



Environment and
Climate Change Canada

Environnement et
Changement climatique Canada

Canada

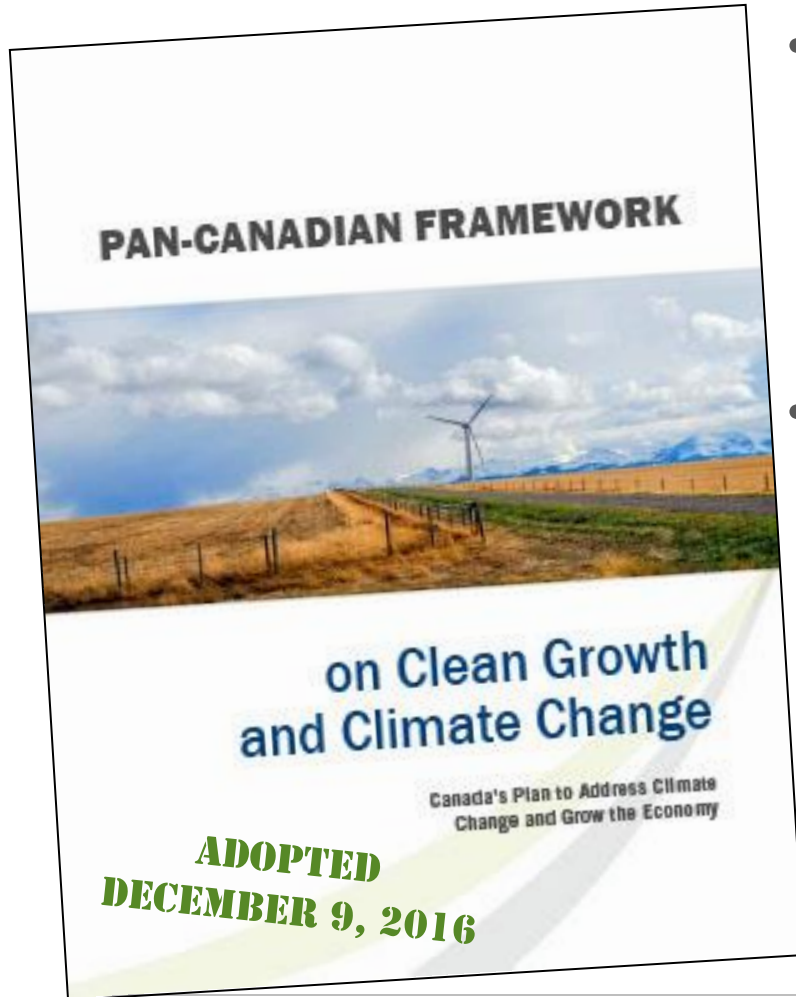
The background of the slide features a photograph of a majestic mountain range, likely in the Canadian Rockies, with snow-dusted peaks and evergreen forests in the foreground. A large, semi-transparent geometric overlay in shades of green and blue covers the right side of the image, creating a modern, stylized look.

IMPLEMENTING CANADA'S PLAN TO ADDRESS CLIMATE CHANGE AND GROW THE ECONOMY

PUTTING A PRICE ON CARBON POLLUTION

Technical Briefing October 23, 2018

Addressing climate change and growing the economy



- Canada's plan to fight climate change, build resilience to a changing climate, and create opportunities to grow the economy
- Comprehensive set of actions across the economy
 - Transportation
 - Buildings
 - Industry
 - Agriculture
 - Innovation & clean technology
 - Adapting to climate change

A price on carbon pollution is a central pillar of the Pan-Canadian Framework

Carbon pollution pricing is a common-sense way to reduce our emissions and protect our environment for our kids and grandkids



- A price on carbon pollution creates incentives for individuals, households and businesses to build on investments they have already made to lower their emissions
- Pricing carbon pollution will reduce emissions, drive innovation and help Canada compete in the emerging global low-carbon economy

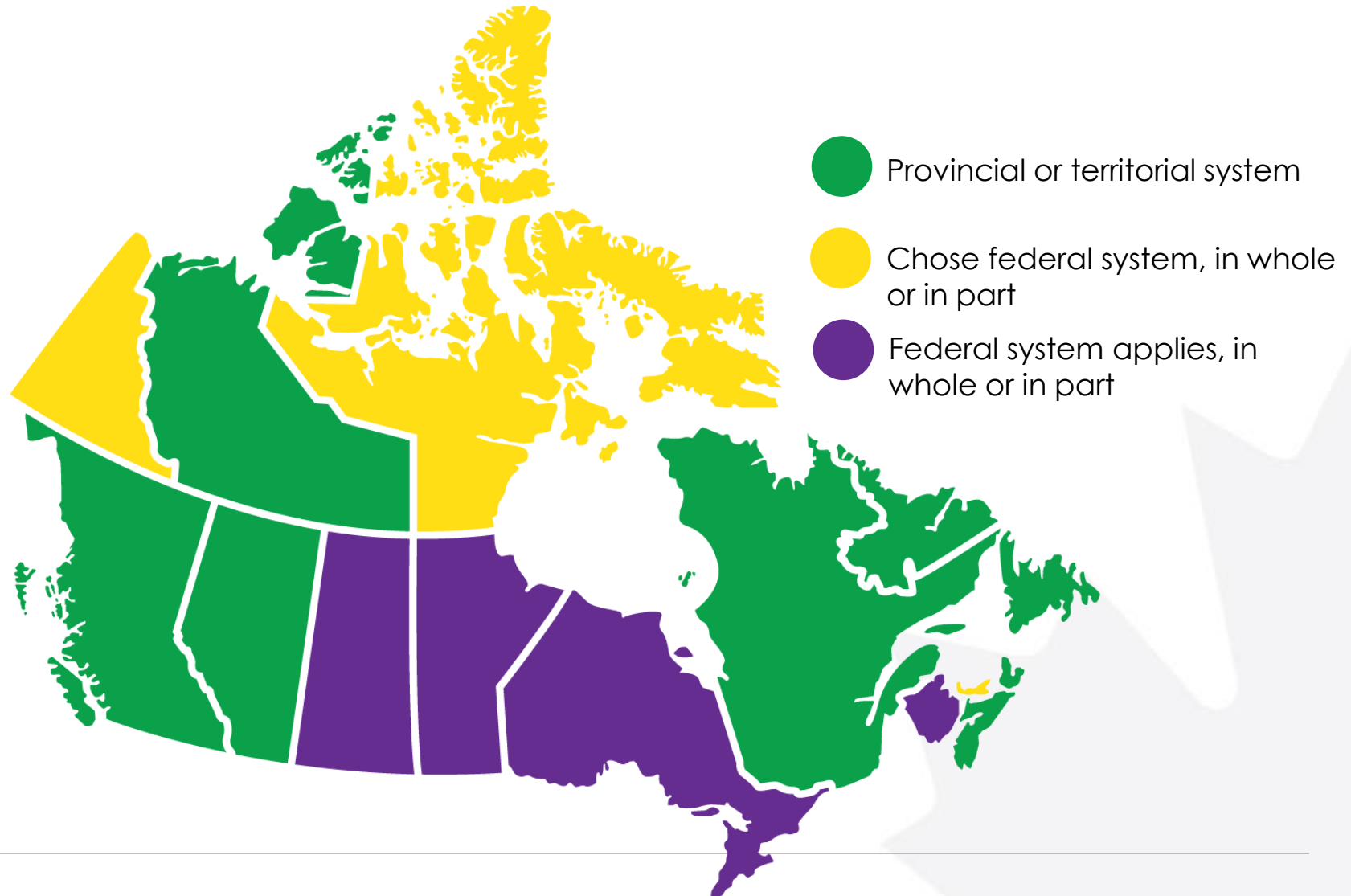
The *Pan-Canadian approach to pricing carbon pollution* (Oct, 2016)

- Gave provinces and territories two years to implement their own carbon pollution pricing system that meets stringency criteria
 - The benchmark
- Included commitment by the federal government to implement, in whole or in part, a carbon pollution pricing system in provinces and territories that request it and in those that do not have a carbon pollution pricing system that meets the federal benchmark
 - The federal backstop

The federal carbon pollution pricing system

- Under the *Greenhouse Gas Pollution Pricing Act*, adopted on June 21, 2018, the “backstop” has two parts:
 1. Regulatory charge on fuel – will apply starting in April 2019 in backstop provinces
 2. Regulatory system for large industry (the Output-Based Pricing System or OBPS) – will apply starting in January 2019 in backstop provinces
- Both parts will apply on starting in July 2019 in Yukon and Nunavut

The Government of Canada is ensuring a price on carbon pollution across Canada in 2019



CARBON POLLUTION PRICING PROCEEDS

Approach to carbon pollution pricing proceeds

- Provinces and territories with their own carbon pollution pricing systems can use proceeds to support their residents, grow the economy, and protect the environment
 - British Columbia, Alberta, Quebec, Northwest Territories, Nova Scotia, Newfoundland and Labrador, Prince Edward Island
- Proceeds from the “backstop” will be returned directly to the governments of provinces and territories that requested it
 - Yukon, Nunavut

Returning proceeds in the remaining provinces

- Saskatchewan, Manitoba, Ontario and New Brunswick
- Fuel charge proceeds*
 - Approximately 90% will be returned to residents through Climate Action Incentive payments
 - The remaining portion will support SMEs, colleges & universities, schools, hospitals, municipalities, non-profits, Indigenous communities
- Output-Based Pricing System proceeds
 - Will not be used for Climate Action Incentive payments
 - Will be used to support future climate actions in the jurisdiction in which the revenue is raised
 - Details to be outlined further in early 2019

**subject to Parliamentary approval*

Climate Action Incentive Payments

- Individuals and families will claim their Climate Action Incentive payment when they file their tax returns (starting in early 2019), and will receive it as part of their tax assessment
- Amounts will vary by province (depending on annual proceeds from the fuel charge in the province) and will vary by family size
- Residents of small and rural communities will receive a 10% supplement
- Average middle-class family will receive more in payments than the direct costs resulting from carbon pollution pricing
- All proceeds will be audited and reported annually to ensure revenue neutrality and that they are returned to the jurisdiction of origin

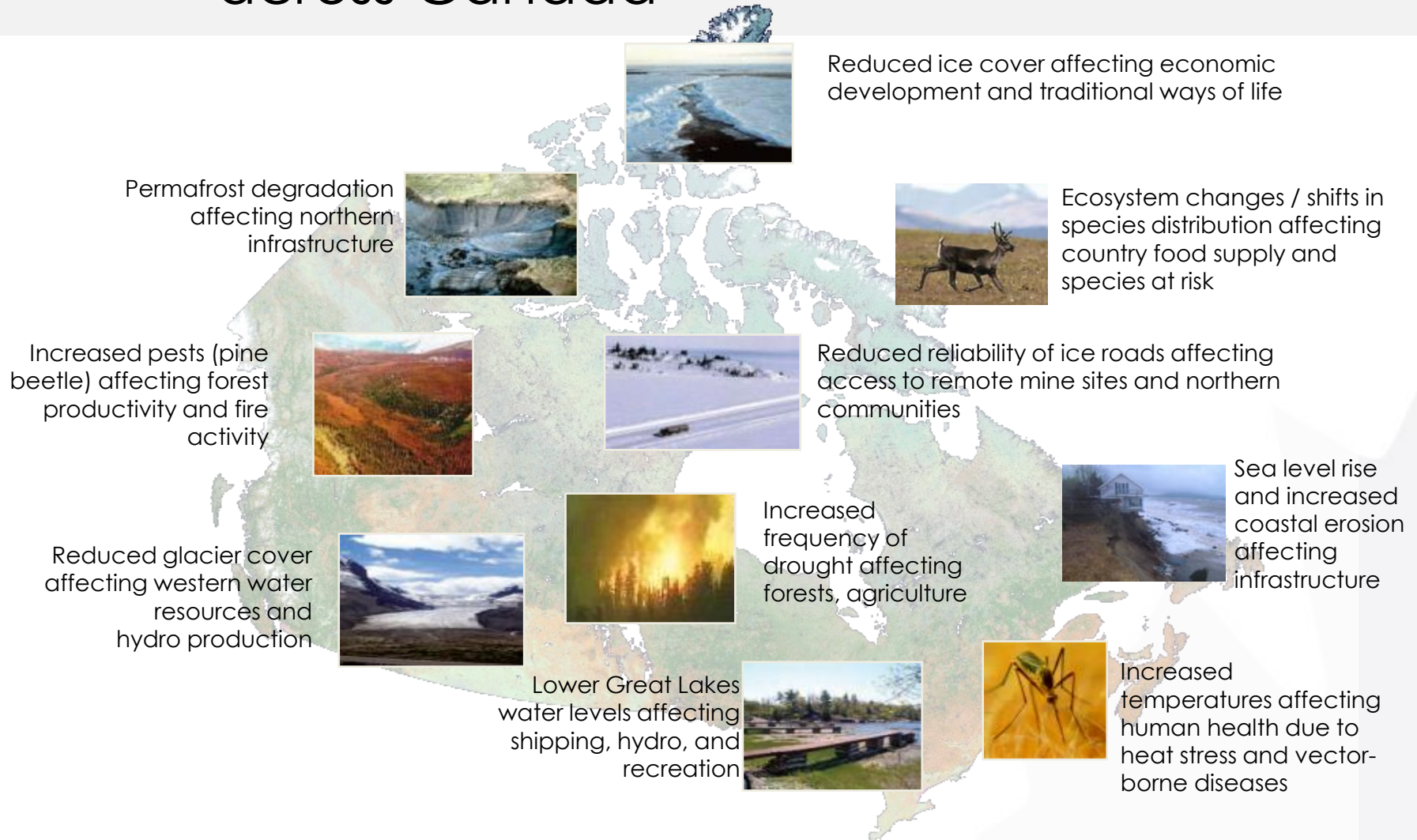
For more information

- www.canada.ca/climate-action
- www.canada.ca/climate-action-map

ANNEXES

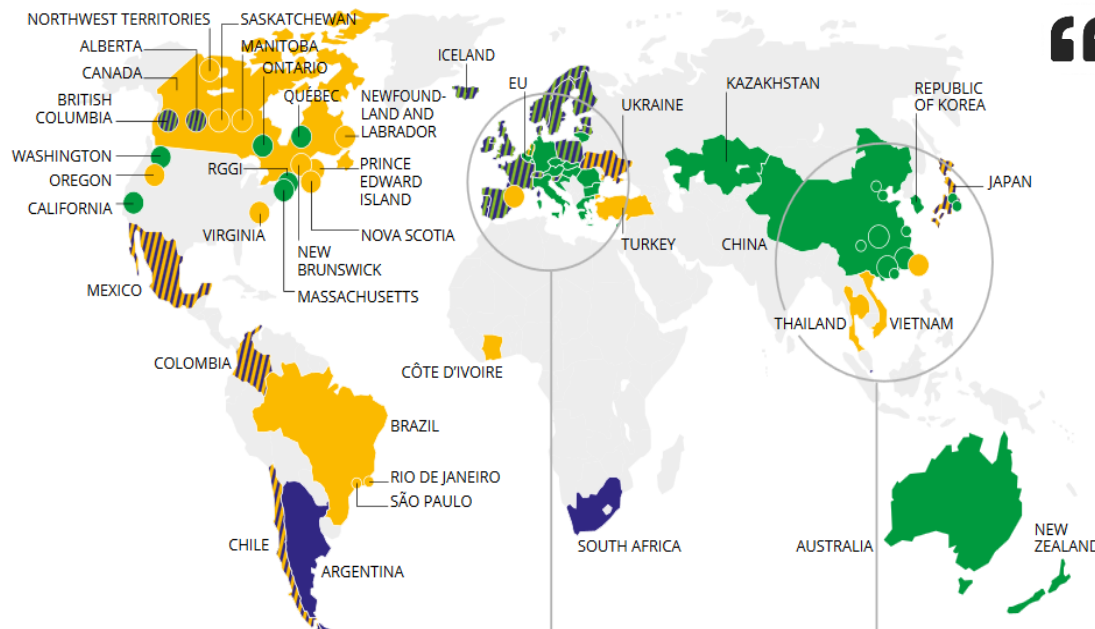


Climate change is affecting communities across Canada



A growing number of countries are putting a price on carbon pollution

STATE AND TRENDS OF CARBON PRICING 2018



“To date, 70 jurisdictions (45 national and 25 sub-national) in the world have implemented, or are scheduled to implement, carbon pricing initiatives.

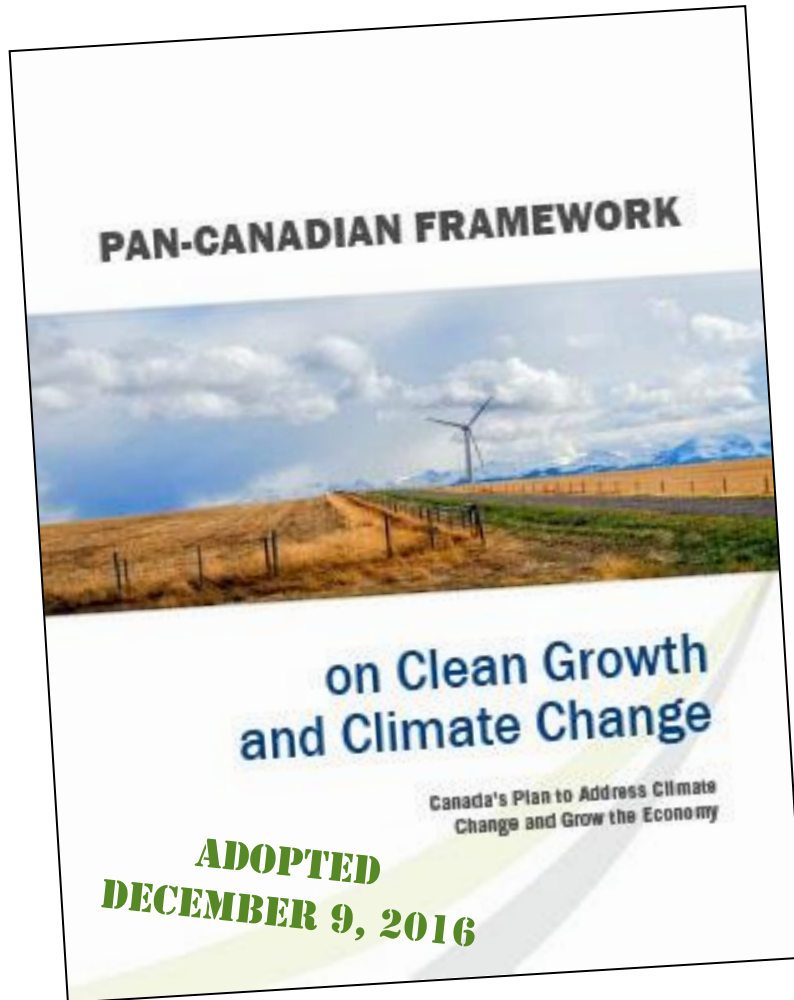
- World Bank, May, 2018

- ETS implemented or scheduled for implementation
- Carbon tax implemented or scheduled for implementation
- ETS or carbon tax under consideration

- ETS and carbon tax implemented or scheduled
- Carbon tax implemented or scheduled, ETS under consideration
- ETS implemented or scheduled, carbon tax under consideration



Pan-Canadian Framework – 4 Pillars



Pricing carbon pollution



Complementary mitigation actions across all sectors



Adaptation and climate resilience

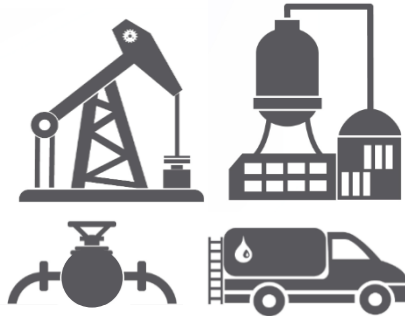


Clean technology, innovation & jobs



Canada's carbon pollution pricing system

FUEL PRODUCTION AND DISTRIBUTION



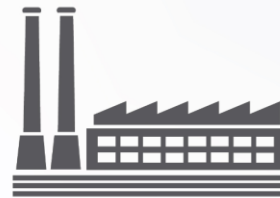
- Pay fuel charge to GoC
- 2019 rates (= \$20/t CO₂e):
 - Gasoline: 4.42 ¢/L
 - Light fuel oil: 5.37 ¢/L
 - Natural gas: 3.91 ¢/m³
 - Propane: 3.10 ¢/L
- Some exclusions

FUEL
DELIVERY



FUEL CONSUMPTION
& HEATING FUEL

- Consumers do not pay the fuel charge directly to the federal government
- Fuel price paid by consumers will likely have costs of the fuel charge embedded



OBPS FACILITY

- Registered OBPS facilities will not generally pay the charge on fuels that they purchase
- Instead, will be subject to the carbon pollution price on the portion of emissions above a facility emissions limit

Climate Action Incentive Payments

| | Average cost impact per household* of the federal system** | | | | Average Climate Action Incentive payment per Household*** | | | |
|----------------------|--|-------|-------|-------|---|-------|---------|---------|
| | 2019 | 2020 | 2021 | 2022 | 2019 | 2020 | 2021 | 2022 |
| Ontario | \$244 | \$357 | \$463 | \$564 | \$300 | \$439 | \$571 | \$697 |
| New Brunswick | \$202 | \$296 | \$386 | \$470 | \$248 | \$365 | \$476 | \$583 |
| Manitoba | \$232 | \$342 | \$447 | \$547 | \$336 | \$495 | \$649 | \$797 |
| Saskatchewan | \$403 | \$588 | \$768 | \$946 | \$598 | \$883 | \$1,161 | \$1,419 |

* Average household of 2.6 people

** For more information on these estimates, please see the Backgrounder: Fall 2018 Update – Estimated Impacts of the Federal Carbon Pollution Pricing System.

*** Climate Action Incentive payments for 2020-2022 are illustrative and subject to change.

- Amounts increase annually to reflect the increases in the federal carbon pollution price

Climate Action Incentive Payments

| | Climate Action Incentive payment for a family of four | | | |
|----------------------|---|-------|---------|---------|
| | 2019 | 2020 | 2021 | 2022 |
| Ontario | \$307 | \$451 | \$588 | \$718 |
| New Brunswick | \$256 | \$377 | \$495 | \$607 |
| Manitoba | \$340 | \$499 | \$654 | \$801 |
| Saskatchewan | \$609 | \$903 | \$1,189 | \$1,459 |

* For more information on these estimates, please see the Backgrounder: Fall 2018 Update – Estimated Impacts of the Federal Carbon Pollution Pricing System.

** Climate Action Incentive payments for 2020-2022 are illustrative and subject to change.

- Amounts increase annually to reflect the increases in the federal carbon pollution price

Support for MUSH, non-profits and Indigenous communities

| | Support to universities, hospitals, schools, municipalities, non-profits, and Indigenous communities | | | | | |
|---------------|--|---------|---------|---------|---------|---------|
| | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | Total |
| Ontario | \$50 M | \$75 M | \$100 M | \$125 M | \$125 M | \$475 M |
| Saskatchewan | \$15 M | \$25 M | \$30 M | \$40 M | \$40 M | \$150M |
| Manitoba | \$5 M | \$10 M | \$15 M | \$15 M | \$15 M | \$60M |
| New Brunswick | \$3 M | \$4 M | \$5 M | \$5 M | \$5 M | \$22M |

Notes: Numbers under \$5 M are rounded to the nearest M; those over \$5 M are rounded to the nearest \$5 M. Estimates beyond 2019-20 are illustrative and subject to adjustments as more information becomes available.

Support for small and medium-sized businesses

| | Support to Small and Medium-Sized Businesses | | | | | |
|----------------------|--|---------|---------|---------|---------|---------|
| | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | Total |
| Ontario | \$105 M | \$155 M | \$205 M | \$255 M | \$255 M | \$975 M |
| Saskatchewan | \$30 M | \$45 M | \$60 M | \$80 M | \$80 M | \$295 M |
| Manitoba | \$15 M | \$20 M | \$25 M | \$35 M | \$35 M | \$130 M |
| New Brunswick | \$5 M | \$10 M | \$10 M | \$15 M | \$15 M | \$55 M |

Note: Numbers under \$5 M are rounded to the nearest million; those over \$5 M are rounded to the nearest \$5 M. Estimates beyond 2019-20 are illustrative and subject to adjustments as more information becomes available.

Where the federal system will apply

- **Federal fuel charge** will apply in SK, MB, ON, NB
 - Did not propose a system that meets the benchmark
- The **federal system for large industry** (OBPS) will apply in ON, MB, NB, PEI, YK, NU and partially in SK
 - NB and PEI requested it
 - ON and MB do not have a system
 - SK is developing a pricing system for some of its industries; federal OBPS will fill gaps by covering electricity and natural gas transmission pipeline sectors
- **Provincial systems** will apply in BC, AB, QC, NS, NL, PEI
 - BC, AB, QC have systems in place
 - NS, NL on track to develop own systems
 - PEI on track to develop own fuel charge (+ federal OBPS)
- **Territories**
 - NWT on track to implement a system that meets the standard
 - Federal system will apply in YK & NU, with adjustments to recognize circumstances
 - Exempting aviation fuel and diesel-fired electricity in remote communities

When the federal system apply

- **The federal system for large industry** will apply in provinces in **January 2019**
 - Registration for regulatees will begin November 1, 2018
- **Federal fuel charge** will apply in SK, ON, MB, and NB in **April 2019**
- Carbon pollution pricing will take effect in **all three territories** in **July 2019**
 - Ensures alignment across the territories

The Output-Based Pricing System (OBPS)

- Will apply to large industrial emitters that compete internationally
- Designed to incent reductions and innovation and maintain economic competitiveness
- Industry motivated to reduce carbon pollution by:
 - \$20/tonne (2019)
 - \$30/tonne (2020)
 - \$40/tonne (2021)
 - \$50/tonne (2022)
- Recognized as a best practice – similar mechanisms used around the world, including here in Canada



How the OBPS works

- An emissions-intensity standard is set for a whole sector
 - The standard is set at 20% less than the average for the sector
 - Firms with higher emissions pay, and if they do better, they will be rewarded through credits that they can sell
- Compliance obligations can be met by:
 - paying the carbon pollution price (\$20/t in 2019 increasing to \$50/t in 2022)
 - Purchasing credits from industrial facilities that beat their standard
- Creates a strong financial incentive for the least efficient facilities to reduce their emissions per unit of output and for strong performers to continue to improve

OBPS development next steps

- Environment and Climate Change Canada will continue to engage industry and stakeholders as we develop the OBPS regulatory requirements
- Next steps
 - Fall 2018: Publish regulations with registration, quantification, reporting and verification requirements, starting January 2019
 - Fall 2018: Publish draft regulations with performance standards, for comment
 - Spring 2019: Publish final OBPS regulations
 - Will apply retro-actively to the full calendar year 2019 as the first compliance period