



Fast

FACTS

CANADIAN CENTRE FOR POLICY ALTERNATIVES – MANITOBA

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Climate Plan Fails on Carbon Tax Basics

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A draft “Climate and Green Plan Town Hall Toolkit” circulated within the Manitoba government proposes a flat \$25 carbon tax. While this is only a discussion document, and not yet policy, it’s a worrying sign of what the much-trumpeted “Made-in-Manitoba” climate policy might look like: a piece of largely-pointless window-dressing.

A carbon tax is simply a price applied to something that emits carbon, normally applied on a per tonne basis. In BC, for example, they levy a \$30/tonne tax on carbon by applying an additional price to fuels. Such a price is an important part of a comprehensive strategy to address climate change, and in order to accomplish something, it should have three qualities. It should be effective, fair, and transformative.

On the criteria of effectiveness, a stand-alone \$25 tax is not even in the ballpark. Left to carbon pricing alone, SFU economist Marc Jaccard reckons we’d be talking about a \$200 per tonne tax on carbon by 2030 in order for Canada to comply with its international commitments (a 30% reduction in greenhouse gas emissions by 2030). Anything less than \$200/tonne requires additional policies to directly cut emissions.

Luckily, there are some very effective regulatory tools that don’t involve putting a direct price on carbon, and Manitoba should be considering making such regulation part of an effective plan to reduce our emissions. The biggest reduction attributed to any Canadian policy—pricing or otherwise—

came from Ontario’s ban on coal-fired electricity generation. Similarly, BC’s zero-emission electricity generation requirement has produced triple the estimated reduction achieved by their \$30 carbon tax. Jaccard’s proposals, however, also include a role for pricing—at a modest \$40 per tonne, which is well above what the Manitoba government seems to be considering. Regulation also has costs, of course (that’s the point, because it is meant to discourage fossil-fuel use), but a smart mix of regulation and pricing is likely to be more effective and politically palatable than the sticker-shock of a \$200/tonne tax.

On the issue of fairness, the tax should protect those most vulnerable to increased costs for basic needs. A flat tax per tonne of carbon means that low-income people will be paying a higher proportion of their income for the same cubic metre of natural gas to heat their home, or the same tank of gas. This inequity can be addressed through the allocation of the revenue generated by the tax. A portion of it has to protect those most vulnerable to the price shock—meaning low-income Manitobans who still need to heat their homes and get around town. Something similar to BC’s Low Income Credit could do the trick, whereby larger offsetting tax credits are provided for low-income households, getting progressively smaller before

there is an alternative.

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vanishing at the top end. BC has faltered by failing to adjust this credit as they have increased the amount of the tax, but the basic idea is a good one.

Finally, a good carbon tax should spur a transition away from fossil fuels. Again, while a modest tax should encourage consumers to drive a bit less and moderate the thermostat, such behavioural change won't be enough. Spurring a transition is largely about what should be done with the revenue, and how it can be used as part of a real plan to build a green economy. Manitoba's emissions profile is different than much of Canada's—and not, as Premier Pallister claims, because we are already doing our share of reducing emissions. In terms of per capita emissions, we are in the middle of the provincial pack, and our total emissions have ticked slightly upward since 2005, and are up about 12% from 1990. However, because we are largely hydro-powered, our biggest contributors to emissions are transportation (about 40%—mostly stemming from a huge increase in SUV and light-duty truck use), agriculture (about a third, stemming from livestock-related methane and nitrous oxide from soils), and heating (less than one fifth). A portion of revenue should be dedicated to building a clean and green economy targeting these sources. We need a revolution in the way we move people and goods, a less carbon-intensive means of heating our homes and buildings on the cold prairie, and a strategy to move toward zero carbon agricultural practices. All of this, like any historical technological or industrial shift, will require various kinds of public supports, incentives, and infrastructure (like the automobile and fossil fuels, to take just a couple of handy examples).

Climate change is no longer “impending.” It is happening now. To say, in that context, that “we can't afford to price carbon” is nonsense. People are already paying for it, by way of property destruction, lost lives, and displacement. If that's the argument we intend to listen to, then we should be honest and say “we refuse to pay our way. Let somebody else

foot the bill.”

To keep things from getting a great deal worse, we have got to get the carbon monkey off our back. If our climate policy in Manitoba is summed up in a farm-exempt \$25 flat tax, the monkey will be in no rush to budge.

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