

BRITISH COLUMBIA CARBON TAX

Key Principles for Implementing a Revenue Neutral Carbon Tax

June 28 and 29, 2016, Santiago, Chile



Ministry
of Finance

British Columbia

Key Facts



- 4.7 million population
- 944,735 square kilometres
- Size of France & UK combined
- Canada's third-largest province
- GDP just over \$228 Billion (CDN)

Constitutional Requirements

Constitutional Framework for Taxation

- ❖ British Columbia is a province of Canada.
- ❖ Taxation power limited to **direct taxation within the province**. (legal determination not economic)
- ❖ To be a direct tax within British Columbia, tax must be levied on a person or property located in BC at the time the tax is payable and must be paid by the end consumer or user of the good being taxed.



Carbon Tax

- ❖ July 1 2008 – Carbon Tax implemented
- ❖ British Columbia was the first jurisdiction in North America to impose a broad-based carbon tax.
- ❖ British Columbia is internationally recognized as leader in climate action.



Carbon Tax

BC Carbon Tax Principles

- ❖ Revenue Neutral.
- ❖ Tax rates started low and increased gradually.
- ❖ Broadest possible base.
- ❖ Lower income individuals and families protected.
- ❖ Integrated with other climate action measures.



Carbon Tax

Revenue Neutral Carbon Tax

- ❖ British Columbia government believes revenue neutral carbon tax, where tax reductions are applied broadly, is the best way to protect overall economic growth while creating a meaningful incentive to reduce emissions.
- ❖ For the 2016/17 fiscal year, the approximate revenue recycling split is:
 - ❖ 35% returned to individuals
 - ❖ 65% returned to business

Carbon Tax

\$/tonne of carbon dioxide equivalent emissions

Implemented July 1, 2008

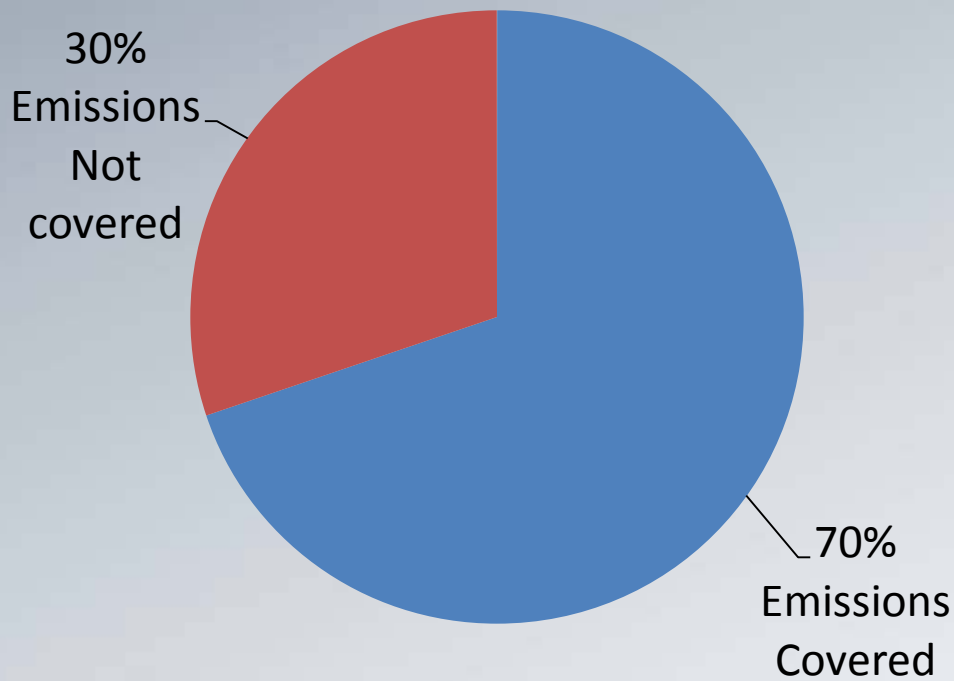
Increase July 1 each year

Rates frozen at \$30/tonne Until 2018



Carbon Tax

Carbon Tax Coverage (2015)



Estimates of Emissions not captured by tax:

- 8% Fugitive sources
- 5% Industrial process
- 4% Agriculture (non-fuel related)
- 8% Waste
- 5% Afforestation and Deforestation

Carbon Tax

Tax Base

❖ Taxed:

- ❖ Fuels (e.g. gasoline, diesel, natural gas, coal) purchased or used in BC
- ❖ Tires & peat when combusted in BC for heat or energy.

❖ Not taxed:

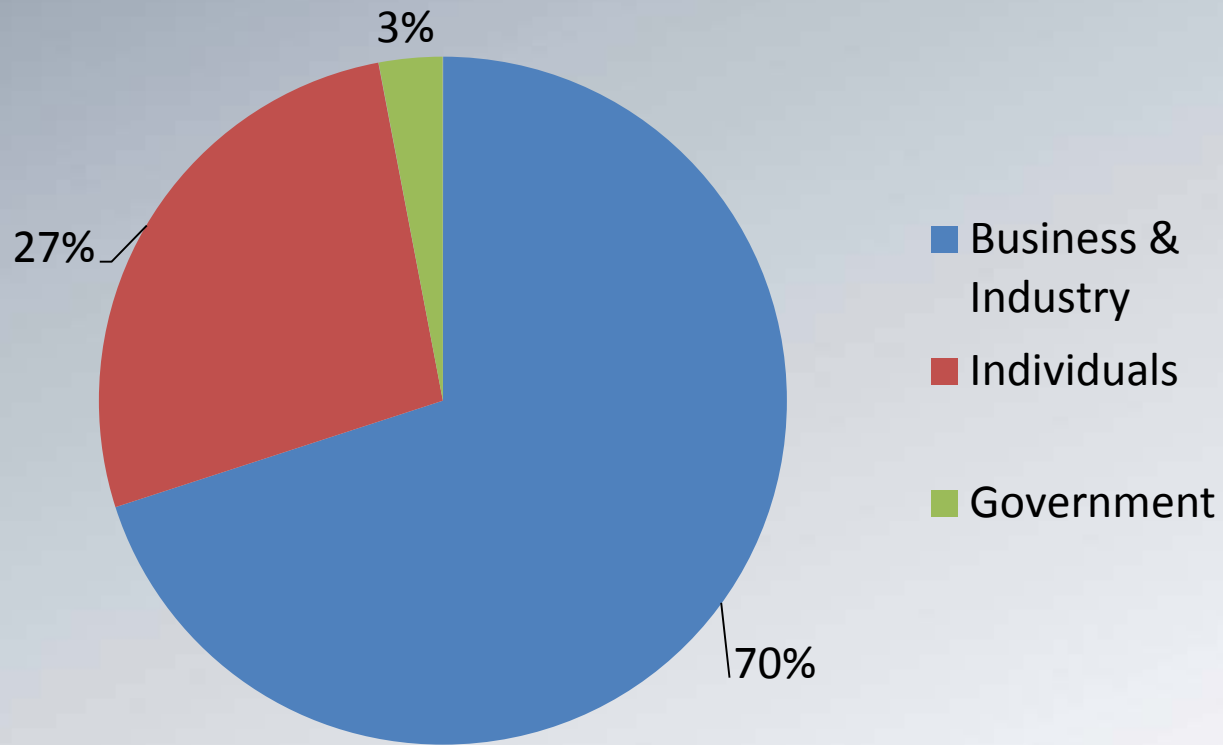
- ❖ Wood, biomass, certain biofuels (e.g. 100% Bio-methane).
- ❖ Non-fuel related emissions from agriculture and waste.
- ❖ Fugitive emissions & non-fuel related industrial process emissions.

❖ Exemptions

- ❖ Inter-jurisdictional emissions.
- ❖ Constitutional / due to federal legislation.
- ❖ Specific uses of fuel if fuel not combusted during use.
- ❖ Coloured gasoline and coloured diesel used by farmers solely for farm purposes (as of January 1, 2014).

Carbon Tax

Estimated Carbon Tax Paid by Business / Individuals



Carbon Tax

\$ Millions	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Carbon Tax Revenue	306	542	741	959	1,120	1,222	1,198	1,216	1,234
Personal Tax Cuts	213	359	391	470	546	522	565	579	601
Business Tax Cuts	100	370	474	671	834	710	959	1,151	1,132
Total Tax Cuts	313	729	865	1,141	1,380	1,232	1,524	1,730	1,733

* Figures for 2008/09 to 2014/15 are based on the public accounts

* Figures for 2015/16 and 2016/17 are from the Revenue Neutral Carbon Tax Plan and Report presented in *Budget 2016*.



Carbon Tax

Relief Outside Carbon Tax Recycling

Government has provided specific targeted relief from carbon tax costs outside the framework of the carbon tax and carbon tax recycling.

- ❖ 100% grants to Local Governments.
- ❖ 100% grants to School Boards.
- ❖ Partial grants to qualifying commercial greenhouse growers.
- ❖ Temporary conditional partial grants to BC cement producers



Carbon Tax

2008 Public Education Process

Focus was on fuel sellers required to charge and remit tax and certain fuel users required to self-assess tax

- ❖ Public Tax information materials developed including Bulletins and Notices available online.
- ❖ Over period of about six months, approximately 195 auditors conducted outreach:
 - ❖ Information sessions for business held across the province
 - ❖ 1,800 in-person visits and phone calls made to individual fuel sellers and certain fuel users.

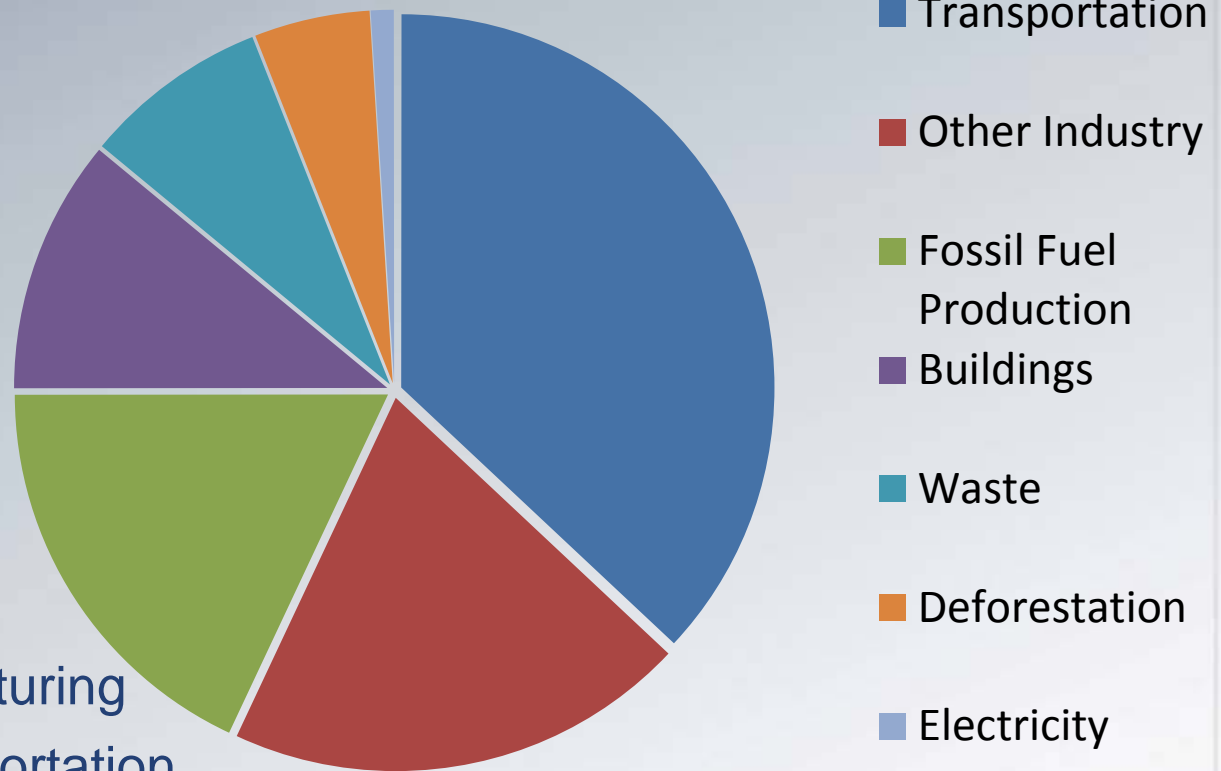
British Columbia's Emissions

64 million tonnes CO₂e per year (2013)

- ❖ Interim target of 6% reduction below 2007 levels by 2012 met

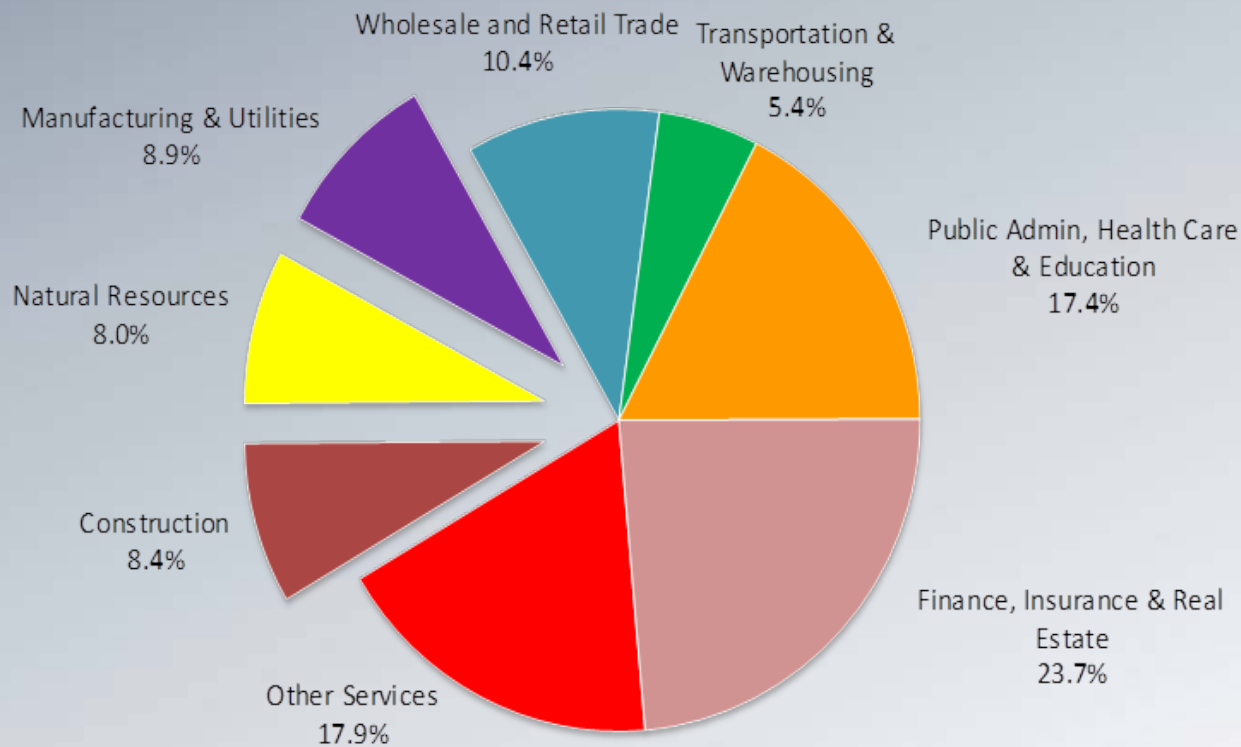
Key Factors

- ❖ 95% hydroelectricity
- ❖ No coal-fired electricity
- ❖ Limited heavy manufacturing
- ❖ Largest sector is transportation
- ❖ Growing natural gas sector



British Columbia's Diversified Economy

Share of BC real GDP at basic prices (chained \$2007) by major industry, 2014



Source: Statistics Canada (may not add to 100 per cent due to rounding)

British Columbia's Economy Now

BC's Economy

- ❖ Budget 2016 - Balanced Budget for fourth straight year.
- ❖ Triple A credit rating.
- ❖ BC ranked second in economic growth among Canadian provinces in 2014.
- ❖ Between 2007 and 2014 BC's real GDP has grown 12.4 per cent; stronger than the Canadian average.
- ❖ The carbon tax and associated tax reductions are just one small factor in British Columbia's overall economic activity.



Next Steps

Climate Leadership Plan

- ❖ BC has recently completed extensive public consultations on a new Climate Leadership Plan that will position BC to take advantage of the new low carbon economy while keeping BC on track for its 2050 emission reduction target.
- ❖ Climate Leadership Plan expected to be released soon.

Pan Canadian Framework on Carbon Pricing

- ❖ BC working with federal government and other provinces and territories to develop pan Canadian framework on carbon pricing. Options expected this Fall.