, it can do the job, but you'll take on a lot of unnecessary costs.

As long as we take the time to do it properly, carbon pricing can be a key part of the solution to climate change. And at a time when cost-of-living concerns are high, how we get there matters. Let's lay the right foundation.

Source: <https://ecofiscal.ca/six-places-carbon-pricing-working/>

HOW TOKYO'S CAP-AND-TRADE SYSTEM HAS WORKED SINCE 2010



The world's first municipal cap-and-trade system



70% of buildings met targets 6 years ahead of schedule



The building sector has reduced emissions 23% under the program



78% of reductions came from offices, factories and commercial facilities

Sources: Roppongi et al., 2016; IETA, 2015; TMG, 2012; TMG, 2019

HOW THE UK'S CARBON PRICES HAVE WORKED SINCE 2001



In just six years, the carbon price “floor” has nearly eliminated coal from the electricity mix



The UK's emissions are at their lowest levels since 1890



Phasing out coal could save the UK €3.6 billion annually in health costs



Emissions are down 34% since 2005, with bipartisan support to achieve carbon-neutrality by 2050

Sources: HEAL, 2013; The Guardian, 2017; Abrell et al., 2019; BEIS UK, 2019