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Carbon Tax Factors

- Climate change is a major environmental issue and much emphasis has been put on human induced climate change, especially in the form of global warming.
- In recent history CO₂ levels have been steadily on the rise.
- Emissions from automobiles running on petroleum are seen as a primary source of these released greenhouse gases.

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What is a conceptual way to change fuel consumption habits or trends?

1. Price Influence - using tax to change consumers consumption habits
Theory is more cost = more efficient use
2. Penalty to polluters – those that pollute pay.
Theory is that polluting businesses will make necessary changes to avoid penalties or tax
3. How can we apply these habit changing theories?
One approach gaining momentum is through a carbon tax


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What is a carbon tax?

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Features of a Carbon Tax

- Tax based on GHG generated from burning fossil fuels
- Cost on each tonne of GHG emitted – tax related to emissions calculation
- Price signal or cost that will, over time, elicit a powerful market response across the entire economy, resulting in reduced emissions
- Provides an incentive to reduce GHG emissions


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What Canadian jurisdictions currently impose a carbon tax or levy on fuel?


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British Columbia and Quebec




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Quebec's Carbon Levy

- Quebec first province or state in North America to introduce a carbon levy or tax
- Tax on hydrocarbons became effective October 1, 2007 and planned to raise \$200 million per year to fund the 1.2 billion dollar Green Fund over six years
- Part of Quebec's plan to reduce GHG emissions and favor public transit
- Relatively simple approach taxing energy companies hoping that the tax is not be passed on to consumers

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Quebec's Carbon Levy

Besides the levy paid by petroleum producers and distributors, Quebec energy consuming businesses such as Hydro Quebec, mining, steel and cement companies will also be required to contribute to the \$200 million dollar a year fund.

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Quebec's Carbon Levy

\$200 million per year revenues are expected to come from:

- Oil companies will be hardest hit. They will pay about \$69 million a year for gasoline, \$36 million for diesel fuel, and \$43 million for heating oil
- Natural gas distributors will pay about \$39 million, while electricity distributor Hydro-Québec will pay \$4.5 million for its thermal energy plant in Tracy, Quebec
- Other business sectors (mining, cement) make up the remainder

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Quebec's Carbon Levy


Rates

The amount of the carbon levy varies according to the amount of carbon dioxide each fuel produces:

- Gasoline - 0.8¢ cents per litre
- Diesel – 0.9¢ cents per litre
- Light Heating Oil - .96¢ per litre
- Heavy Heating Oil – 1¢ per litre
- Coke used in steel making 1.3¢ cents per litre
- Coal \$8 a tonne and propane 0.5 cents per litre

1 U.S. = 3.7854 U.S. Gallons

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British Columbia (B.C) Broad Based Revenue Neutral Carbon Tax

“The tax has the broadest possible base – All emissions from fossil fuel combustion in B.C. captured in Environment Canada’s National Inventory Report will be taxed, with no exemptions except those required for integration with other climate action policies in the future and for efficient administration.”

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B.C.'s Carbon Tax Facts

Who Pays the Carbon Tax?

- Carbon tax is a consumer tax like the motor fuel tax and provincial sales tax
- All businesses, individuals and visitors to British Columbia, who purchase or use fuel in the province, or burn combustibles (tires and peat) for heat or energy, will pay the carbon tax, except in certain circumstances
- The carbon tax is payable at the time of purchase, or at the time of use
- Carbon tax is payable on combustibles, such as tires or peat, at the time of use

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B.C.'s Carbon Tax Facts

- Carbon tax will not be used to fund government programs
- Refundable Low Income Climate Action Tax Credit will ensure that those with lower incomes are compensated for the tax, and that most will be better off
- Starting at a low rate with annual increase through 2012 gives individuals and businesses time to make adjustments

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B.C.'s Carbon Tax Facts

“The tax will be integrated with other measures – carbon tax will not, on its own, meet B.C.’s emission-reduction targets, but it is a key element in the strategy.”

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B.C.'s Carbon Tax Facts

Who Collects the Tax?

Businesses that make the first sale of fuel in B.C., after manufacture or import need to apply and be appointed as collectors.

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Carbon Tax Rates

- Applies to the purchase or use of fossil fuel within the province
- The amount of GHG's emitted depends on chemical make-up of fuel – particularly the amount of carbon. This allows for a relatively simple administrative process to determine carbon tax rates
- Tax rate on implementation – July 1, 2008- based on \$10 per tonne of CO₂ equivalent emissions
- To increase \$5 per tonne each year for next 4 years – to \$30 per tonne

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Initial Product Rates (Some Products) As at July 1, 2008

Product	Unit	Tax Rate
Gasoline	¢/litre/US Gal.	2.34/8.86
Diesel	¢/litre/US Gal.	2.69/10.18
Jet Fuel	¢/litre/US Gal.	2.61/9.88
Natural Gas	¢/gigajoule	49.66
Propane	¢/litre/US Gal.	1.54/5.83
Coal-high heat	\$/tonne	20.77
Coal-low heat	\$/tonne	17.77

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Phased In Rates (Some Products)
Per Litre

	July 2008	July 2009	July 2010	July 2011	July 2012
Gasoline	2.34	3.51	4.68	5.85	7.02
Light FO	2.69	4.04	5.38	6.73	8.07
Heavy FO	3.15	4.73	6.30	7.88	9.45
Aviation	2.46	3.69	4.92	6.15	7.38
Jet Fuel	2.61	3.92	5.22	6.53	7.83
Kerosene	2.54	3.81	5.08	6.35	7.62
Naphtha	2.55	3.83	5.10	6.38	7.65

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Myths and Facts

'Myths and Facts' as provided by the Province of British Columbia.

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Is this another gas tax?

Myth: The carbon tax is just another gas tax; it does not actually tax carbon dioxide emissions.

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Is this another gas tax?

Facts

- Carbon tax is on carbon dioxide equivalent (CO₂e) emissions generated from the burning of all fossil fuels including gasoline, diesel, natural gas, fuel oil, propane and coal. It is not just a “gas tax”
- Environment Canada determines emission factors (EFs) that measure the CO₂e emitted from combusting each type of fossil fuel
- The BC carbon tax rates for different fossil fuels are determined by the amount of CO₂e emitted when the fuels are combusted

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Isn't this just a tax grab?

Myth: The carbon tax is just a tax grab.

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Isn't this just tax grab?

Facts

- Every carbon tax dollar will be returned to individuals and businesses through tax reductions
- Failure to do so will result in a financial penalty for the Minister of Finance
- None of the carbon tax revenue will be used to fund government spending
- Legislation to return carbon tax

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With high fuel prices, do we need a carbon tax?

Myth: Now that gas prices have risen by so much, there is no need for a carbon tax.

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With high fuel prices; do we need a carbon tax?

Facts

- Historical volatility of gas prices, rising and falling has blunted the price signal for consumers and resulted in less conservation than required to meet government's targets.
- The purpose of the carbon tax is to ensure that a consistent long term price signal is provided to consumers so that they continue to make the choices required to reduce their fossil fuel use and emissions.

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Will it change behaviour?

Myth: The carbon tax will not have any effect on people's behavior.

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Will it change behaviour?

Facts

- Assumption - consumers will respond to price signals. Studies show that consumers generally respond to higher fuel prices by reducing consumption by purchasing more efficient vehicles or by driving less
- New car sales data shows increase in gasoline prices has caused many consumers to buy more fuel efficient vehicles
- Recent price increases have resulted in a significant shift towards more fuel efficient vehicles

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Can everyone reduce emissions?

Myth: Many people have no alternatives and no way to reduce their emissions.

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Can everyone reduce emissions?

Facts

- Choices to reduce carbon tax by reducing usage, increasing efficiency, changing fuels, adopting new technology or any combination of these approaches
- All can make small change, such as choosing energy efficient lights, lowering the temperature on the thermostat at night, or keeping cars tuned
- Simply driving 10 km less per week will more than offset the cost of the carbon tax for most British Columbians.

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Are all emissions taxed?

Myth: Many emissions are not going to be taxed.

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Are all emissions taxed?

Facts

- Tax has the broadest base possible
- Tax applies to all emissions from burning fossil fuels, accounting for an estimated 70 % of total emissions
- Of the 30% emissions not from burning fossil fuels, 14% are from non-energy agricultural uses
- 11% are fugitive emissions which cannot be measured
- Only 5 per cent are non-combustion industrial process emissions

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Is it revenue neutral for all?

Myth: Government said that the carbon tax will be revenue neutral for every individual.

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Revenue neutral for all?

Facts

- Government said it would return every dollar collected through tax cuts
- Revenue neutrality is intended to apply to the total carbon tax revenues collected overall
- Incentive to use less
- Some individuals, businesses, or sectors will pay more and some less – overall neutral
- Returned through tax cuts

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How will it affect the economy?

Myth: The carbon tax will adversely affect the economy.

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Is it revenue neutral for all?


Facts:

- By returning all carbon tax revenues to the people through tax cuts, the economy will be kept strong.

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Questions

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