

ISSUE IN FOCUS



Celebrating 100 Years

SASKATCHEWAN
CHAMBER of COMMERCE

Federal Carbon Tax

Background:

The Saskatchewan Chamber of Commerce position around carbon pricing in Saskatchewan is consistent with the Government of Saskatchewan's stated position that a direct carbon pricing scheme, either in the form of a tax or through a cap and trade program, is not the appropriate mechanism for reducing greenhouse gases in the province, as such a policy will put Saskatchewan's Energy-Intense and Trade-Exposed (EITE) sectors at a competitive disadvantage. The Chamber instead advocates for technological investments and incentives to reduce carbon emissions.

Issue:

The Saskatchewan Chamber of Commerce supports the provincial government's Prairie Resilience strategy that outlines multiple commitments across five areas designed to make Saskatchewan more resilient to the climatic, economic and policy impacts of climate change.

The Saskatchewan Chamber of Commerce believes that investments in energy efficiency, not taxation, is one of the most effective ways to reduce GHG emissions. Unlike a carbon tax, energy efficiency programming enhances competitiveness by reducing a business's energy-related costs. Nonetheless, promoting energy efficiency requires both education and a significant amount of capital investment before it can be put in to place by SMEs, the government needs to help these operations transition now before driving them out of business with a tax first mentality.

Recommendations:

1. No mandated carbon tax should be implemented until Canada's large trading partners, who are also large GHG emitters, establish their own equivalent carbon pricing processes to ensure Canadian and Saskatchewan companies can compete globally. This includes countries such as the United States, China, and

India, among others.

2. The Government of Canada should conduct a more detailed evaluation of alternative means to reduce Canada's carbon emissions without additional taxation before moving forward with the mandatory implementation of carbon pricing.
3. An economic analysis of the proposed carbon tax system should be conducted jointly by both the federal and provincial government and be made publicly available. This would include both national and provincial data and provide details on how the system will impact consumers and businesses
4. The Government of Saskatchewan and the Government of Canada should expand education initiatives on improving energy efficiency. Additionally, energy efficiency improvements should be incentivized, using mechanisms such as the capital cost allowance, or other tax/grant programs, which will need to be funded from general revenue.
5. If adopted, the implementation of the carbon price should be coupled with a federal commitment to reduce and avoid additional GHG emission regulations. It is essential that the government avoid layering a carbon price over a regulatory regime that already adds costs for businesses
6. If mandated by the federal government to price carbon emissions, the Government of Saskatchewan should adopt a carbon tax and not a cap-and-trade regime. This new tax should be implemented in a staged manner, allowing businesses to adjust.
7. Saskatchewan's carbon tax system should provide relief for trade-exposed industries, including 100% output subsidies for the first year and gradually moving towards an output subsidy that is tied to the "top quartile" of performance in a specific sector, similar to the Alberta model.
8. Through discussions with industry, the Government of Saskatchewan should establish exemptions to the carbon tax within the province; these could include: marked gasoline and diesel used by farmers in farming, fuel used in industrial processes but not combusted, or others. The federal government has stated it wants to see 70% of emissions covered, the province should fully utilize this flexibility.
9. Saskatchewan should develop an objective and transparent set of criteria to determine which sectors will be eligible for exemptions or output subsidies, as well as outline how the subsidies will change over time.
10. Revenue collected through the carbon tax should be used to provide broad-based personal and corporate tax relief, as well rebates to trade-exposed industries.
11. Revenue collected through the carbon tax should not be used to finance other government priorities.
12. Revenue collected through the carbon tax should not be used to allow the government to pick green tech or green infrastructure winners and losers

13. The Government of Saskatchewan must ensure the carbon tax system is transparent to all participants.

History:

Letter to Ministers of Environment 2016

Letter to Premier 2017 (Carbon Tax Member Survey Results)

Letter to Federal Minister of Environment 2017

Letter to Provincial Minister of Environment 2017

Letter to Ministers of Environment 2018

Letter to Prime Minister 2018

Letter to Provincial Minister of Environment 2019