Frequently Asked Questions about the B.C. Carbon Tax
by the David Suzuki Foundation

Q. Is the carbon tax an additional tax or a tax grab?

B.C.'s carbon tax is not an additional tax. It's a tax *shift*. All $1.8 billion collected through the carbon tax will be returned by law to British Columbians through personal income and business tax cuts. So right off the bat, money will go back to British Columbians who can then choose to save money by making green choices. A higher price for higher-carbon choices also makes greener options more commercially viable, thereby encouraging businesses and entrepreneurs to develop innovative solutions that offer consumers and businesses affordable, low-carbon alternatives. The tax will be phased in slowly at a low rate and increase gradually to give individuals and businesses time to adjust. Leading economists and environmental experts agree: seeing that cost, and making it real, will give us new incentives to change the technologies and habits that created global warming in the first place.

Q. Who has called for carbon taxes?

One of the fundamental problems fuelling Canada's contribution to global warming is that the atmosphere is treated as a free dumping ground for harmful, heat-trapping emissions. Pricing carbon emissions through a carbon tax or other means is supported by the world's leading climate change experts and endorsed by several international working groups including the U.N's Intergovernmental Panel on Climate Change. Many industrialized countries and jurisdictions are now putting a price on carbon emissions to account for their full environmental and economic costs. For example, Sweden has used a carbon tax to reduce greenhouse gas emissions since 1991. Although a suite of other policies has been used to reduce emissions, the Swedish Ministry of Environment estimated the carbon tax has cut emissions by an additional 20 percent (as opposed to solely relying on regulations) as carbon emissions have decreased more than seven percent since 1990. Sweden's carbon tax has been credited as the economic tool that has spurred the innovation and deployment of new low-carbon energy technologies such as green heating technologies which have significantly phased out the burning of oil for heating. Sweden's carbon tax has also been credited in part to putting the country on target to achieve and honour its commitment under the Kyoto Protocol.

Q. Will rural and northern British Columbians be disproportionately affected by the BC carbon tax?

All British Columbians, whether they live in rural B.C. or in urban areas, have an opportunity to come out ahead financially. The income tax reductions alone will offset the carbon tax for most British Columbians. We can choose how much or how little the carbon tax will affect us. For example, a dual earner family of four living in Kamloops making a total of $60,000 per year and driving a minivan and

heating their home with natural gas will pay about $45 in 2008 and $118 in 2009 (without factoring in the income tax reductions that would offset these costs). But that is if they choose not to change their habits. If they reduce their driving by just 10 kilometres a week, they will save enough in fuel costs alone to completely offset the impact of the carbon tax in 2008. If they tune up their car, and keep their tires inflated to the proper levels, their additional fuel-cost savings (estimated at $200 per year) could make up for most of their carbon tax in 2009 as well. A senior couple living in Vernon on a fixed income of $30,000, heating their home with oil and driving occasionally would pay about $38 in carbon tax this year (this would be offset by a $100 tax credit, putting the senior couple $62 ahead this year). But, just like the family of four, they would have a range of options for reducing the impact on their budget. If they chose to weather-strip their doors and windows, they could save enough on their home heating costs to offset the carbon tax completely in the fist year. The point is – it's their choice. Rural and northern British Columbians can decide how, and how much, the tax affects them.

Q. Won't higher gas prices hurt people in rural communities who rely on their cars to get around?

One of the main impacts of the carbon tax on individuals is related to their transportation habits. Transportation accounts for the largest source of carbon dioxide emissions in our daily lives. But it's simply not true that people in rural areas depend on their cars more than people in urban areas. According to data collected by Statistics Canada, on average British Columbians living in the Lower Mainland drive further to work than commuters in rural and northern B.C. The average Vancouver commuter drove a distance of 7.4 km between work and home, much farther than the average commute of 2.5 km in Fort St. John, 1.7 km in Dawson Creek, 5.4 km in Prince George, or 3.6 km in Williams Lake. The average commute to work is three times less for residents in Fort St John than the commuter in metro Vancouver. As well, rural commuters spend less time idling in traffic than people in urban areas do. All British Columbians, whether living in urban or rural areas, can choose to save money by making green choices. Many solutions such as choosing a more fuel efficient vehicle or keeping a vehicle well-maintained are available regardless of where you live.

Q. Won't higher heating costs hurt people in northern B.C. where winter is much colder than in the Lower Mainland?

The second largest source of carbon emissions for British Columbians is home heating. Households in B.C.'s interior and northern communities certainly face colder winters, so how much energy do our households use? According to data from Terasen Gas, gas consumption of an average single-family household runs about 20 percent higher in Prince George than in Vancouver. In 2008, this means that a homeowner in Prince George would pay roughly 62 cents more per month in carbon tax – it's a difference, but it's likely to be cancelled out by the fact that

rural British Columbians benefit from shorter commutes to work than those in B.C.'s urban communities. In addition, personal circumstances are important. For example, a person living in Victoria who heats with fuel oil will pay the tax while a northern resident who heats with electricity will not because it is not subject to the carbon tax because electricity in B.C. produces little CO2. British Columbians looking to save money on their home heating could chose to weather-strip their doors and windows, as well as turn down the thermostat a little bit at night. These savings could offset the carbon tax completely in the first year. Switching to a high-efficiency furnace has estimated annual savings of $250.

Q. Don't urban British Columbians have an advantage because they have access to public transit?

The purpose of the carbon tax is to provide an economic incentive to encourage individuals and companies in B.C. to pollute less by investing in clean energy technologies or choosing greener practices. The carbon tax therefore has a greater effect changing technology than changing behaviour like encouraging people to shift from cars to public transit. Although a carbon tax makes polluting activities more expensive, it makes green technologies more affordable. As green technologies become cheaper, options such as more fuel-efficient vehicles and geothermal home heating units will benefit all British Columbians regardless of where they live. It's also important to note that urban communities with public transit pay higher fuel taxes, property taxes and transit user fees for access to these services. The Lower Mainland is already paying an extra 6 cents a litre for transit uses. The B.C. government has created programs such the LiveSmartBC efficiency incentive program and the Remote Communities clean energy program that encourage individuals and communities to make more energy-efficient choices in their homes and businesses.

Q. Why can't we exempt rural areas from the carbon tax or give them some sort of special treatment?

We are all in this together. Global warming will affect all of us and we all must play a part in tackling it. If B.C. goes down the road of making exemptions and giving special treatment to certain communities, the carbon tax simply won't work. Exemptions from the carbon tax would cause the rural regions to miss out on economic opportunities that will be created by the tax. To make this work, everyone needs to participate.

Q. What kind of opportunities or benefits will the carbon tax have on rural areas?

The carbon tax is a powerful economic driver that will encourage companies and households to pollute less and invest in clean technology. As we all move towards cleaner technologies, this will create new innovation, investment and jobs in B.C. For northern communities, this could mean new jobs to retrofit homes and

buildings, help modernize the forestry sector with new technology to make it more energy efficient, potential use of new green heating technologies such as geothermal and biomass to for home and community heating. The carbon tax will also encourage auto manufacturers to provide more energy efficient vehicles at lower cost as their will be more demand for hybrid and other technologies.

Q. What percentage of greenhouse gas emissions will be covered by the B.C. carbon tax?

The carbon tax applies to the use and combustion of fossil fuels such as coal, oil and natural gas, based on their carbon content and contribution to global warming. The carbon tax will cover 70 per cent of B.C.'s total greenhouse gas emissions, nearly all of B.C.'s emissions associated with the burning or combustion of fossil fuels.

Q. Does the B.C. carbon tax apply to fossil fuels burned by large industrial polluters or does it let them off the hook?

Municipal and a portion of industrial emissions (non-combustion emissions) are not subject to the carbon tax such as landfill emissions and industrial process emissions: emission leakages from gas pipelines, venting of emissions during oil and gas production, and emissions associated with the production of some metals such as aluminum. The B.C. government has chosen to exclude these sources of emissions at this time, indicating that they will be subject to regulations that cap industrial emissions and reduce them over time (called a cap-and-trade system). The rules and regulations to reduce industrial process emissions are being developed with Manitoba, California and several other U.S. States and are set to be released in August 2008.

However, industrial emissions produced from the combustion of fossil fuels will face the carbon tax. For example, more than half of the emissions produced by the oil and gas industry will covered by the carbon tax (e.g. flaring emissions by the oil and gas industry). Also, the cement industry will pay the tax based on the amount of coal they burn in the production of lime for cement.

To ensure fairness and due responsibility, emission sectors that are not subject to the carbon tax should be covered by other policies such as mandatory regulations that ensure industry reduce their fair share of emissions as soon as possible. A delay in implementing a carbon price signal on industrial emissions would be unfair as B.C. households and many businesses are taking responsible action now. A delay also creates many risks including higher cumulative emissions, a steeper carbon price in the future, and increased economic costs.

Q. The price of gas has risen dramatically over the past few years, but people are driving just as much. How do you expect an extra 2.4 cents per litre of gasoline to have any impact on people's driving habits?

Effect between rising oil prices and a carbon on consumer behaviour is that consumers have the sense that oil price hikes will be temporary so they don't always adjust their spending or investment habits for the long-term when it comes to decisions around transportation or other lifestyle choices. But the recent climb in gasoline prices due to several economic and political reasons has been significant enough that the sale of SUVs and other large gas guzzling vehicles have plummeted. Instead, more and more drivers are opting for fuel efficient vehicles. So while many people still drive a lot, even with higher gas prices, they're driving considerably more efficient vehicles. And eventually even those consumers who still insist on driving gas guzzlers will make the switch to cleaner cars, when they realize that they can't count on fluctuations in the price of oil on the global market to lower the price at the pump. They will realize that that with a carbon tax the price of gasoline will slowly but surely continue to rise - and never fall again to historic lows.

It's easy to focus on gasoline use as personal transportation affects everyone's daily lives but gasoline makes up only about 17 percent of B.C.'s total greenhouse gas emissions. The incentive of the carbon tax will encourage companies and households to invest in cleaner energy choices and will affect not just greener transportation choices but will also encourage green heating alternatives like solar hot water heaters, renewable electricity like wind power, and more livable and pedestrian friendly community design.

Q. Is the carbon tax the only solution we need in B.C.?

No. A carbon tax is a necessary solution but is only part of the solution required to reduce B.C.'s emissions. B.C. will need a host of other supportive policies such as fuel-efficiency standards for cars and trucks, incentives to make it easier for British Columbian to do home energy-retrofits, green investment infrastructure for municipalities such as walking and biking infrastructure and transit, regulations to cap and reduce industrial emissions, etc.

Q: What is the impact of a carbon tax on low-income people?

Like a sales tax, a carbon tax could be a regressive tax, meaning lower-income people could be disproportionately affected as they will pay a larger share of their incomes to the tax if not properly designed. A well designed carbon tax can protect low-income families by using a portion of the carbon tax revenues generated and recycle that money back to low-income households. Through a Low Income Credit, the B.C. carbon tax returns more money to low-income households than they will pay in the tax in the two years tabled by the B.C. government's plan so far. Over time, there is a concern that the carbon tax could grow faster than the low-income credit, and this should be addressed as the tax evolves. By law, the B.C. carbon tax mandates that the Finance Minister develops a three-year plan every year that clearly demonstrates how the revenue will be

recycled back to all British Columbians including low income households. Another consideration is that all families, including low-income families, can make choices to avoid or minimize the carbon tax they pay. Since the tax slowly increases over time, families will have a lot of lead time in order to make adjustments.