

## Why BC's carbon tax is a template for the world

Fast facts from: [\*A template for the world: British Columbia's carbon tax shift\*](#) by Pedersen and Elgie

On 1 July 2008, British Columbia (BC) became the first jurisdiction in North America to impose a progressively increasing, revenue-neutral tax carbon tax. This tax on pollution applies to all greenhouse gas (GHG) emissions generated by combustion of fossil fuels (gasoline, diesel, natural gas, propane, and coal) purchased in the province (with the exception of aviation and cruise ship fuel combusted outside BC). The initial rate of the tax in 2008 was \$10 (CAD) per tonne of CO<sub>2</sub> equivalent, rising \$5 per tonne each year to reach \$30/t CO<sub>2</sub>e on 1 July 2012, where it has been fixed since.

### Indicators that BC's carbon tax is working

- **A sharp decline in fossil fuel use.** Consumption of fossil fuels (per capita) in BC has fallen by 16% and by 19% relative to the rest of Canada since mid 2008.
- **Pollution is taxed; incomes have gone up.** BC residents take home more money because carbon tax revenue is used to lower income taxes – BC now has the lowest personal income tax in Canada and among the lowest corporate taxes in the OECD.
- **BC's economy is robust.** The province's economic growth has kept pace with or slightly exceeded that of the rest of the country since the tax was implemented.
- **Better environmental outcomes.** BC is meeting its interim GHG emissions targets.
- **Clean tech is on the rise.** BC's clean tech sector grew 17% from 2009—2011.
- **It is popular.** 70% of BC residents support the tax and further rate increases.
- **It is changing behaviour.** BC residents are using less fuel, and have the fastest adoption rate of hybrid-electric cars in Canada
- **Minimal bureaucracy.** Existing fuel tax collection mechanisms were used to collect and administer the tax, resulting in minimal administration and compliance costs.
- **It is a political winner.** The incumbent BC Liberal Party that introduced the tax was re-elected in 2009, in part because the tax attracted the environmental vote.

### Essential design elements behind the carbon tax's success

- **The tax is comprehensive.** It applies to all GHG emissions generated by combustion of fossil fuel within the jurisdiction it applies to.
- **It ramped up gradually over five years.** The tax's fixed annual rate increases helped change behaviour as consumers and businesses planned ahead in anticipation of price hikes.
- **It is revenue-neutral.** By returning all the tax money directly to residents, it is not a source of new revenue for government. Rather, it shifted the tax burden onto sources of carbon pollution.
- **Social equity.** To further assist low income households a non-taxable tax credit was established to help offset the impact of the carbon tax
- **It is easy to administer.** Use existing fuel tax collection mechanisms means there is minimal extra cost or administration required. All monies go back to residents.

## Why BC's carbon tax is a proven template for other jurisdictions and nations

- **It works.** It has been proven to be effective at lowering fossil fuel consumption, reducing emissions, improving social equity, changing consumer behaviour and helping support the transition to a vibrant low carbon economy.
- **It is transferable.** BC's carbon tax is straightforward to emulate and implement, and can be easily absorbed by other jurisdictions into existing fuel tax collection mechanisms.
- **It is bureaucratically light.** Unlike other carbon pricing schemes like cap-and-trade, a carbon tax does not require widespread carbon accounting. It is simply a tax that is applied mostly at wholesale points of delivery.
- **It is an effective climate change solution.** BC has tested and proven that a comprehensive, revenue-neutral carbon tax is an effective and politically acceptable way to lower GHG emissions by taxing pollution and rewarding conservation.