

# The B.C. carbon tax

## Good for the economy and the climate

British Columbia's carbon tax was first introduced in 2008. Over the past seven years, the tax has helped cut per-capita fossil fuel use by 16 per cent, while the economic growth has outpaced the national average. The tax has a global reputation for its simple and effective design, and has received praise from organizations such as the World Bank.

From 2008 to 2012, the carbon tax rate increased by \$5-per-tonne each year. In 2013, the rate was frozen at \$30-per-tonne; the freeze is scheduled

\$5-per-tonne each year of carbon tax = 1.1¢ per litre of gasoline.

to end by 2018. The province has yet to set a new schedule of rate

increases or say how new revenue will be invested. Both of these will be important decisions for the forthcoming Climate Leadership Plan.

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“The example of British Columbia's carbon tax is one of the most powerful.”

— World Bank President Jim Yong Kim

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### Economic and environmental implications of increasing the carbon tax

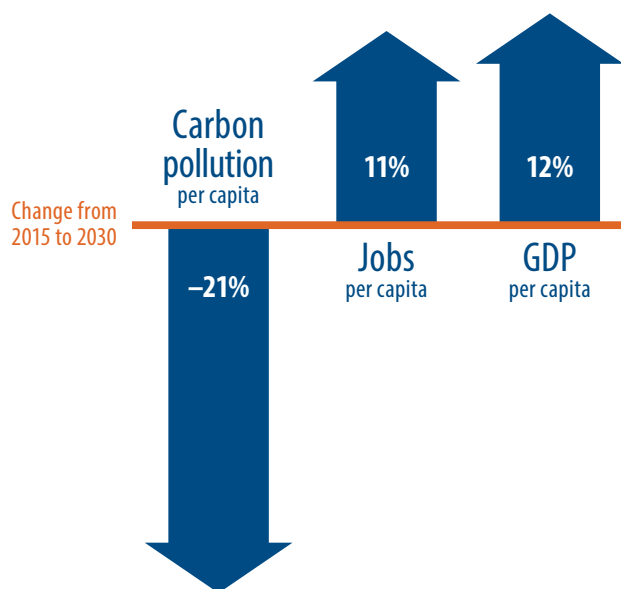
A common proposal is to continue increasing the carbon tax rates and use a portion of the new revenue to invest in projects that help reduce carbon pollution. One such proposal put forward to this year's Union of B.C. Municipalities convention calls for a return to annual \$5-per-tonne carbon tax increases, with new revenues invested in local climate solutions.

To understand the implications of this type of approach, the Pembina Institute commissioned Navius Research to model a scenario that included annual \$5-per-tonne increases from 2018 through 2030. In the scenario, new money raised by the carbon tax is used to pay for projects that would reduce carbon pollution and provide low-income and northern/rural tax credits.

The results show that:

- The economy would grow by an average of 2.1% (gross domestic product) per year until 2030, with 850,000 new jobs created over that period.
- B.C.'s carbon pollution would drop by 2.1 million tonnes. That's a step toward meeting the province's climate targets. Additional policies (not included in this scenario) will be needed to get the province on track.
- Households would save, on average, nearly \$1,200 per year on energy and carbon costs because of more energy- and fuel-efficient buildings and vehicles.

**The economy would grow and carbon pollution would drop** if B.C. increases the carbon tax and invests in climate solutions.



## Investments using carbon tax revenue

In the same scenario, the carbon tax would generate \$18.7 billion in new revenue between 2018 and 2030. The new revenue could be combined with dollars from other levels of government and utilities to make the following investments:

- \$12.1 billion for energy efficiency — enough to upgrade over half a million homes and build over half a million new net-zero ready homes and buildings
- \$7.1 billion for transit and electric vehicles (EV) — equivalent to two new rapid transit lines, 20 new express bus routes and 300,000 new EVs on the road
- \$1.2 billion for reducing landfill and agricultural waste — to divert 95% of organic waste
- \$4.4 billion to increase low-income and northern/rural tax credits

## Conclusion

Moving ahead with B.C.'s carbon tax offers an opportunity for local governments to implement programs that benefit communities, collectively make progress on the province's climate commitments and support a strong economy.

The Pembina Institute would like to thank the Pacific Institute for Climate Solutions and Sustainable Prosperity for helping to make this research possible.

## The Climate Leadership Plan

The B.C. government is currently developing a Climate Leadership Plan. To be successful, the new plan will need to strengthen and complement the range of policies already in place. This will lead to more public and private investment in home and building energy efficiency, waste reduction, transit and electric vehicles. The government has promised to reveal a draft plan prior to the international climate negotiations this December in Paris.

**“The implementation of British Columbia’s carbon tax is as near as we have to a textbook case.”**

— OECD Secretary-General Angel Gurría