

Carbon Pricing Recommendations

Nova Scotians for Tax Fairness

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Nova Scotians for Tax Fairness recommend that carbon pricing in NS and across Canada be implemented following these principles:

1. A carbon price should be an important part of the effort to slow and reverse climate change.

2. A carbon price cannot slow and reverse climate change by itself. Regulation is also important.

Explanation: NS has made very good progress in reducing GHG emissions through regulation focusing on electricity and to some extent on building standards. We are a national leader. In 2007, only 9% of Nova Scotia's electricity was renewable. The Environmental Goals and Sustainable Prosperity Act passed unanimously in 2007 set a renewable target of 25% by 2015. In 2011 a new 40% target was set for 2020. A 25% reduction in GHG's by 2020 was also included in the legislation - the most ambitious GHG reduction regulations in North America. In 2015 over 26% of NS' electricity was produced by renewables and the 2020 targets are also expected to be met. Carbon pricing is a good way to reduce GHG emissions arising from non-electric sources of GHGs (e.g. transportation and industrial operations) and to encourage faster closure of our coal fired electricity plants.

3. A national system of carbon pricing would be more effective than provincial systems. NSTF will support a national system to the extent this is possible.

Explanation: NSTF will encourage Canadians for Tax Fairness to work with national allies in pushing for a common policy based on principles shared by other national organizations. NSTF will also work at the provincial level with organizations that are national in scope (e.g. CCPA, COC, EAC's national allies).

4. A provincial system of carbon pricing should be implemented until a national system is in place.

Explanation: There is uncertainty as to whether a national carbon pricing system will be established since several provinces are already acting on their own. NSTF will work at the provincial level with organizations that are national in scope as well as regional and local organizations to encourage the NS government to implement carbon pricing.

5. Carbon prices must be raised steadily and quickly over time to change industry and consumer behaviour.

Explanation: Over 38% of the world's carbon equivalent emissions are taxed but most at less than \$20/tonne, which is not considered effective. BC's carbon price rose from \$10/tonne of carbon equivalent emissions in 2008 to \$30/tonne. BC's Carbon Pricing Commission recommends additional increases at \$10/tonne/year until the price reaches \$150/tonne in 2030. \$30/tonne raises a litre of gasoline by 8c, which has limited effect. The price/tonne is over \$50/tonne in Norway and Finland and up to \$130/tonne in Sweden.

6. In NS, the Your Energy Rebate Program should be eliminated as part of a Carbon Pricing strategy.

Explanation: The Your Energy Rebate Program removes the 10% provincial sales tax from heat and electricity. It is a carbon discount, the opposite of a carbon price. Its elimination should be part of a Carbon Pricing Strategy to provide consistent signals to consumers and businesses in NS.

7. If a Carbon Price is introduced, energy security for low income households must be increased and must continue to be supported as carbon pricing increases. Part of the revenue generated from carbon pricing must therefore be used to offset the cost of a carbon price, while providing increased energy security.

Explanation: Many low income households cannot afford the energy they use now. Increasing the price of energy through a carbon price will increase this problem. There must be compensation that will cover the increased costs as well as reducing the existing “energy burden” for low income households.

Low income households must be better off than they are now –i.e. more energy secure.

Compensation for low income households’ energy costs must increase as a carbon price increases in a way that covers the rising costs they will experience. Compensation for low income households must be paid throughout the year so that they can afford to pay for higher heating bills and other energy costs as they occur.

A Carbon Tax Benefit would be a good model, paid 1/4ly or monthly as the GST Tax Credit, the Child Tax Benefit and the Affordable Living Tax Credits are.

Expansion of the Affordable Living Tax Credit or increased Income Assistance are other possibilities.

8. Modest and middle income households will also need compensation to help with energy costs that rise due to carbon pricing.

Explanation: Almost half of Nova Scotia taxpayers have \$30,000 or less of taxable income. Most are in working families, many of whom have trouble making ends meet. While low income households are already experiencing energy poverty many more Nova Scotians could suffer from energy poverty as carbon pricing increases over time. Some financial help to modest and middle income households is important for public support and to ensure a just transition to a low carbon economy.

A Carbon Tax Benefit would be a good model, as discussed above. It could benefit modest and middle income households as well as low income households. This could be similar to a “Dividend” except that it could be paid only to a certain income level.

A Dividend would be another alternative. It could be taxable which would make it more progressive.

9. “Revenue neutrality” should not be a goal.

Explanation: Revenue neutrality means that the government pays out to individuals and corporations as much as it takes in so none of the revenue can be used for public investments.

Nova Scotians for Tax Fairness believe public investments are an important, efficient way to achieve social goals like preventing and mitigating Climate Change.

10. Some of the revenue from carbon pricing should be invested to assist in the transition to a low carbon economy.

Some of the revenue generated from carbon pricing must be invested in greening the economy.

A minimum portion of these investments should be used to benefit low income communities who generally experience greater impacts from carbon intensive industries in the past and from climate change in the future. Examples of such benefits include free efficiency retrofits in low income homes and public transit and affordable inter-city transportation.

Some of the revenue should be used to spur green innovation. Innovation can be fostered through our universities and through well structured industrial innovation support such as Nova Scotia's Innovacorps. This is an important aspect of prospering from the transition to a zero carbon economy.

11. In summary, the revenue generated from carbon pricing should be used in 3 ways:

Explanation:

See above for additional details.

- 1) New revenues should ensure low income households are better off than they were before carbon pricing was instituted.
- 2) New revenues should be used for a general tax credit to benefit modest and middle income households who will also experience hardship as prices rise.
- 3) New revenues should be used to assist with the transition to a low carbon economy.

12. There should be no preferential treatment for any industry.

Explanation: Some industries use carbon more intensively than others. For some, this is because they have not taken steps to de-carbonize their industry. Polluters cannot be rewarded for their past laxity in addressing their carbon footprint. This includes no preferential treatment for an industry because of its intensive use of carbon.

13. Climate change impacts must take precedence over possible job or profit impacts.

Explanation: This view is backed up by a large majority of Nova Scotians: the Ivany report (p. 226) survey noted that a majority of Nova Scotians agreed with the statement "The environment should take priority over jobs", receiving a score of 8.0 out of 10.