Protecting our environment and our competitive edge

Summary: B.C.'s Greenhouse Gas Strategy – a tax too far, too fast

Just as a sustainable environment requires the world to manage CO2 emissions, sustainable industry requires that we manage the rate and methods used to reduce Greenhouse Gas Emissions (GHS).

In 2007, British Columbia and the other members of the Western Climate Initiative (WCI) agreed on a strategy to control carbon emissions in North America. Of the four provinces and seven states that belong to the WCI, the province of British Columbia, a minor producer of GHS compared to the rest of the world, took an unprecedented and still unmatched approach to problem of greenhouse gas emissions.

The goal in British Columbia is to reduce emissions by 33 percent by 2020. To achieve that objective, the province introduced the Carbon Tax, a broad based consumption tax equal to $15 per tonne of CO2 equivalent emissions as of 1 July, 2009 that is scheduled to increase $5 a tonne each year for the next two years to $30 per tonne by 2012.

B.C.'s carbon tax stands alone and apart from every other jurisdiction in the world both in the speed of implementation, the amount of the tax levy and its impact on business innovation. In a world of cross border trade and global competition, these distinctions have left the province at a marked disadvantage.

The Unlevel Field

In Canada, six provinces and the three territories have no strategic tax plan aimed at reducing GHS. Meanwhile, the three other Canadian provinces that are partners in the WCI have instituted fossil fuel taxes that apply only to industry and none come even close to the burden the B.C. Carbon Tax places on businesses and consumers.

Look no further than Alberta, the number one CO2 emissions producer in Canada,[1] to see the patchwork approach to carbon taxation in our domestic markets and jurisdictions. In 2005, exports between British Columbia and Alberta totalled $22 billion dollars.

The Trade, Investment and Labour Mobility Agreement (TILMA) with British Columbia was negotiated to reduce provincial barriers, however Alberta's Climate Change and Emissions Management Amendment Act requires only 109 named industries to pay a

[1] http://www.sindark.com/2008/01/19/canadian-emissions-by-province/

$15 per tonne of CO2 levy to a technology fund for excess emissions over the established target.

Quebec introduced its carbon tax in 2007 and applies a levy to approximately 50 large energy producers include Shell Canada, Ultramar and Petro Canada. Most of those costs are passed on to the consumer through increased costs.

Furthermore, the other member provinces also have different targets for reducing emissions – all substantially lower than British Columbia's 33 percent target. In Nova Scotia, the Energy Strategy and Climate Change Action Plan has a 10 percent reduction target by 2020.

And in the United States, B.C.'s partners in the WCI, with the partial exception of California have yet to even achieve the legislative power to even implement a strategy to reduce Greenhouse Gas emissions.

Some have since scaled back their targets or even dropped out of the plan.

And many states, including Washington State, our neighbour directly to the south have no plans to implement a carbon tax or cap and trade system.

Competition Case in Point

The cement industry in British Columbia has been hamstring and undercut as a direct result of a tax that goes too far, too fast. Just south of the border, Washington State will not implement a cap and trade carbon emissions control strategy until 2012 and some observers believe that program will be delayed even further.

As a result, B.C. cement manufacturers are being seriously undercut due to the competitive cost advantage Washington State cement companies enjoy. According to industry, cement imports to British Columbia have increased by 16 percent in recent years due to B.C.'s carbon tax. By 2012, Cement Association of Canada estimates industry losses due to the Carbon Tax to be $67 million.

Global Trade Disadvantage

China is the number one producer of GHG, producing more than 22 percent of the world's carbon emissions. That compares to Canada, which is well down the list in 7th place, producing less than 2 percent of the world's annual Greenhouse Gas emissions. [2]

China is building renewable energy resources through infrastructure investments. It places no burden on individual businesses meaning, critics say, it essentially amounts to a subsidy for business.

[2] http://en.wikipedia.org/wiki/List_of_countries_by_carbon_dioxide_emissions

Meanwhile, B.C. business is left to compete in this uneven world. The carbon tax levy further takes a bite out of industry's annual profit margins – further stressing its ability to find the money to invest in the innovations that could reduce emissions and costs of production.

Underscoring these concerns, the Liberal government's consultant and a proponent of the carbon tax, Dr. Mark Jaccard, a professor of environmental economics at Simon Fraser University and president of MKJA Energy Policy Consults in Vancouver, concedes there is an issue with B.C.'s solitary position.

"No jurisdiction can do this on their own. It is pretty hard to keep that tax going if you are sitting alone," says Jaccard.

Symbolic but not Significant

Even within our Canadian borders, B.C. ties with Saskatchewan for fourth place in production of carbon emissions, well behind Alberta, Ontario and Quebec. Our leadership role while laudable does little to decrease emissions on a global scale - but does considerable damage to our provincial economy.

In Conclusion

Although controlling GHG emissions is necessary other jurisdictions have not followed the province's lead as was expected several years ago. As a result, the province has no choice but to review its course of action.

THE CHAMBER RECOMMENDS

That the provincial government:

1. Rolls back the Carbon Tax to its 2009 level of $15 per tonne of CO2.

2. take on an immediate review of B.C.'s approach to its policy on Greenhouse Gas Emissions.

3. work with other provinces and with the governments in the US to standardize and harmonize the costs of controlling carbon emissions.

Submitted by Absorbent Products Ltd