Carbon pricing coverage across the provinces. Where does your province measure? New School of Public Policy report

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Calgary – In a parliamentary speech in October 2016, Prime Minister Justin Trudeau introduced the federal government's carbon pricing plan, announcing that all Canadian jurisdictions will have put a price on carbon pollution by 2018. After two years of announcements, retractions, discussions and debate, the rollout of carbon pricing in each province was finalized in October 2018.

Today, The School of Public Policy and author's Jennifer Winter, Sarah Dobson and Brendan Boyd released a report that provides a comparison between provincially announced pricing systems, the federal backstop and the federal benchmark, focusing on coverage of the carbon price in each system. Using reported emissions data for each province from 2015, the report provides an estimate of emissions coverage in each province from the policies in effect in 2019.

According to Winter, "The federal government has set a pricing benchmark, the minimum level of emissions coverage that provincial pricing policies are required to meet. The federal backstop — consisting of a carbon tax and output-based pricing system (OBPS) for large emitters — is imposed on provinces whose policies don't measure up to the federal benchmark. We examine how the coverage of implemented, announced and former provincial pricing policies measure up to the benchmark and backstop. When all is said and done, carbon pricing coverage differs substantially across the provinces. Due to variation in emission sources, as well as region-specific exemptions, carbon pricing coverage will range from **47 per cent** of emissions in Prince Edward Island to **90 per cent** in New Brunswick."

Only two provinces — British Columbia and Quebec — have provincial pricing plans where coverage meets the federal benchmark. Alberta, Nova Scotia, Prince Edward Island, and Newfoundland and Labrador have all introduced provincial carbon pricing plans that fall short of the federal benchmark for coverage. Despite this, all four provinces received the federal government's endorsement. Alberta's shortcoming is the result of a targeted and short-term exemption of small oil and gas producers, while Nova Scotia's cap-and-trade program meets the federal benchmark's stringency requirement for overall emissions reductions. The justification for the exceptions provided to Prince Edward Island and Newfoundland and Labrador are less obvious, and may be a nod towards the relatively rural nature of both provinces, as well as more limited access to lower-emitting fossil fuel substitutes. The remaining four provinces — Saskatchewan, Manitoba, Ontario and New Brunswick — will see the federal backstop imposed in whole or in part.

Some of the disparity in provincial coverage reflects differences in provinces' industrial profiles. This points to a need for complementary emissions-reduction policies for non-combustion emissions in these jurisdictions. Other disparities, however, can be traced to the federal government's inconsistent application of the coverage benchmark. The federal government will likely face increasing pressure on this point going forward, particularly from the growing number of provinces that are opposed to carbon pricing and expected to criticize any evidence of inequitable treatment.

The paper can be downloaded at https://www.policyschool.ca/publications/

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