Carbon Tax

Carbon Tax Coverage (2015)

Carbon tax applies to approximately 70% of BC total emissions

Estimates of Emissions excluded:
- Fugitive sources 8%
- Industrial process 5%
- Agriculture (non-fuel related) 4%
- Waste 8%
- Afforestation and Deforestation 5%
Estimated Carbon Tax Paid by Business / Individuals

- Business & Industry: 70%
- Individuals: 27%
- Government: 3%
Carbon Tax

Tax Base

- **Taxed:** Fuels by volume when purchased or used in BC by individuals, businesses or government.

- **Not taxed:**
  - Wood, biomass, certain biofuels (e.g. 100% Bio-methane).
  - Non-energy emissions from agriculture and waste.
  - Fugitive emissions & non-combustion industrial emissions.

- **Exemptions**
  - Inter-jurisdictional emissions including exports.
  - Constitutional / due to federal legislation
  - Specific uses of fuel if fuel not combusted.
  - Administrative impracticality
  - Coloured gasoline and coloured diesel used by farmers solely for farm purposes (as of January 1, 2014).
$/tonne of carbon dioxide equivalent emissions

Implemented July 1, 2008

Increase July 1 each year

Rates frozen at $30/tonne Until 2018

2008 2009 2010 2011 2012

$10 $15 $20 $25 $30

phased in
## Determining Tax Rates

- Tax rate set to provide meaningful incentive to reduce emissions while continuing to protect economic growth.
- Specific tax rates applied to volume of a fuel based on the carbon dioxide equivalent emissions of that fuel.

<table>
<thead>
<tr>
<th>Fuel type</th>
<th>Rate July 1 08</th>
<th>Rate July 1 09</th>
<th>Rate July 1 10</th>
<th>Rate July 1 11</th>
<th>Rate July 1 12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gasoline</td>
<td>2.34¢/L</td>
<td>3.51¢/L</td>
<td>4.45¢/L</td>
<td>5.56¢/L</td>
<td>6.67¢/L</td>
</tr>
<tr>
<td>Diesel</td>
<td>2.69¢/L</td>
<td>4.04¢/L</td>
<td>5.11¢/L</td>
<td>6.39¢/L</td>
<td>7.67¢/L</td>
</tr>
<tr>
<td>Natural gas</td>
<td>1.90¢cm³</td>
<td>2.85¢cm³</td>
<td>3.80¢cm³</td>
<td>4.75¢cm³</td>
<td>5.70¢cm³</td>
</tr>
<tr>
<td>Coal (HH)</td>
<td>20.77$/t</td>
<td>31.16$/t</td>
<td>41.54$/t</td>
<td>51.93$/t</td>
<td>62.31$/t</td>
</tr>
<tr>
<td>Coal (LH)</td>
<td>17.77$/t</td>
<td>26.66$/t</td>
<td>35.54$/t</td>
<td>44.43$/t</td>
<td>53.31$/t</td>
</tr>
</tbody>
</table>
**Carbon Tax**

**Administration**

**Goal: Minimize administration and compliance burden**

- For most fuels, administered like BC’s motor fuel tax: security payable by manufacturers or importers, wholesale dealers and retail dealers for which they are reimbursed when fuel sold.

- Majority of revenue paid to government at top of supply chain by manufacturers and importers (approximately 180 businesses)

- Special classes of taxpayers to reduce administrative and compliance burden (generally exempt at time of purchase and self assess tax payable – resulting in a reduced number of refund claims filed).
SECURITY SCHEME

Flowchart showing the process:
1. Fuel is transported from producers to collectors.
2. Collectors receive security payments.
3. Security is paid to the government.
4. Collectors receive tax payments.
5. Tax is paid to consumers.

The diagram illustrates the flow of security and tax payments from producers to consumers.
Key Message

- Taxing fuel volumes based on carbon dioxide equivalent emissions significantly simplifies tax application.
  - Avoids issues of monitoring, reporting and verifying emissions for the purposes of the tax.
  - Provides price certainty and revenue predictability.
  - Allows for quick design and implementation of tax.

- Security scheme minimizes administrative costs and compliance burden
  - Minimizes tax avoidance opportunities.
  - Reduces administrative costs to government and compliance costs for fuel sellers.