

Climate Action Revenue Incentive Program (CARIP)

PROGRAM GUIDE - 2020



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Climate Action Revenue Incentive Program (CARIP)

Climate action is a provincial priority and local governments are key partners in helping to reduce greenhouse gas emissions (GHGs) and increase climate resilience through their role in creating complete, compact, and energy efficient communities and reducing corporate emissions.

CARIP is a conditional grant program that provides funding to local government [BC Climate Action Charter \(Charter\)](#) signatories equivalent to one hundred percent of the carbon taxes that they pay directly. This funding is used by local governments to support their efforts to reduce GHGs, address climate impacts, and move forward on achieving their Charter goals.

Please note that the Ministry of Municipal Affairs is wrapping up CARIP in the 2021/2022 fiscal year. Reporting requirements for the 2020 year are due August 6, 2021 and final grant payments will be issued in late summer 2021.

Eligibility Requirements

To be eligible for the conditional grant, local governments must:

- Have signed the Charter, committing them to take action to achieve the following three goals:
 - being carbon neutral in their corporate operations;
 - measuring and reporting on their community GHG emissions profile; and,
 - creating complete, compact, and energy efficient communities.
- Fulfill the CARIP reporting requirement on or before August 6, 2021, as noted below.

Amount of Grant

Under CARIP, each eligible local government will receive a grant equal to one hundred percent of the carbon tax paid as a direct expenditure.

Reporting Requirement

The following reporting requirement must be completed **by August 6, 2021**:

- Complete the [Carbon Tax Calculation Form \(XLSX\)](#). This identifies the amount of carbon tax the local government paid over the course of 2020. Submit the form, with Financial Officer certification, to INFRA@gov.bc.ca.

Completing the Carbon Tax Calculation Form

The [Carbon Tax Calculation Form](#) is in Excel format and is designed to calculate the value of the carbon tax paid in 2020. The Form lists the various fuels that are taxed, along with the 2020 tax rates for each of these fuels. The fuels most commonly used by local governments are listed at the top of the form.

Open the document in Excel and fill in the quantity for each of the fuels purchased in the specified time frames. The spreadsheet will automatically apply the applicable rate to that quantity of fuel and calculate the taxes paid.

The data provided should be for carbon tax paid *directly* by your local government from January 1, 2020 to December 31, 2020. For details of eligible and ineligible costs, please see below. The most likely source of data will be from billings from fuel suppliers, which should list the quantities purchased.

Submit the Form with financial officer certification to INFRA@gov.bc.ca.

Eligible and Ineligible Costs

Direct Costs Only

The CARIP grant is intended to offset the carbon tax paid directly by local governments for fossil fuels purchased and combusted for their own use in delivering local government services. The CARIP grant will not be paid in relation to fuels:

- purchased by non-local government entities;
- that are exempt under the *Carbon Tax Act* for which the local governments would not have paid the carbon tax; or,
- purchased directly by a local government, but where the cost of the carbon tax has been recovered through resale of the fuel, through a lease arrangement or by any other means, unless that resale is to an eligible local government.

Fuel Purchases by Non-local Government Entities

The CARIP grant will be paid in relation to fuels purchased directly by eligible local governments. Fuels purchased by non-local government entities are therefore not eligible. Consequently, fuels purchased by a subsidiary corporation of a local government and fuels purchased by a non-local government entity under a contractual agreement with the local government will not be reimbursed and should not be included in your calculation, even if the local government may pay indirectly for this fuel through a contract for goods or services.

Exempt Fuels

Certain purchases of fuel are exempt from carbon tax and therefore a local government would not be entitled to receive a grant in relation to these purchases. Consequently, you would record only the fuel purchased directly by the local government for its own use in delivering local services on which carbon tax was paid should be recorded. Information on [carbon tax exemptions](#) is available online.

In addition, there may be some petroleum/coal products that have been purchased on which carbon tax has not been paid because they are not combusted and are instead used as a raw material in an industrial process to manufacture another substance. For example, if a local government makes its own asphalt, the fuel combusted in the process is taxable, but the petroleum/coal product used as an ingredient in making the asphalt was not taxed, therefore the local government would not be entitled to receive a grant in relation to these non-combusted products. Consequently, only the fuel that is combusted would be recorded, and not the petroleum/coal products that were used as raw material for the asphalt.

For more information on exempt fuels, local governments can contact the [Ministry of Finance](#) by telephone at 1-877-388-4440 (toll free within Canada) or by email at CTBTaxQuestions@gov.bc.ca.

Resale of Fuel and/or Recovery of Carbon Tax

Local governments are only entitled to receive the CARIP grant in relation to fuel purchased directly by the local government for its own use. Costs recovered by resale or otherwise cannot be claimed. For example, heating costs of a building that is owned by the local government but recovered through a lease arrangement with a private sector entity are not eligible for a grant in relation to that fuel.

If a local government purchases fuel and pays tax on it, but then resells a portion of the fuel to another party, the local government would only be entitled to receive the CARIP grant in relation to the portion it used.

The one exception to this general rule is in relation to recoveries from another eligible local government. Where an eligible local government has a contractual/operating agreement with another eligible local government (e.g. both have signed the Charter), the local government that pays the tax directly can apply for reimbursement through CARIP. For example, if a regional district pays the tax and then bills the service participants, it would be up to the regional district to net out the carbon tax from the billing to the participants. If the regional district does not charge service participants for the carbon tax costs, and if records demonstrating this are kept (including the names of the service participants), the regional district could apply for the CARIP grant for the carbon tax it has paid directly.

Points to Remember

- **Calculating Biodiesel.** Most biodiesel products are blends of biodiesel and conventional hydrocarbon-based diesel. Therefore, the taxes must be prorated by the portions of biodiesel and diesel fuel in your calculation. For example, if the local government purchases 10,000 litres of B10 biodiesel fuel which consists of 1,000 litres of pure biodiesel (i.e. 10%) and 9,000 litres of taxable diesel, the taxable diesel should be included on the diesel line in the [Carbon Tax Calculation Form](#) (i.e. 9,000 litres) and the bio-diesel portion (1,000 litres) of the blend on the biodiesel line.
- **Employee Travel.** If local governments have a policy in place to calculate carbon tax incurred through employee travel, this policy may be used as long as the policy and fuel receipts are available for reference in case of audit. If no policy is in place, a sample policy that could be adopted is outlined below.

The [National Joint Council](#) of the Public Service of Canada establishes and periodically updates reimbursement rates for business use of personal vehicles.

If the local government chooses to adopt this policy (or any other policy), it must document it and keep a copy of this document as supporting information in the event of an audit. An employee travel calculation form has been developed to assist with the breakdown of tax paid. For a copy of the Form, please contact INFRA@gov.bc.ca.

- **Common Area Costs.** If local governments pay carbon tax on common areas as part of a lease agreement, arrangements should be made with the leaser of the space to determine the breakdown of the carbon tax paid. If such an arrangement cannot be made, the local government can calculate the carbon tax paid based on a reasonable formula as long as that formula is attested to by the Financial Officer and can be produced in case of audit.
- **Billing Cycle Issues at the End of the Year.** If local governments have not received a bill in time to include it in the CARIP application, the amount can be accrued and claimed the following year. Some local governments may choose to apply for CARIP on a December to November basis in order to avoid this issue. Please note that choosing to do so does *not* result in a change to the application/reporting deadlines.

Certification and Auditing

The [Carbon Tax Calculation Form](#) must be certified by local government Financial Officers as outlined on the Form. The Province reserves the right to audit the information provided by local governments for the CARIP grant.

For further information or questions about completing the Carbon Tax Calculation Form please call: 778-698-3243 or email INFRA@gov.bc.ca.