



## **Carbon tax**

A carbon tax, also known as a carbon pricing, is a price levied on greenhouse gas (GHG) emissions from fossil fuel sources: coal, oil, natural gas or gasoline.

Carbon taxes are supposed to be a financial incentive for people and businesses to change their behaviour. By putting a price on pollution, the carbon tax reduces GHGs from households and businesses. The goal is to burn fossil fuels less; and transition to greener forms of clean energy.

About 50 countries tax GHG pollution. In Canada, some provinces are opposed to the tax - namely Alberta, Ontario, Saskatchewan - even though the Supreme Court has confirmed the constitutionality of carbon pricing.

### **The carbon tax rebate**

Canada's carbon tax is revenue-neutral. It gives 90% of the money back to people equitably, regardless of income or carbon footprint. This part of the program is called the Climate Action Incentive Payment (CAIP). It is a quarterly payment to eligible Canadians to help offset the costs related to the carbon tax.

Canada's carbon pricing system's two parts are the carbon levy that consumers pay at the pumps and in heating bills; and the Output Based Pricing System which applies to large emitters.

### **Problems with the carbon tax**

The carbon tax has been controversial and is the subject of political attacks to this day.

To begin with, the Federal Government has done a poor job of promoting the climate incentive rebate. Most of the criticism of carbon pricing focuses on the "tax" component, but fails to highlight the payback benefit to Canadians.

It is not clear if the program is influencing consumer behaviour in any significant way. And under the Output Based Pricing System, some 1400 big emitters in Canada - responsible for 40% of the country's GHG emissions - are off the hook.

This could limit Canada's ability to meet its emission reduction target. However, the carbon pricing system is but one of the tools our federal government has at its disposal to put a price on pollution and reduce emissions.