

The Honourable George Heyman

Minister, Environment and Climate Change

October 12, 2022

Carbon pricing has been a centrepiece of British Columbia's climate plan since the province pioneered its carbon tax in 2008. Carbon pricing is one of a handful of policies expected to deliver significant reductions in B.C.'s 2030 Roadmap and plays a critical role in amplifying other policies. The Climate Solutions Council is strongly supportive of carbon pricing, and of steadily increasing the carbon price to reach at least \$170/tonne in 2030.

The federal review of carbon pricing across Canada requires B.C. to demonstrate that its carbon tax regime meets the post-2022 federal benchmark under the Greenhouse Gas Pollution Pricing Act. In addition, the increasing carbon price and shifts in carbon pricing approaches in other provinces prompt consideration of some aspects of B.C.'s carbon pricing approach for both individuals and business. The Council offers the following advice, in each case highlighting a guiding principle.

## 1. Transparency

Transparency is critical to British Columbians' understanding of the costs and benefits of carbon pricing and to maintaining their trust in a policy central to B.C.'s climate plans. However, British Columbians are not well informed about the purpose and impacts of the carbon tax.

Misinformation about, and misunderstanding of, carbon pricing is rife across Canada and beyond. There is risk of even greater misunderstanding in the wake of unrelated fuel price increases and with cross-provincial differences in carbon pricing.

**We urge the province to undertake annual reporting of how much carbon tax revenue is being collected from different categories of taxpayers** (e.g., households, small and medium enterprises, industry), **variation among households** (e.g., based on income quintiles and urban vs. rural location), **and how carbon tax revenues are being used**, including how much is returned to each category of taxpayer and in what form (including the original, lasting tax cuts).

As the federal government moves to quarterly dividend payments in provinces without their own carbon pricing schemes for households (Alberta, Saskatchewan, Manitoba, and Ontario), British Columbians may wonder why they are not receiving rebates of similar magnitude. In addition to the annual report recommended above, we encourage the province **to be proactive in explaining how B.C.'s carbon pricing scheme differs from that of other provinces'**, including that British Columbian households typically pay much lower carbon taxes compared to households in provinces with more emissions-intensive economies.

## 2. Fairness

The impact of a rising carbon price can have a differential effect on households and small businesses depending on their location, income level, availability of lower-emission products and activities, and other factors. **It is critical to ensure regional fairness, in addition to other dimensions of fairness**, such as income, as highlighted by the previous Climate Solutions Council. Any differential rebates of carbon taxes should be based on actual, rather than perceived, costs of the tax.

## 3. Supporting Low-Carbon Choices

Households will also benefit from **clearer advice on means of calculating how they can reduce their carbon tax bills** (e.g., via energy and fuel efficiency, fuel-switching for home heating, or purchase of electric vehicles and bicycles). This will be especially important when households purchase long lasting equipment since they currently lack clarity with respect to the longer-term impacts on fuel prices of carbon pricing and other policies in the CleanBC Road Map.

## 4. Predictability

We applaud the government's commitment to maintaining the carbon price signal and schedule of increases despite pressures to reduce the rate during the current period of fuel price and general inflation. There are other means to address inflationary pressures and sustaining the incentives to reduce greenhouse gases is vital, and, in the long-term, will contribute to B.C.'s energy security and affordability.

## 5. Competitiveness

If the system is well designed, "output-based" carbon pricing can be a valid mechanism to mitigate the risk of emissions leakage and ensure competitiveness of industry in British Columbia. British Columbia must **adjust its carbon pricing scheme for large industrial sources to ensure compliance with the federal output-based benchmark as a minimum**.

Consistent with the principle of transparency, however, evidence should be made public to justify the need for and level of carbon tax payment baselines (or rebate benchmarks) for carbon-intensive and emissions-intensive industries.

Revision to B.C.'s carbon pricing policy also needs to align with the anticipated federal cap on oil and gas emissions, which will decline to net zero by 2050. Revisions to industrial carbon pricing must also align with the CleanBC Roadmap commitment to ensure oil and gas and other industries meet their sector emission targets by 2030. Revisions to benchmarks and measures to protect competitiveness should also take into account increasingly stringent policies of global competitors expected under the Paris Agreement.

## 6. Long-term Vision

The CleanBC Roadmap is an important step on a longer-term path to net-zero carbon. Our climate policies need to look not only to the 2030 targets but beyond to ensure that all sectors reduce their emissions to significantly advance not only B.C.'s, but also the global transition to net zero consistent with the Paris Agreement to hold global warming to well below 2 degrees Celsius. As one part of our transition, carbon tax revenues from industry remaining after supporting trade-exposed, emission-intensive sectors should be deployed to accelerate the substitution of low-GHG emitting industries in place of high-emitting sectors.

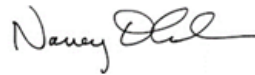
2022 is a critical year for developing and implementing revised and updated policies outlined in the CleanBC Roadmap to ensure B.C. meets its 2030 climate target and is on track to meet those in 2040 and 2050. With that in mind, we look forward to providing your government with further advice later this year.

Thank-you for your time and we would be happy to work with the Climate Action Secretariat on the above advice to ensure it can be integrated into the Carbon Pricing Review.

Regards,



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