



200 - 2006 West 10th Avenue
Vancouver, BC V6J 2B3
www.wcel.org

tel: 604.684.7378
fax: 604.684.1312
toll free: 1.800.330.WCEL (in BC)
email: admin@wcel.org

August 31, 2012

Carbon Tax Review
c/o Tax Policy Branch
Ministry of Finance
PO Box 9547 Stn Prov Govt
Victoria BC V8W 9C5

*** BY MAIL & EMAIL AT FINOFFICE@GOV.BC.CA ***

Dear Sirs/Mesdames:

Re: Carbon Tax Review

Thank you for the opportunity to comment on BC's carbon tax and ways to improve it. We believe that the Carbon Tax is an important tool to be used in addressing climate change and moving from a fossil fuel based economy to a carbon neutral economy.

We are proud to be one of the organizations that has signed onto the joint ENGO and Labour Union Carbon Tax Submissions from the Pembina Institute and others (the "Joint Submissions"), which will be submitted to you separately. We urge you to review those recommendations, and we endorse each of them. In particular, BC should:

- Continue to increase its carbon tax in 2013 and beyond so that it provides a stronger incentive to shift to low-carbon energy sources, while addressing the specific issues discussed in the Joint Submissions;
- Extend the carbon tax to include emissions that are currently exempt from the tax, thereby levelling the playing field in BC and making the carbon tax more effective and fair;
- Take action to avoid disadvantaging BC industries that are competing against industries which are not paying for the cost of carbon dioxide emissions (thereby "levelling the playing field outside of BC"), provided that this can be done without undermining the carbon tax's effectiveness;
- Invest in solutions using revenue from the carbon tax, and in ways that build, and do not penalize, public institutions; and
- Protect low income households from negative impacts from the carbon tax and help households transition to a low emissions economy.

We would like, however, to add some additional comments on two issues raised by the Joint Submissions, related to:

- The regulatory structure for reducing greenhouse gas emissions; and
- Levelling the playing field Outside of BC.

The regulatory structure

As the Joint Submissions note, the carbon tax is only one tool in the tool box required to transition to a carbon neutral economy.

We would like to stress that it is essential to not look at a single policy like the carbon tax in isolation; climate change is a complex problem with complex solutions that require an integrated approach. Carbon taxes can be an important part of that integrated approach, but to be successful they need to be complemented by other approaches such as regulation, research and development in public transit, and community planning that accounts for and facilitates reduced energy use.

We agree entirely, but wish to emphasize that in addition to the carbon tax being accompanied by complementary policies, the carbon tax, including questions of how it is expanded and increased, must be considered within the context of other climate change policies and legal requirements.

In particular, BC has shown climate leadership by establishing legislated Greenhouse Gas reduction targets “for the purpose of reducing BC greenhouse gas emissions” for 2020 and 2050,¹ as well as interim targets for 2012 and 2016. The *Greenhouse Gas Reduction Targets Act* does not spell out who is responsible for achieving these targets, but it seems clear that the government’s efforts on climate change are intended to be informed by these targets.

In the United Kingdom similar targets have been converted into 5 year carbon budgets, which allow the government to outline how it intends to achieve their promised progress towards achieving particular targets. Clearly BC’s carbon tax must be a key piece of any plan to achieve BC’s legislated targets, and achieving those targets requires that the tax be expanded and increased in the manner described in the Joint Submissions.

We would suggest that your review must explicitly examine how the carbon tax can be best used to achieve BC’s targets and that specific increases should be based upon achieving those targets. If you elect not to expand and increase the tax, you should describe what measures will be adopted to achieve those targets without the expansion/increase. In any event, we would suggest that a failure to increase and expand the tax will need to be explained in the Progress Reports that the government is required to table every other year under the *Greenhouse Gas Targets Reduction Act*.²

Levelling the playing field outside of BC

As noted in the Joint Submissions, we do not wish BC industries that are subject to the tax to be at a disadvantage relative to jurisdictions which do not provide an equivalent level of GHG regulation, provided that this goal can be met while meeting the goals of the carbon tax. That being said, we do not feel that such exemptions or special treatment should be available as a matter of course or without clear evidence of such a hardship.

¹ *Greenhouse Gas Reductions Targets Act*, SBC 2007, c. 42, s. 2.

² *Ibid.*, s. 4.

In addition to the tax adjustments mentioned in the Joint Submissions, we would encourage you to examine the possibility of a “fee-bate” model of re-apportioning carbon tax revenue to industries that require this type of legal protection. This approach provides protection to affected industries as a whole, but still rewards innovators who are reducing their emissions, and penalizes laggards who are not.

In essence, a fee-bate is intended to be largely revenue neutral, and to return fees (or in this case the carbon tax) to the affected industry, but does so on the basis of production, or some equivalent measure that can be decoupled from fossil fuel use/emissions. Since every operation pays on the basis of emissions, but receives a rebate on another basis, operations will be rewarded - or not - based upon their relative efficiency.

To take the example of BC’s greenhouse industry – individual operators would pay a carbon tax reflecting their emissions, but would receive a rebate based upon the amount of crop produced, the area of their greenhouses or some other measure of their relative contribution/production. As a result, greenhouses that were better insulated, or which had installed other energy efficiency measures, would pay less than they received back as a rebate, while less efficient operators would pay more relative to their rebate.

The result is that the industry as a whole is not penalized relative to greenhouses operating in non-regulated jurisdictions, but operators receive a powerful incentive to increase their energy efficiency relative to other BC operators.

As noted, we are not proposing that feebates be used generally, but they do appear to be an effective way to protect industries that are demonstrably and unusually vulnerable to international or intra-provincial competition, and would address the issue in a manner that is clearly within BC’s constitutional authority.³

Conclusion

We acknowledge the leadership that BC has shown in adopting a carbon tax, and trust that you will continue to display leadership through expanding and increasing the carbon tax.

In addition to the above points, we again encourage you to review the Joint Submissions.

Sincerely,



Andrew Gage,
Staff Lawyer

³ As noted in the Joint Submissions, there are legal questions about BC’s ability as a province to adopt a tax adjustment approach which would need to be examined.