



RESPONSE TO PETITION

Prepare in English and French marking 'Original Text' or 'Translation'

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PRINT NAME OF SIGNATORY: **THE HONOURABLE CATHERINE MCKENNA**

Response by the Minister of Environment and Climate Change

SIGNATURE

Minister or Parliamentary Secretary

SUBJECT

Tax system

ORIGINAL TEXT

REPLY

The Government of Canada is committed to addressing climate change while building a clean, innovative economy and creating good middle-class jobs. On December 9, 2016, the Prime Minister and Premiers from across the country came together and finalized the Pan-Canadian Framework on Clean Growth and Climate Change, which is available online at <https://www.canada.ca/en/services/environment/weather/climatechange/pan-canadian-framework.html>.

Putting a price on carbon pollution is a central component of the Framework. Putting a price on carbon pollution is the most efficient way to reduce GHG emissions. Pricing pollution will drive innovative solutions to provide low-carbon choices for consumers and businesses. Over 90 per cent of Canadians live in provinces that already have a price on carbon pollution, or are working towards it. Ensuring a price on pollution across the country is a matter of fairness for all Canadians. The price on pollution should apply evenly to the main sources of GHG emissions throughout Canada in order to reduce GHG emissions at the lowest cost to business and consumers, and to support innovation and clean growth.

The pan-Canadian approach to pricing carbon pollution, announced on October 2016, is a practical and cost-effective way to address climate change and will contribute to substantial emissions reductions, stimulate innovation, clean growth and jobs for the middle class. It gives provinces and territories the flexibility to implement the type of system that makes sense for their circumstances—either a direct pricing system such as in BC or AB, or a cap and trade, such as in QC and ON. The federal government is also developing a 'backstop' carbon pollution pricing system that will apply in

jurisdictions that don't have a carbon pricing system in place in 2018 that meets the federal benchmark. On May 18, the Government of Canada released a technical paper that outlines the design of the proposed federal carbon pricing option.

Ensuring polluters pay in every province is central to a credible plan to tackle climate change. It reduces pollution and gives the incentive to companies to innovate and create cleaner solutions. It also provides certainty to businesses that we are moving to a clean-growth economy. That is why companies across Canada, from banks, to transportation firms, to oil and gas industry, have called for a price on carbon. They know pricing pollution makes good business sense.

The Working Group on Carbon Pricing Mechanisms reviewed the potential impact of additional carbon pricing policies in Canada. The analysis concluded that any economic costs of carbon pricing are likely to be smaller than potential fluctuations in such economic drivers as world oil prices.

Whichever system is implemented – federal or provincial – revenues from carbon pricing will remain in the jurisdiction of origin. Revenues from carbon pricing can be used to lower taxes, like in British Columbia, or support low-and middle-income families, like in Alberta. Ontario and Quebec invest their revenues in innovative green programs that create good jobs.

The specific impacts of pricing carbon pollution will depend on the system that each province chooses to implement, the behavioral changes that will be triggered by that system and how any revenues are used. As committed to under the Pan-Canadian Framework on Clean Growth and Climate Change, the Government of Canada will work together with provinces and territories to assess approaches and best practices to address competitiveness of Canadian businesses. We will also work together with the territorial governments and with Indigenous Peoples to find solutions that address their unique circumstances.

Taking action on climate change makes Canada more competitive, not less. Having a carbon price in all jurisdictions provides certainty and helps level the playing field across Canada. Global momentum is driving a move towards cleaner economic growth. Countries from China to the European Union to Chile to Singapore, and states including California – the sixth largest economy in the world – and states on the eastern seaboard of the United States are all pricing carbon pollution.

The Government of Canada is also investing in Canada's communities, their transportation, wastewater and electricity systems, businesses, industries, innovators and entrepreneurs, and research and development projects. To further advance Canada's efforts to build a clean economy and meet the goals outlined in the Pan-Canadian Framework on Clean Growth and Climate Change, Budget 2017 lays out the Government's plan to invest \$21.9 billion over 11 years. This includes approximately \$17 billion in infrastructure investments to support Canada's transition to a clean economy, and \$2 billion through the Low Carbon Economy Fund to reduce greenhouse gas emissions and help Canada transition towards a low carbon economy.