

## REQUEST FOR ONTARIO'S CARBON PRICE TO GO ONWARD AND UPWARD

–March 2017–

Since September 2010, Citizens' Climate Lobby members have been lobbying their provincial and federal levels of government for carbon fee and dividend: a national, upstream, and incrementally rising carbon tax where 100 percent of the money is returned to citizens on an equitable basis. Pricing carbon emissions is one of the most powerful incentives that governments have to encourage companies and households to pollute less by investing in cleaner technologies and adopting greener practices. In December 2016, the provinces and territories agreed to an overarching national carbon pricing policy. The provinces and territories can choose which carbon pricing system to use. Ontario has chosen a cap and trade system with revenue being redirected into programs. We applaud Ontario for putting a price on carbon to secure a healthy climate for us and future generations. The national minimum carbon price starts at \$10 per tonne in 2018 and rises to \$50 per tonne in 2022. However, \$50 per tonne won't be enough to meet Canada's goal of reducing emissions to 30% below 2005 levels by 2030 and our current goal is woefully inadequate. If every country adopted Canada's targets, this would not keep global warming below 2°C. In short, we are off to a great start, but we must do better.

### Our key concerns:

- With low carbon prices all the government is doing is collecting revenue, with a view to using that revenue to subsidize selected projects. This does not incent other possible reduction activities, e.g. conservation. The signal is uneven, therefore the reduction cost will be higher.
- For the carbon price to reduce emissions significantly, it must continue to rise past 2022 and reach at least \$150 per tonne by 2030. A carbon price of \$150 per tonne would increase the cost of living by approximately \$2,000 per person per year.
- For long-term viability, the carbon pricing policy has to be broadly accepted and impervious to populist and cynical attacks.
- The carbon price is not economy-wide. Free allocations, thresholds, and offsets must be gradually phased out.
- There is unclear equivalency between carbon tax and cap and trade prices. As well, current escalation of the WCI floor price will most likely not keep up with the minimum national carbon price from 2019 onwards.
- Complexity, lack of transparency, transaction and administrative costs, additionality of offsets, emissions

cut outside Canada and price volatility: the latter especially discourages investment and innovation.

- Emission intensive and trade exposed sectors of the Canadian economy deserve Border Tax Adjustments in preference to free allocations.
- Reliance on low-cost permits and offsets in California means investment capital leaves the country.

### The simple steps needed:

- The carbon price becomes economy-wide and continues to rise past 2022 with the objective of Canada exceeding our Paris targets and becoming a world leader in tackling the climate crisis and in the clean-tech industry.
- To abate populist and cynical attacks, the rising carbon price should not impose any additional burdens on low and middle-income Canadians. We recommend revenue neutrality and that the current cap and trade policy morph into either a cap and dividend program and/or carbon fee and dividend.
- We need unprecedented cooperation between the federal government, provinces, and territories. They must continue to meet openly and regularly and at the earliest possible date determine the price equivalencies between carbon taxes and cap and trade as well as start planning in earnest carbon pricing beyond 2022.
- When the province of Ontario meets with their federal, provincial and territorial counterparts, Ontario supports ending of financial subsidies to fossil fuel companies.
- Now that we have a national carbon pricing policy, to level the playing field for businesses that are emissions intensive and trade exposed, the Province of Ontario supports Border Tax Adjustments with international jurisdictions without a similar carbon price.
- When Ontario reports its GHG reductions, it clearly distinguishes between emissions cut directly in Ontario and indirect emissions cuts from carbon trading and offsetting with other partners in the WCI.
- If Ontario's cap and trade program in conjunction with the entire climate plan does not directly cut GHGs in alignment with the 1.5C pathway and/or there is a lack of political will for cap and trade – enact carbon fee and dividend.

We are grateful for your service to Ontario. We recognize that between 2008 and 2015 Ontario, Quebec and BC, were the key drivers behind any of Canada's reduction in GHG emissions. Climate and energy are highly connected and complex files. We are here to help.