British Columbia’s carbon tax

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BRITISH COLUMBIA’S CARBON TAX

- Carbon tax on all combustion greenhouse gases implemented in July 2008.
- Initially $10/t CO₂, increased to $30/t CO₂ by 2012. Works out to about 7 c/L on gasoline.
- All revenue from tax ($1B/yr) used to:
  - Reduce personal income taxes
  - Reduce corporate income taxes
  - Compensate low income and northern/rural households
- BC now has amongst lowest income taxation in Canada (for corporations and individuals earning up to $75,000)
- OECD refers to policy as “a textbook example of good climate policy” (simple, cost effective, environmentally effective)
FUEL USE IN BRITISH COLUMBIA

- Since tax was implemented, per capita fuel use subject to tax has fallen by 16% relative to rest of Canada (Elgie and McKay, 2013)
- A study on gasoline market suggests 11-17% reduction in gasoline sales due to tax (Rivers and Schaufele, 2013)
- Simulation model suggests roughly 10% reduction in provincial greenhouse gas emissions due to tax (Beck, et al., 2014)
ECONOMIC PERFORMANCE IN BRITISH COLUMBIA

Table: GDP by province 2008-2012 (period of carbon tax phase-in)

<table>
<thead>
<tr>
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<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
<th>2011-12</th>
<th>2008-12</th>
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</thead>
<tbody>
<tr>
<td>Canada</td>
<td>-2.7%</td>
<td>3.4%</td>
<td>3.0%</td>
<td>1.9%</td>
<td>5.5%</td>
</tr>
<tr>
<td>BC</td>
<td>-2.5%</td>
<td>3.3%</td>
<td>2.8%</td>
<td>2.4%</td>
<td>5.9%</td>
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- No evidence that GDP growth worsened as a result of carbon tax (Metcalf, 2015; Rivers and Schaufele, 2015)
- This is consistent with model-based simulations of tax in BC and other jurisdictions (Beck et al., 2014)
British Columbia went through a bold experiment in environmental tax reform. What have we learned?

- Environmental tax reforms can be effective in addressing environmental problems
- Modest environmental tax reforms can be implemented with little or no aggregate economic cost
- Deep greenhouse gas reductions require a much higher carbon price than currently in place in British Columbia (or other jurisdictions)