

Putting a Price on Carbon: British Columbia's Revenue Neutral Carbon Tax

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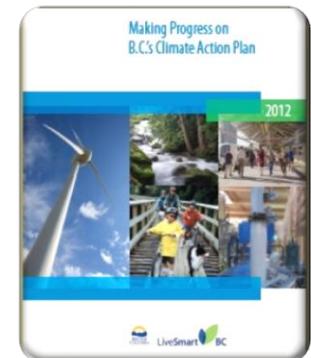
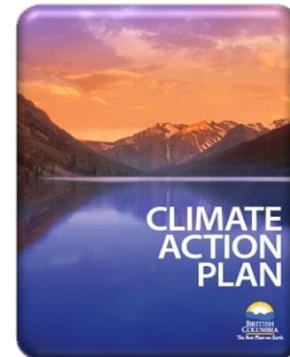
BC's Climate Action Plan

Legislated targets to reduce GHG emissions from 2007 levels

- 6% by 2012 (interim target)
- 18% by 2016 (interim target)
- **33% by 2020 (legislated)**
- 80% by 2050 (legislated)

2008 Climate Action Plan

- **A price on carbon**
- Carbon Neutral Government
- Community Charters
- Adaptation Strategy
- Actions in every sector



Principles of BC's Carbon Tax

- Sends a broad price signal to allow the market to decide on the best method to reduce emissions
- Started low and increased gradually to allow individuals and businesses time to make adjustments and investments
- Current rate is \$30/tonne CAD (for gasoline, equivalent to \$0.23/gal USD)
- Revenue from the tax is returned to taxpayers through targeted tax cuts – allowing BC to maintain low taxes on what we want (income, productivity) and tax what we don't (GHG emissions)

Revenue Neutral Carbon Tax-related cuts

Breakdown of Tax Reductions:

Tax Cuts from 2012/13:

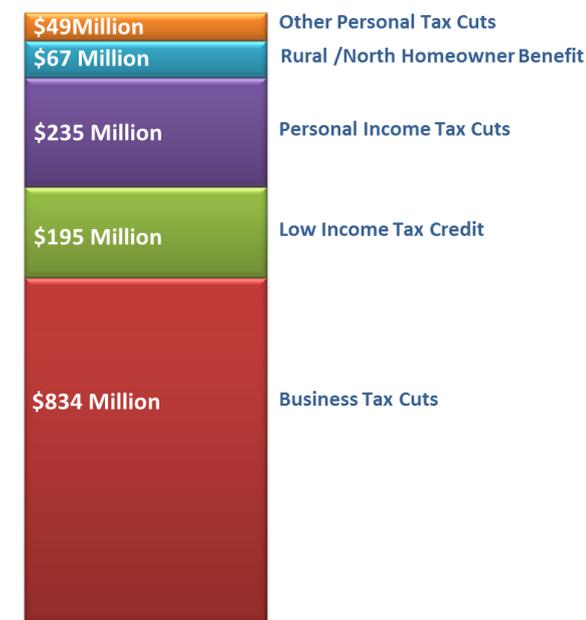
(\$millions)	2008/09**	2009/10**	2010/11**	2011/2012**	2012/13**
Carbon tax revenue (amount to be returned to taxpayers)	(306)	(542)	(741)	(959)	(1,120)
Personal tax cuts					
- Low income refundable tax credit*	106	153	165	184	195
- Reduce bottom two bracket rates by 2 per cent for 2008 and by 5 per cent for 2009 and subsequent years*	107	206	207	220	235
- Northern and Rural Homeowner benefit of \$200	-	-	19	66	67
- Additional personal income tax rate cuts***	-	-	-	-	49
Total tax cuts for individuals	213	359	391	470	546
Business Tax Cuts					
- Reduce general corporate rate cut from 12 to 11 per cent July 1, 2008*, to 10.5 per cent January 1, 2010, to 10 per cent January 1, 2011	65	152	271	381	450
- Reduce small business corporate income tax rate cut from 4.5 to 3.5 per cent July 1, 2008* and to 2.5 per cent effective December 1, 2008	35	164	144	220	261
- Industrial property tax credit of 50 per cent of school property taxes payable by light and major industrial properties starting in 2009 taxation year rising to 60% in 2011	-	54	58	68	68
- School property taxes reduced by 50 per cent for land classified as "farm" starting in 2011	-	-	1	2	2
- Additional corporate income tax rate cuts***	-	-	-	-	53
Total tax cuts for businesses	100	370	474	671	834
Total tax cuts	313	729	865	1,141	1,380

*Legislation introduced with Budget 2008

**Based on 2008/09, 2009/10, 2010/11, 2011/12, 2012/13 *Public Accounts*

*** Additional personal income tax rate cuts include: the BC Seniors' Home Renovation Tax Credit; Children's Fitness Credit and Children's Arts Credit; small business venture capital tax credit budget increased; Training Tax Credit extended – individuals. Additional corporate income tax rate cuts include: small business threshold increased from \$400,000 to \$500,000; Interactive digital media tax credit; Training tax credit extended – businesses.

Carbon Tax Revenue Total: \$1.1 CAD Billion



Tax Reductions **\$1.4 CAD Billion**

Low-income individuals and families protected by climate action tax credit

- The tax was designed to protect low wage earners who are the least able to absorb the cost of the carbon tax and least able to benefit from cuts on personal income tax.
- A full or partial credit is available to approximately one million British Columbians
- The credit provides an annual maximum of \$115.50 CAD for each adult and \$34.50 for each child (\$115.50 for the first child in a single-parent household.)
- Independent research has found that if the carbon tax is maintained in its current form, the average household in BC will be better off by \$121 per year in 2020 than if the tax had not been implemented
 - Source - Navius Research, 2013

Green Communities – Climate Action Revenue Incentive Program

- Local governments that sign the BC Climate Action Charter pledge to become carbon neutral, measure and report on their community's greenhouse gas emissions profile, and work to create compact, energy-efficient communities
- 182 of 190 BC local governments have signed the charter
- The Climate Action Revenue Incentive Program is a conditional grant program that provides funding to signatories to the Charter equivalent to 100 percent of the carbon taxes they pay directly

Implementing BC's Revenue Neutral Carbon Tax

- Applies to the purchase or use of fuels in BC. There is a security scheme similar to motor fuel taxes to protect provincial revenues and provide for administrative simplicity.
- Uses existing fuel tax system administration and infrastructure, allowing for quick, low-cost implementation

Selected Carbon Tax Rates by Fuel Type at the start of the program

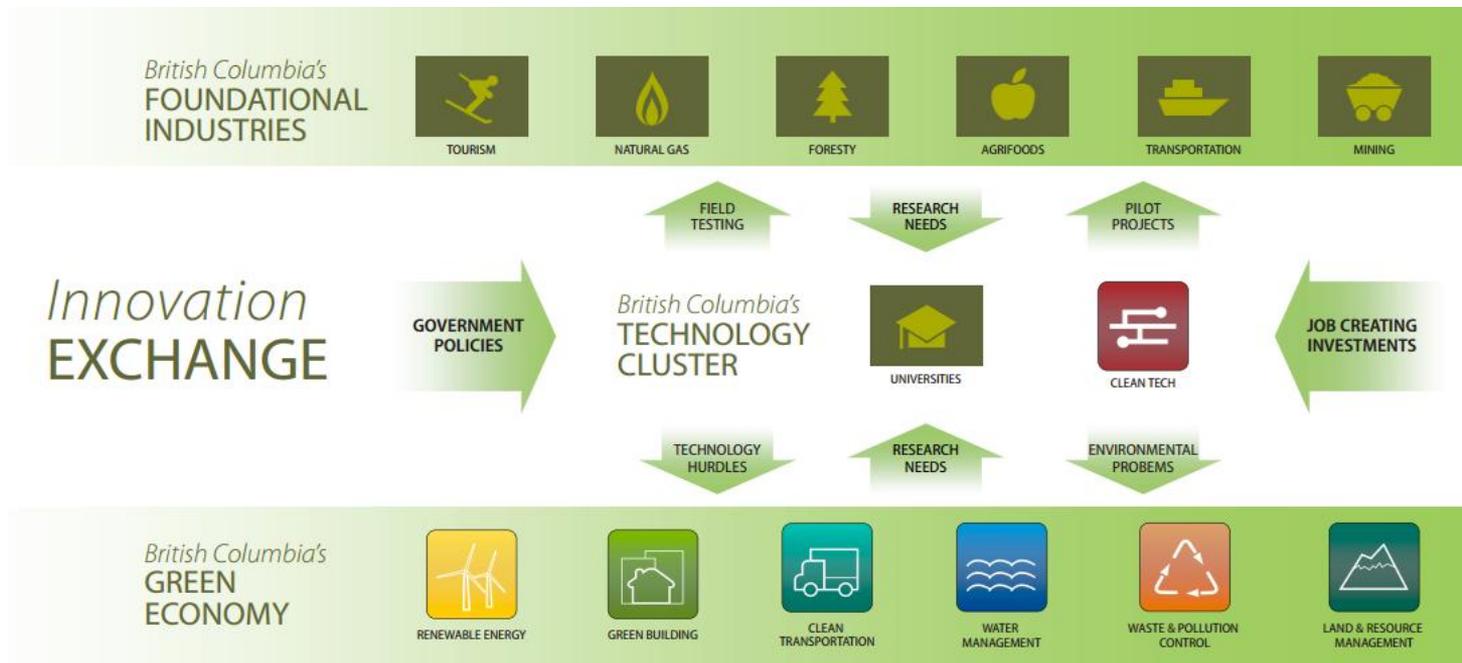
	UNITS FOR TAX	TAX RATE JULY 1, 2008
Gasoline	¢/litre	2.34
Diesel	¢/litre	2.69
Jet Fuel	¢/litre	2.61
Natural gas	¢/gigajoule	49.66
Propane	¢/litre	1.54
Coal – high heat value	\$/tonne	20.77
Coal – low heat value	\$/tonne	17.77

BC's economy is relatively strong

- While BC's GDP and population growth have matched the Canadian average, we have seen our overall emissions decline
- BC fuel consumption has remained lower relative to 2007 levels than the Canadian average
- We've also seen positive signs in the growth of our green economy

BC's Jobs Plan and the Green Economy

- The carbon tax fits in BC's Green Economy by:
 - De-risking early adoption of innovative technologies, accelerating commercialization
 - Driving further investment in innovation for new economic opportunities
- By 2011, revenues from BC's cleantech industry were forecasted to be \$2.5 billion, a 57% increase compared to 2008 (Source: KPMG, 2011)
- BC has the highest number of cleantech jobs and venture capital investment per capita in Canada (Source: Analytica Advisors, 2014)



Addressing Public Health

- Reducing carbon pollution often has the co-benefit of reducing air pollution
 - The broad base of the carbon tax helps to promote investment in low or no emission vehicles and buildings, improving air quality for cities
- Combining strong air quality regulations with carbon pricing avoids escalation in localized air pollution

Upcoming Challenges & Opportunities

- BC's carbon tax hit the last scheduled increase at \$30/tonne in 2012; currently it is being held at this level to ease competitiveness concerns for BC businesses and industry
- New industries with high GHG emissions can put emissions targets at risk, but with new investments there is the opportunity for a customized approach
- BC's commitment to the carbon tax has not deterred investment – responsible natural resource development remains an attractive opportunity for industry in our jurisdiction

Benefits of Linking Carbon Pricing Programs

- Jurisdictions with equivalent or linked pricing programs can share infrastructure
- Carbon pricing across more jurisdictions means:
 - Manufacturers of cleaner technologies have a larger market for their products
 - Less economic leakage between jurisdictions – with unequal pricing between jurisdictions, investment and related emissions are transferred to jurisdictions without GHG controls