New Report Says Canada Should Adopt AB or BC Approach to Carbon Pricing

The best way to address climate change and reduce GHG emissions isn't always clear. As a result, different countries and jurisdictions within countries often take different approaches, which provides an opportunity to see which ones work best.

A new report from Canadians for Clean Prosperity, a not-for-profit advocacy group, and the Deep Decarbonization Pathways Project, a global think tank, says that with the right mix of carbon pricing policies, Canada and the provinces can make significant progress towards meeting the country's emission reduction targets'a 30% reduction in emissions from 2005 levels by 2030'with only modest economic costs.

The researchers considered what would happen if Canada adopted on a national level one of two carbon pricing models'either a straight carbon tax similar to BC's or a hybrid carbon pricing model like Alberta's proposed new system. For both models, they assumed the carbon price would rise from $30 per tonne in 2018 to roughly $110 per tonne by 2030.

They found that, when these policies are applied Canada-wide, both can cost-effectively close Canada's gap to its 2030 emission reduction target. Across the board, these two policies deliver substantially more reductions compared to the

current trajectory of federal and provincial policies.

Specifically, both approaches would significantly reduce Canada's GHG emissions (to 16-17% below 2005 levels by 2030), while the hybrid carbon price model actually boosts economic performance both across Canada and in most regions compared to the status quo.

For example, an Alberta-style hybrid carbon price model, which provides some emissions allowances to industry based on their emissions intensity, applied at a national level would boost GDP by 1.43% in Alberta and 4.23% in Saskatchewan, compared to the results under the current set of federal and provincial policies.

The report also considers how best to spend the significant revenue expected to be collected by government from carbon pricing, assessing two ways:

- Returning money to taxpayers in the form of tax cuts; or
- Spending on programs and projects that reduce emissions.

The researchers found that when governments choose to cut taxes with the revenue generated through carbon policies, as is done under BC's carbon tax, negative economic impacts are somewhat offset. But when governments opt to spend the revenues on emissions reducing programs and/or projects, costs increase'but greater emission reductions are seen.