



CLIMATE CHANGE BULLETIN

Quebec Government to Implement Carbon Tax

On October 1, 2007, Quebec will become the first Canadian province to impose a carbon tax on energy producers. The tax is expected to raise \$200 million in annual tax revenues, which will be deposited into the provincial Green Fund, established in 2006 to help fund reductions in greenhouse gas emissions and improvements to public transportation. The tax will apply to approximately 50 companies, including the Ultramar Ltd., Petro-Canada and Shell Canada Ltd. refineries, that operate in Quebec and that use a significant amount of hydrocarbons. Gasoline producers are expected to contribute \$69 million of the total tax revenue; diesel and heating oil producers about \$80 million; electricity and natural gas producers about \$43 million; and coal and propane producers about \$7 million.

The tax rate will vary for each fuel, depending on the amount of carbon that it produces during combustion. For example, the rate will reportedly be 0.8 cents per litre of gasoline distributed in Quebec; 0.9 cents for diesel fuel; 0.96 cents for light heating oil; 0.5 cents for propane; and \$8.00 per metric ton for coal. The volume or mass of fuel attributable to a regulated company will be determined, in any given year, by the numbers disclosed in its annual declaration submitted under the terms of Quebec’s Loi sur la Régie de l’énergie. No levy will be placed on the use of hydrocarbons in air or marine transport.

The tax was first proposed in 2006 and reaffirmed in May 2007 as one of the minority government’s short-term priorities. For more information, see www.mrnf.gouv.qc.ca/presse/communiqués-detail.jsp?id=6217.

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Torys’ cross-border Climate Change Group brings our business law expertise to the many challenges and opportunities in this complex, multifaceted field. Because we understand that the implications of global warming extend to every aspect of modern business, the group is interdisciplinary, drawing on our depth of top-ranked expertise in a variety of fields, including energy and power; environmental, health and safety; corporate/commercial; securities; mergers and acquisitions; project finance; institutional lending; financial institutions; intellectual property; pension and employment; real estate and infrastructure; trade; tax; and litigation.

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