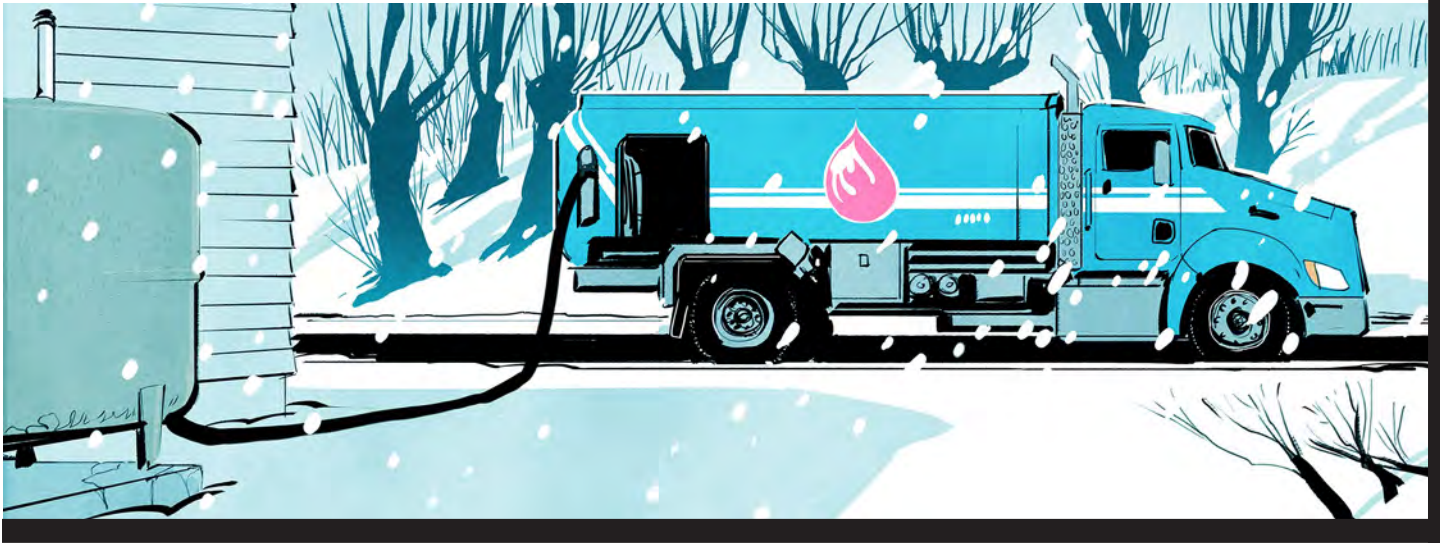




NATIONAL

THE CARBON TAX

— AND A CONTROVERSIAL PAUSE, EXPLAINED



In October, the federal government announced a three-year **moratorium** on the carbon tax for people who heat their homes with oil. The move put Prime Minister Justin Trudeau's governing Liberal Party in the hot seat.

A CARBON TAX PRIMER

So what exactly is the carbon tax? It's officially called the Greenhouse Gas Pollution Pricing Act (GGPPA). The GGPPA became federal law in 2018.

The goal of the tax is to encourage consumers and businesses to stop using **fossil fuels** over time. Why? Because when these fuels are burned, they release the greenhouse gases that are causing climate change.

To accomplish this goal, the GGPPA makes people pay for the amount of greenhouse gases they cause to be released into the atmosphere. The hope is that people will choose to produce fewer carbon emissions so they won't have to pay as much tax.

Also, by making fossil fuels more expensive, **renewable energy** becomes more affordable. That makes alternatives to fossil fuels increasingly attractive for consumers.

But does it work? That's a hard one to call. Canada's emissions did fall by 53 million tonnes in the two years after the law was passed. But experts don't know how much of that was because of carbon pricing.

However, British Columbia has had a carbon tax since 2008.

Research shows that the tax has reduced emissions there by between five and 15 percent.

THE NITTY-GRITTY

Here's how the tax works in practice. The government sets a price that emitters must pay for each tonne of greenhouse gases they produce. The price starts low to give Canadians time to change their habits. It then increases annually. In 2023 the carbon tax is \$65 per tonne. It will go up by \$15 per tonne each year until it hits \$170 in 2030 and stops.

The plan has two parts. The first affects consumers who must pay extra to use coal, gasoline, and other fossil fuels. Distributors of these products pay the tax, but pass the cost on to users.

DEFINITIONS

FOSSIL FUEL: fuel such as coal, oil, or natural gas that was formed over millions of years from parts of dead animals or plants

MORATORIUM: a temporary stopping of an activity, especially by official agreement

RENEWABLE ENERGY: types of energy that can be replaced naturally such as energy produced from wind or water



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The second component of the tax is called an output based pricing system (OBPS). It is aimed at industries like chemical plants that typically produce more than 50,000 tonnes of CO₂ annually, or the equivalent in other greenhouse gases. To remain competitive, such enterprises don't pay the tax on the energy they consume. Instead, they pay for the emissions they produce.

A NOVEL APPROACH

Several regions already had some kind of carbon pricing in place when the Liberals introduced the GGPPA. Others didn't want a carbon tax at all. So **jurisdictions** were given the option of setting their own carbon pricing system or choosing the federal government's plan. However, they all have to meet minimum GGPPA guidelines.

Ten of the 13 Canadian provinces and territories have adopted the federal system. Three have separate plans. They are British Columbia, Quebec, and the Northwest Territories.

As taxes go, the GGPPA has a lot in its favour. The reason: nearly all the proceeds from the tax must be returned to people in the form of a **rebate**. About 80 percent of Canadian households get more from the rebate than they pay in carbon tax.

SO WHAT'S THE ISSUE?

But now the Liberals have called for a pause in the tax on heating oil, which only three percent of Canadians use. The government says it is giving tax relief to families hit hardest by inflation. It argues that people who use oil for heat often have less income than others.

However, critics say the move unfairly benefits the Atlantic provinces. Why? It's the region where oil is most used for heat. Some observers believe that the Liberals have **exempted** heating oil to win Atlantic votes in the 2025 federal election.

Pierre Poilievre, leader of the opposition Conservatives, wants to abolish the carbon tax entirely. For now, he's demanding a pause on all forms of the home heating carbon tax. NDP Leader Jagmeet Singh likes the carbon tax but says exempting oil is "divisive."

And many people worry that any pause severely weakens a key weapon that Canada is using to help **mitigate** climate change.

The Liberals insist that they won't make any more changes to the carbon tax. But they have disappointed many people.

"The challenge for the government is that for years, they've been **virtuous** and so value-driven," said Lori Turnbull of Dalhousie University. "They often suggest there's no compromise. [So] they've backed themselves into a corner. It's made people in other parts of the country – who don't use heating oil but are still feeling the affordability crisis – even more angry." ★

DEFINITIONS

EXEMPT: to give somebody official permission not to do something or not to pay something they would normally have to do or pay

JURISDICTION: a country, state, or other area where a particular set of laws or rules apply

MITIGATE: to make something less harmful or unpleasant

REBATE: an amount of money that is returned to you, especially by the government

VIRTUOUS: having or showing high moral standards