Carbon Tax

Carbon Tax Coverage (2017)

- 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%
Carbon Tax

Estimated Carbon Tax Paid by Business / Individuals

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

❖ **Taxed:**
  ❖ Fuels by volume when purchased or used in BC.

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

❖ **95% of BC electricity is generated by hydro-electric dams.**
   **Electricity is exempt from the carbon tax.**
Carbon Tax

Phase 1

Phase 2

Carbon Tax Rate ($/tonne CO₂e)

Phase 1

❖ Gradual Phase in over 5 years.

❖ Revenue Neutral
   ❖ Revenues returned in the form of tax cuts.
   ❖ 30% to individuals, 70% to businesses

❖ Salary holdback
Revenue Neutrality Required

Table 2  Revenue Neutral Carbon Tax Report 2015/16 and 2016/17

<table>
<thead>
<tr>
<th></th>
<th>2015/16</th>
<th>2016/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carbon tax revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Personal tax measures:**

- Low income climate action tax credit of $115.50 per adult plus $34.50 per child effective July 1, 2011 ................................................................. (192) (195)
- Reduction of 5% in the first two personal income tax rates ................... (283) (309)
- Northern and rural home owner benefit of up to $200 4 .......................... (83) (84)
- Home renovation tax credit for seniors and persons with disabilities 5 ...... (1) (2)
- Children's fitness credit and children's arts credit ............................. (8) (8)
- Small business venture capital tax credit budget increased ..................... (3) (5)
- Training tax credit extended – individuals ............................................. (9) (4)

**Total personal tax measures** ................................................................. (579) (607)
**Revenue Neutrality Required**

### Business tax measures:

- General corporate income tax rate reduced from 12% to 11% ........................................... (218) (232)
- Small business corporate income tax rate reduced from 4.5% to 2.5% ....................... (226) (230)
- Corporate income tax small business threshold increased to $500,000 ................. (21) (21)
- Industrial property tax credit of 60% of school property taxes payable by major industry ...... (23) (23)
- School property taxes reduced by 50% for land classified as "farm" ......................... (2) (2)
- Interactive digital media tax credit ........................................................................ (33) (65)
- Training tax credit extended – businesses .............................................................. (5) (8)
- Scientific research and experimental development tax credit extended in 2014 ..... (131) (148)
- Film Incentive BC tax credit extended in 2009 and enhanced in 2010 ..................... (106) (51)
- Production services tax credit extended in 2009 and enhanced in 2010 ............... (385) (340)

**Total business tax measures** ..................................................................................... (1,150) (1,120)

**Total designated revenue measures** ............................................................................. (1,729) (1,727)
Phase 2

❖ Gradual Phase in over 4 years.

❖ Eliminated Revenue Neutrality

❖ New revenues to be spent in three areas.
  ❖ Carbon tax relief for British Columbians
  ❖ Carbon tax relief for industry
  ❖ Funding for new green initiatives
Phase 2

❖ BC carbon tax used as benchmark for Pan Canadian Approach.
  ❖ Federal government will impose a carbon tax in any province that does not implement its own carbon pricing mechanism.

❖ Government has committed to introduce pricing mechanisms to slash pile burning and fugitive emissions.
Public Support for Climate Action

![Graph showing public support for climate action from 2009 to 2015. The graph compares the share of people who are somewhat or strongly opposed to tax changes related to climate action in British Columbia and the rest of Canada. The data shows a general decline in support from 2009 to 2013, followed by an increase in 2014.](image-url)
Public Support for Climate Action - 2018

Below is a list of possible public policy priorities. How much of a priority do you feel each one should be?

<table>
<thead>
<tr>
<th>Issue</th>
<th>50%</th>
<th>75%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improving health care</td>
<td>46%</td>
<td>18%</td>
</tr>
<tr>
<td>Controlling government spending, deficits and debts</td>
<td>37%</td>
<td>23%</td>
</tr>
<tr>
<td>Helping stimulate the creation of good quality jobs</td>
<td>27%</td>
<td>26%</td>
</tr>
<tr>
<td>Keeping the cost of living from rising</td>
<td>35%</td>
<td>25%</td>
</tr>
<tr>
<td>Reducing poverty and income inequality</td>
<td>31%</td>
<td>26%</td>
</tr>
<tr>
<td>Ensuring housing is affordable</td>
<td>32%</td>
<td>27%</td>
</tr>
<tr>
<td>Expanding trading opportunities for Canadian goods and services</td>
<td>22%</td>
<td>32%</td>
</tr>
<tr>
<td>Attracting investment into Canada</td>
<td>24%</td>
<td>28%</td>
</tr>
<tr>
<td>Cutting taxes</td>
<td>28%</td>
<td>15%</td>
</tr>
<tr>
<td>Improving the state of the environment</td>
<td>22%</td>
<td>16%</td>
</tr>
<tr>
<td>Combating terrorism</td>
<td>26%</td>
<td>16%</td>
</tr>
<tr>
<td>Shifting our economy to a clean energy economy</td>
<td>21%</td>
<td>18%</td>
</tr>
<tr>
<td>Ensuring childcare is affordable</td>
<td>20%</td>
<td>19%</td>
</tr>
<tr>
<td>Taking action to solve climate change</td>
<td>21%</td>
<td>18%</td>
</tr>
</tbody>
</table>

Legend:
- A top priority
- A very high priority
- A high priority
- A moderate priority
- A low priority
### Public Support for Climate Action - 2018

#### Possible Revenue-Recycling Priorities for Five Canadian Provinces

<table>
<thead>
<tr>
<th></th>
<th>British Columbia</th>
<th>Alberta</th>
<th>Ontario</th>
<th>Quebec</th>
<th>Nova Scotia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Household Transfers</td>
<td>Moderate priority</td>
<td>Higher priority</td>
<td>Lower priority</td>
<td>Lower priority</td>
<td>Higher priority</td>
</tr>
<tr>
<td>Personal and Corporate Income-Tax Cuts</td>
<td>Lower priority</td>
<td>Lower priority</td>
<td>Lower priority</td>
<td>Higher priority</td>
<td>Higher priority</td>
</tr>
<tr>
<td>Investments in Low-Carbon Technology</td>
<td>Higher priority</td>
<td>Higher priority</td>
<td>Higher priority</td>
<td>Moderate priority</td>
<td>Moderate priority</td>
</tr>
<tr>
<td>Investments in Infrastructure</td>
<td>Moderate priority</td>
<td>Moderate priority</td>
<td>Moderate priority</td>
<td>Higher priority</td>
<td>Moderate priority</td>
</tr>
<tr>
<td>Reduction of Public Debt</td>
<td>Lower priority</td>
<td>Lower priority</td>
<td>Moderate priority</td>
<td>Moderate priority</td>
<td>Lower priority</td>
</tr>
<tr>
<td>Transitional Support to Industry</td>
<td>Moderate priority</td>
<td>Higher priority</td>
<td>Lower priority</td>
<td>Lower priority</td>
<td>Moderate priority</td>
</tr>
</tbody>
</table>
Revenue neutrality important in implementing the BC carbon tax.

Importance decreased over time in part due to trust in revenue neutrality numbers and greater acceptability of the tax.

Desire for accountability in how revenues were spent increased over time.

New government eliminated revenue neutrality. Committed to spend a portion of new revenues on green initiatives.
Four Recommendations

1. Use revenue recycling to address fairness and competitiveness.

2. Clearly define objectives for revenue recycling.

3. Use a portfolio of approaches to revenue recycling.

4. Revenue-recycling priorities should be adjusted over time.
Final Thought

❖ A recent Canadian poll indicates that only 45% of British Columbians, 30% of Ontarians and 20% of Quebecers know that their province has put a price on carbon.