



PRICING POLLUTION *in* CANADA

July 14TH

3:00PM E.T.

CLIMATE XCHANGE
[SCPN]



State Carbon Pricing Network (SCPN)

- Over 7,500 advocates, legislators, government officials, business leaders, and academics working to price carbon pollution in their states
- Members across all 50 states
- Learn more at www.climate-xchange.org/network

Noa Dalzell



SCPN Manager



SCPN Services

- Conduct **research studies** on the state-specific impacts of carbon pricing
- Help **draft carbon pricing bills** and provide technical assistance
- Offer opportunities for **cross-state collaboration**, like our monthly national SCPN call and quarterly legislative calls
- Share knowledge and information via our **monthly webinars** and **weekly newsletters**

Today's Speakers



Barry Rabe

University of Michigan



Jeremy Hewitt

*British Columbia's Climate
Action Secretariat*



**Delegate Marie-Claude
Francoeur**

*Quebec Government Office in
Boston*

*Carbon Pricing in Federal Systems:
Lessons from Canada*

Barry Rabe
ClimateXChange
July 14, 2020



Climate Change as a Federalism Issue

- >3/5ths of global GHGs from federations (India, US, Canada, Mexico, Brazil, Germany, Australia...)
- Key Lessons: Multi-level climate governance that includes carbon pricing *is* politically feasible *but* difficult to implement & sustain (World Bank, 2020)
- Many federal systems have substantial fossil fuel deposits/subsidies & energy-intensive practices: Canada classic case

Provincial control over massive fossil fuel deposits & federal equalization payments



*“So many targets, so many plans, so little progress”—
Kathryn Harrison, UBC*



The Three Amigos and Hopes for a Continental Climate Strategy: 2016



Pan-Canadian Carbon Pollution Pricing Plan Announced in 2016

Trudeau sets carbon pricing as key pillar of Canada's national climate plan: Ramp up to \$50 per ton/2022

- Built on leadership from other provinces
 - Quebec & British Columbia
 - Unexpected 2015 Alberta shift toward pricing
- Gave provinces & territories two years to implement their own system OR have a 'Federal Backstop' imposed upon them
- Some parallels with US Clean Power Plan BUT Canada has no comparable Clean Air Act

Jolting provincial reversals: Alberta and four other provinces now actively oppose



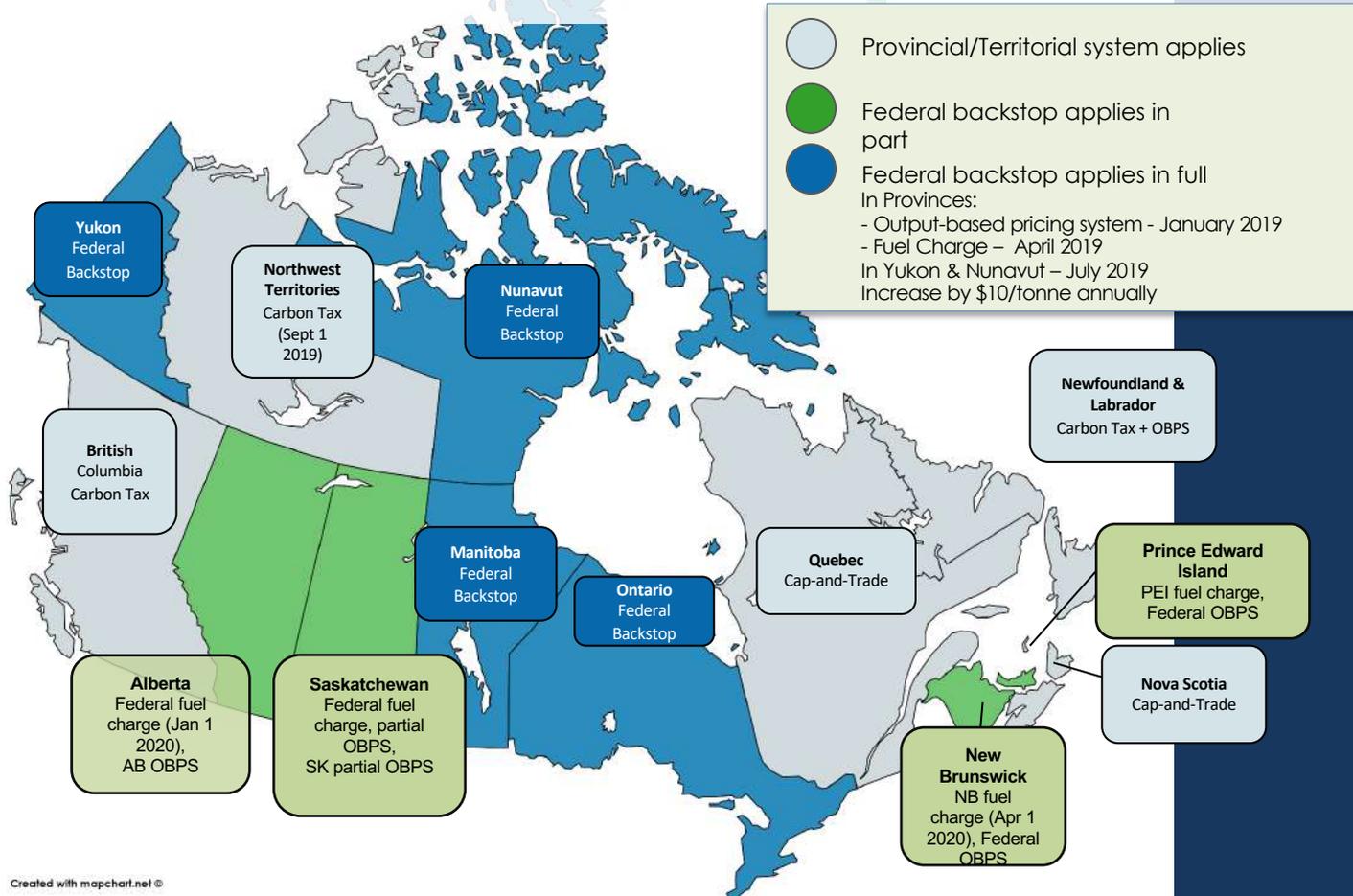
But the system holds through 2019 elections: 64% support a pro-pricing party



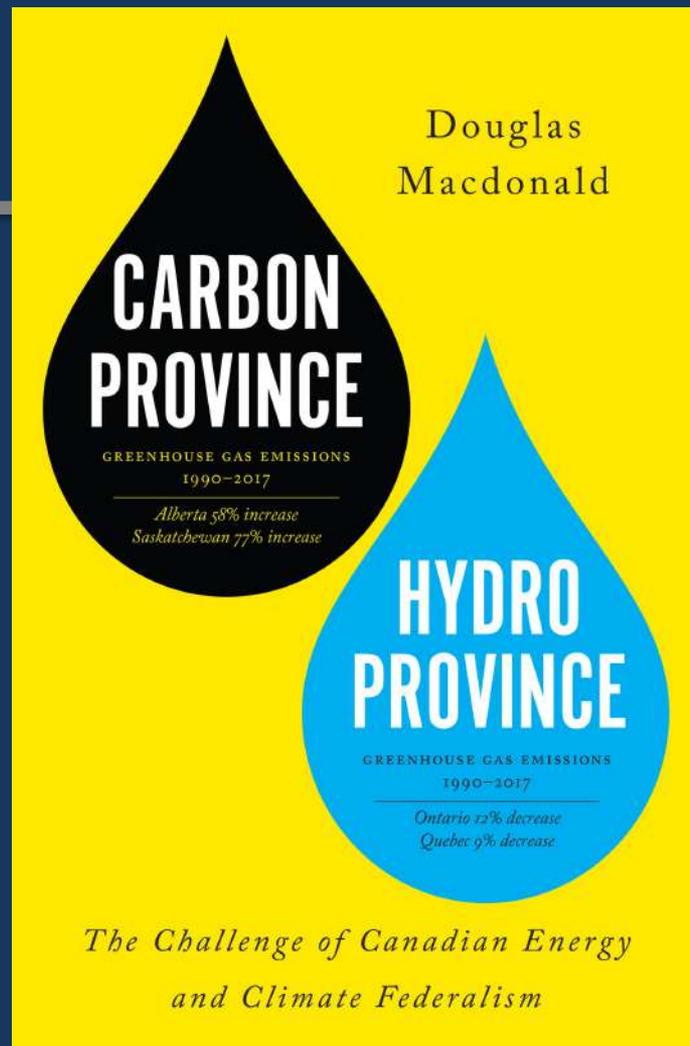
Key Design Feature: Revenue Use Flexibility to Build Political Support

- Revenues from “fuel charge” would “stay” in the relevant province or territory
- Two major options:
- IF province cooperates and sets up own carbon pricing policy, that province controls revenue use
- IF province refuses to cooperate, federal government returns funds to citizens & small businesses via Climate Action Incentive payments

Current State of Play – Provincial and Territorial systems



Summer reading?



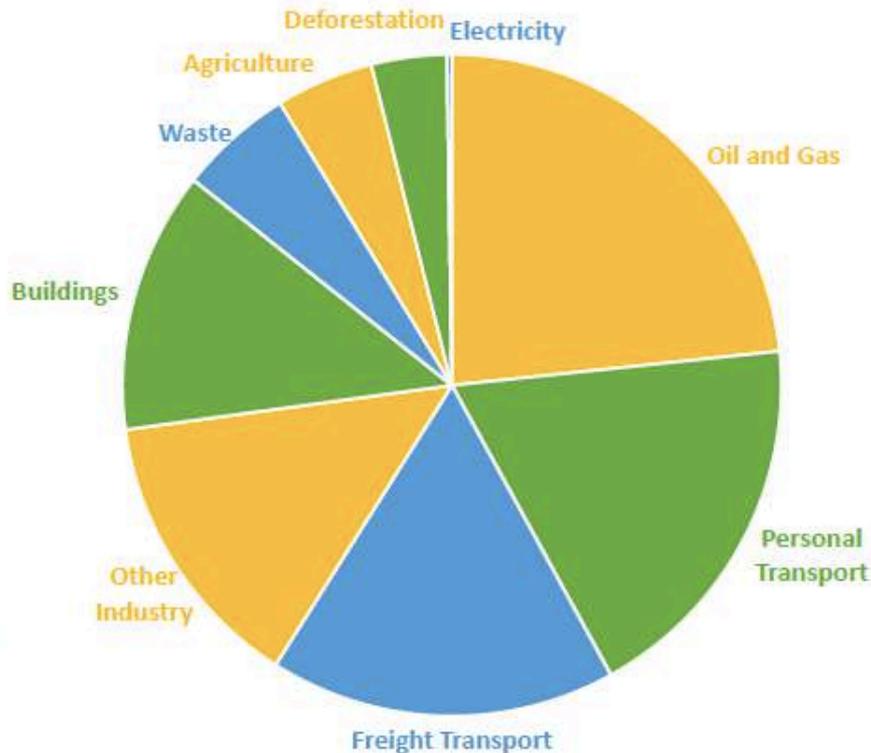
cleanBC

our nature. our power. **our future.**



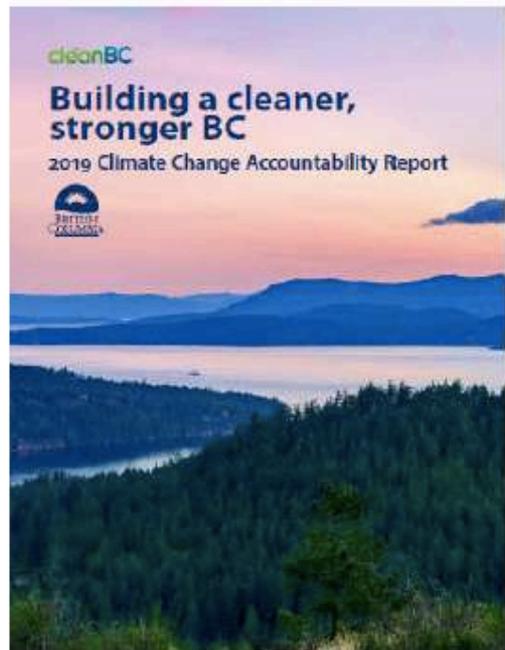
BRITISH COLUMBIA (B.C.) CONTEXT

- Economic profile:
 - 2019 GDP \$269B CAD (\$199B USD)
 - Economy expanded 1.8% in 2019; pre-COVID unemployment rate was 4.7%, the lowest in Canada (2019).
- Population: 5.1M; 190 municipalities, over 200 First Nations communities
- Emissions profile:
 - 64.5 million metric tonnes CO₂e (2017)
 - ~98% hydroelectricity, no coal-fired electricity



- 1 Outlines B.C.'s plan to reach our 2030 climate targets
- 2 Lays out actions that credibly reduce our emissions, with sector-by-sector approach to transportation, buildings, and industry
- 3 Is fully funded, with program specific details in Budget 2019 (\$900M CAD, \$658.4 USD) and supplemented with additional support in Budget 2020 (further \$419M CAD, \$306.53 USD)

MEASURING OUR PROGRESS AND STAYING ACCOUNTABLE

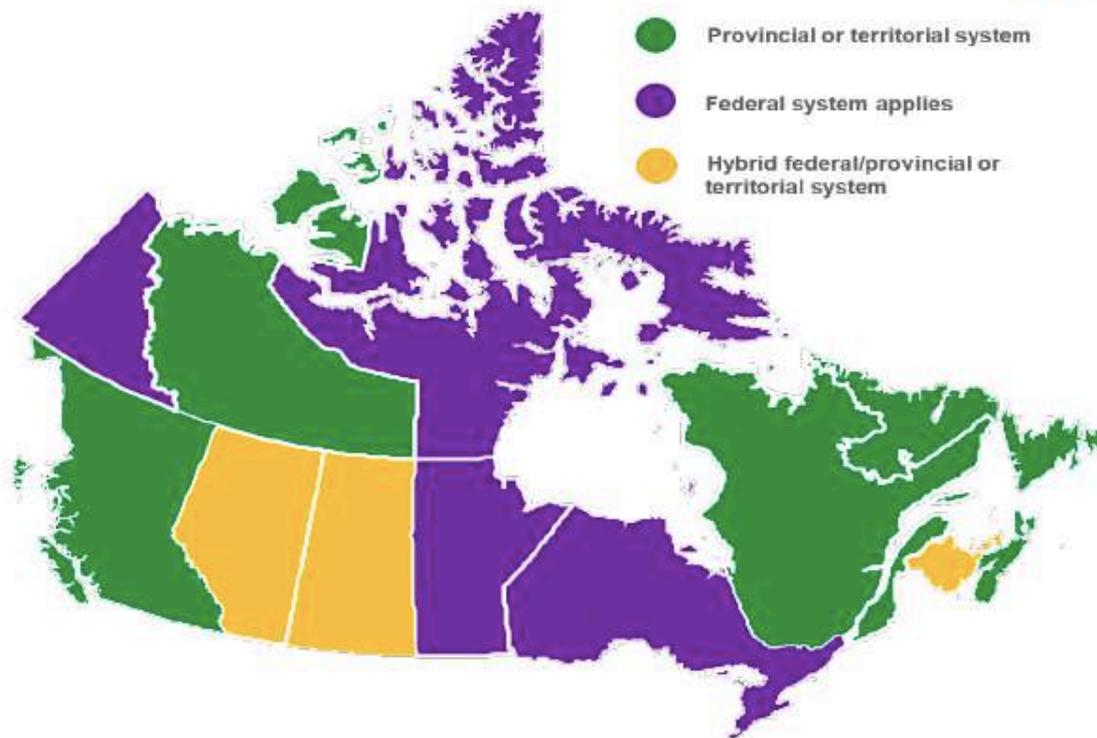


Carbon Intensity of the Economy



Climate Change Accountability Act

CARBON PRICING IN CANADA



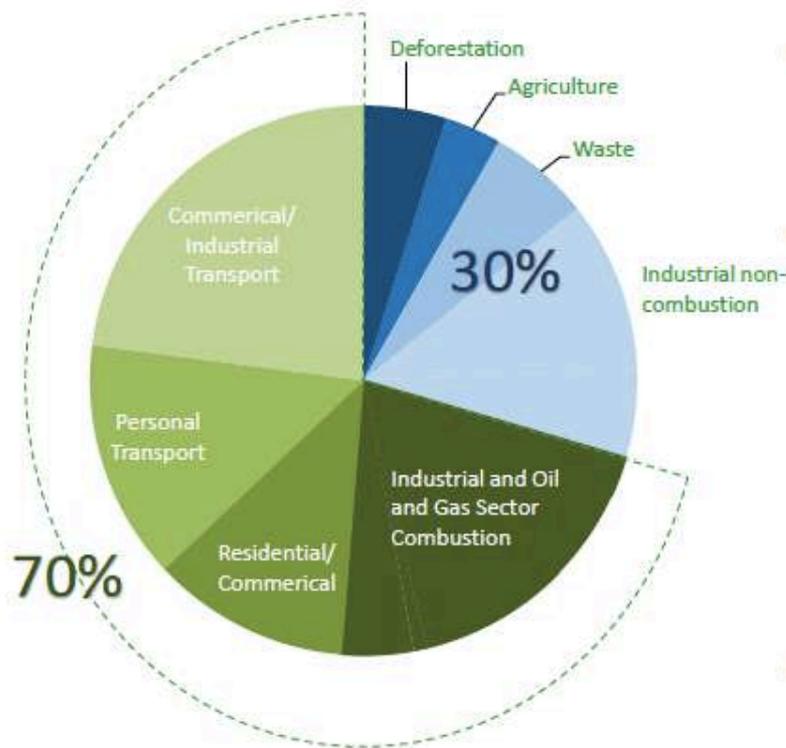
Provincial and territorial carbon pricing systems as of June 2020

B.C.'S CARBON TAX



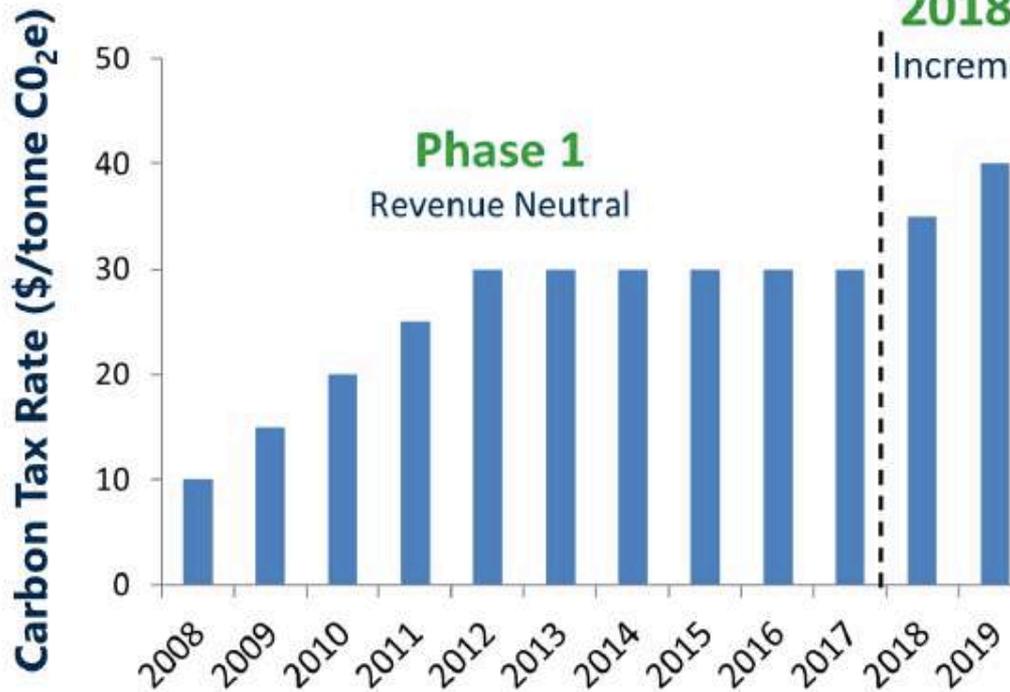
- Introduced in 2008 at \$10 CAD (\$7.37 USD)/tCO₂e, B.C. launched North America's first revenue-neutral, broad-based carbon tax.
- Provides a signal across the economy to reduce emissions while encouraging sustainable economic activity and investment in low-carbon innovation.
- Integrated with other climate action measures.
- Tax rates started low and increased gradually.

CARBON TAX COVERAGE



- Applies to approximately 70% of B.C. emissions
- Emissions excluded (2019):
 - Fugitive sources 8%
 - Industrial process 5%
 - Agriculture (non-combustion) 4%
 - Waste decomposition 8%
 - Afforestation and Deforestation 5%
- 98% of B.C. electricity is renewable generation

CARBON TAX PHASING



- **2018 - Present** • Annual increase of \$5/per tonne up to \$50 CAD (\$36.75 USD) tCO₂e in 2021.
- 2020 increase delayed due to COVID19; currently \$40 CAD.
- For 2018/19, carbon tax revenue was ~\$1.5B CAD (about \$1.1B USD.)

INCREMENTAL REVENUE USE: CLEANBC PROGRAM FOR INDUSTRY



CleanBC Industrial Incentive Program: helps cleaner industrial operations across the province by reducing carbon tax costs for facilities against world-leading emissions benchmarks.

CleanBC Industry Fund: invests a portion of carbon tax revenues into emission reduction projects at large industrial operations. At the same time, it provides new opportunities and a larger market for B.C.'s clean technology companies.

INCREMENTAL REVENUE USE: AFFORDABILITY FOR FAMILIES



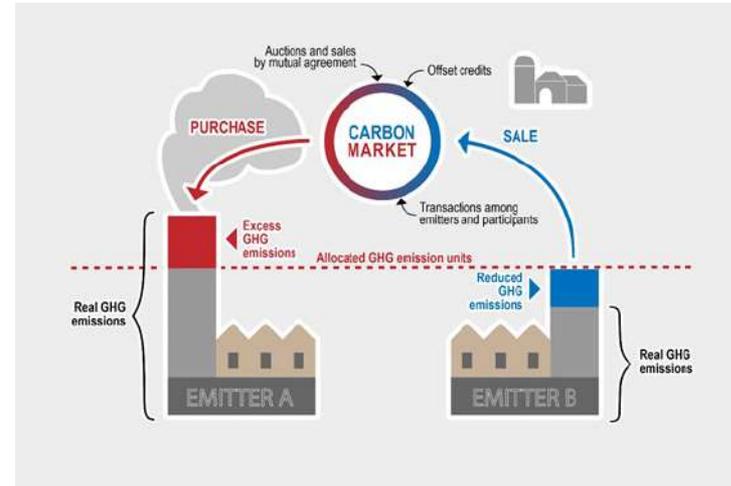
- British Columbian families pay some of the lowest tax rates in Canada.
- Climate Action Tax Credit - maximum annual payment of \$154.50 CAD (\$114.08 USD) per adult and \$45.50 CAD (\$33.62) per child for low and middle income families. Approximately 1.3 million British Columbians benefit from this credit.
- Temporary COVID 19 increase and expansion of the credit in July 2020.
- Affordability is core to CleanBC – e.g., making B.C.'s public housing energy efficient and comfortable with a \$400M (\$296M USD) energy retrofit initiative.

Québec: A Global Leader in the Fight Against Climate Change

Marie-Claude Francoeur
Québec Delegate to New England

Cap and Invest

- 2006: Québec was the first jurisdiction in North America to price carbon
- 2013: Québec joins California to launch the first carbon market between jurisdictions across national borders



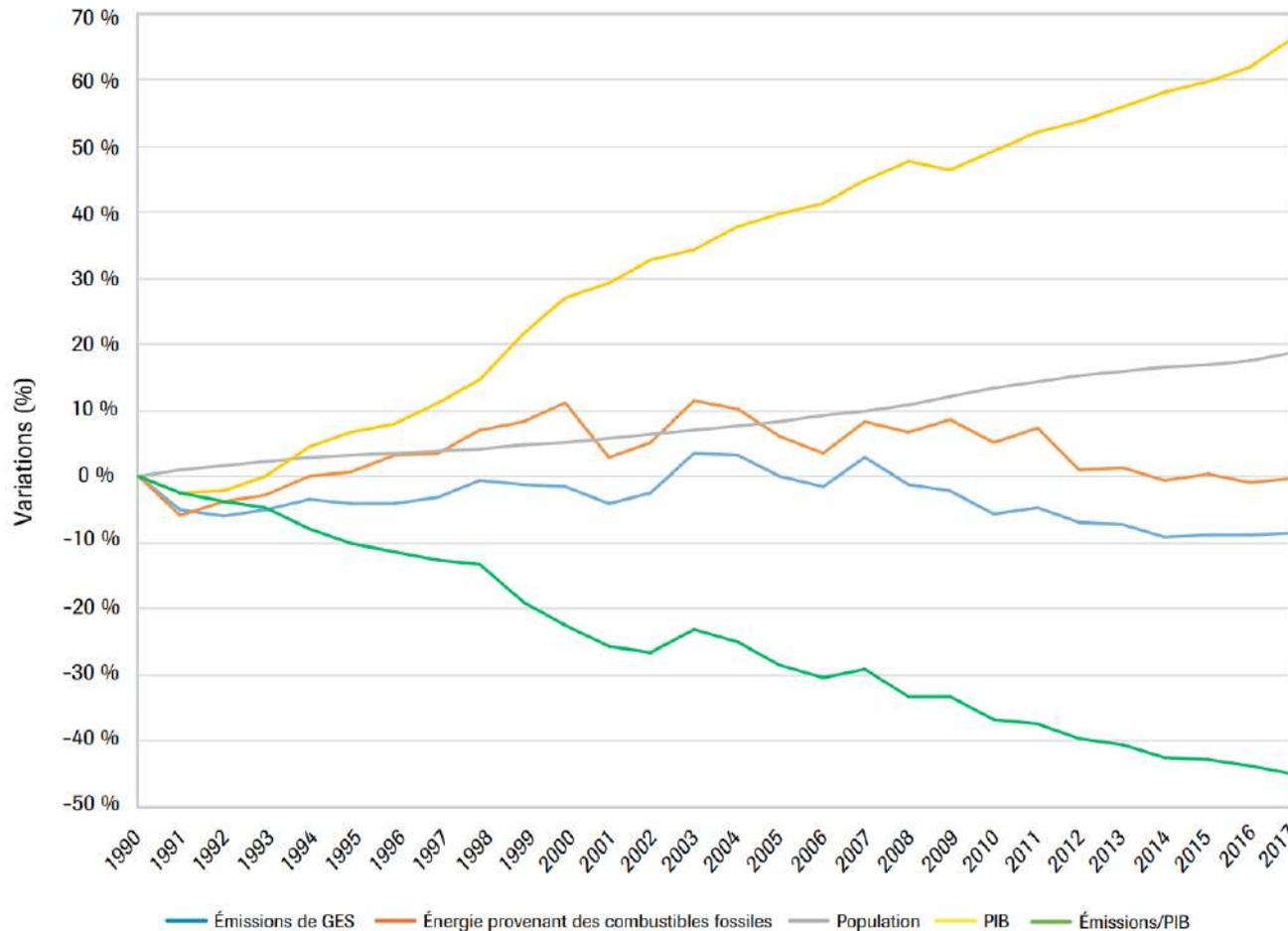


The Western Climate Initiative and the Green Fund

- Since 2003 (the highest emitting year since 1990 with over 89 tons of CO2 equivalent), emissions have declined by 11.8%, with total emissions in 2016 at 78.6 tons of CO2 equivalent
- From 1990 to 2017:
 - Québec's GHG emissions went down by 8.7%
 - Québec's emissions per resident were reduced by 23%
 - Population increased from 6.99 million to 8.23 million (18.6%) and GDP by 66.4%
 - The carbon intensity of the GDP was reduced by 45.1%



Percent variation of GHG emissions, fossil fuel consumption, population and GDP of Québec between 1990 and 2017



- GHG Emissions
- Energy from Fossil Fuels
- Population
- GDP
- Emission Intensity/GDP

Sustainable Economic Growth

- The Climate Change Action Plan, financed by the Green Fund has generated **43,000 direct and indirect jobs in Québec**
- Québec has become a global leader in cleantech, energy efficiency and electric transportation
- Nearly \$4 Billion (CAD) invested back into the economy to fight climate change
 - 2/3 directed towards transportation



Climate Change Action Plan 2021-2026

- \$6.2 billion invested to reduce GHG emissions in Québec:
 - **\$3.8B for the transportation sector**, including electrifying vehicles and public transit
 - \$1.3B for the industrial sector to help businesses decarbonize
 - Nearly \$310M for the building sector
- These investments will reduce GHG emissions and **grow the economy and create 10,000 jobs**:
 - Grow Québec's GDP by \$1.2B by 2030
 - ✓ This is due to increased exports (\$250M), and investments in low-polluting technologies (\$800M) that allow industry to grow their production capacity

Questions?

Please use the Q&A Box to submit your questions!