

Torys on Climate Change

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Liberals Propose National Carbon Tax in Canada

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On June 19, 2008, the official federal opposition Liberal Party formally added a broad-based national carbon tax to its policy platform. The announcement, which had been anticipated for several weeks, was accompanied by the release of a detailed policy document titled *The Green Shift*. In it, the Liberals promise that if elected they would introduce a carbon tax that is expected to generate up to \$15.4 billion in its fourth year. Proposed as a revenue-neutral tax, the Liberal plan promises to return all of the revenue generated by the tax to Canadians and Canadian business.

The tax rate would escalate through its first four years, from \$10 per tonne of greenhouse gases (GHGs) emitted to \$40 per tonne. According to *The Green Shift*, these rates would translate to the following additional taxes on carbon-based fuels:

	Unit	Year 1	Year 4
Diesel	¢/litre	0.0	7.0
Light Fuel Oil	¢/litre	2.8	11.3
Heavy Fuel Oil	¢/litre	3.1	12.4
Jet Fuel	¢/litre	0.0	6.2
Kerosene	¢/litre	2.6	10.2
Natural Gas	\$/GJ	0.5	2.0
Propane	¢/litre	1.5	6.1
Coal Canadian Bituminous	\$/tonne	21.3	85.1
Coal Sub-Bituminous	\$/tonne	17.4	69.7

Notably, the proposal would not tax gasoline, ostensibly on the basis that it is already subject to another (excise) tax roughly equal to \$42 per tonne of GHGs emitted upon combustion. Similarly, because diesel and jet fuel are currently taxed at a rate of \$0.04 per litre, these fuels would not be additionally taxed in the first year of the proposal.

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The tax revenue would be shifted back to taxpayers through a variety of personal and corporate tax reductions, including reductions to personal income tax, the federal corporate tax and the small business corporate tax rates. The proposal would also use approximately \$600 million in annual revenues to accelerate the capital cost allowance rates for green technology assets. Other methods to offset the impact of the tax would include certain refundable tax credits for persons with low incomes or who live in rural or northern areas.

The carbon tax would not replace the Liberal Party's [proposed cap-and-trade regime for large industrial emitters](#). Rather, *The Green Shift* envisions a combination of the two proposals, with the carbon tax being implemented first to establish a prompt price signal, followed by a hard (not intensity-based) cap-and-trade regime, which would take longer to implement.

For further information, please see www.thegreenshift.ca/pdfs/green_shift_book_en.pdf. 