**Carbon Dividends Would Benefit New Brunswick Families**

October 17th 2018

# New Study Shows that Returning Carbon Revenues Directly to New Brunswick Households would be Net Financially Positive for the Vast Majority of Households

CLEAN PROSPERITY

Last month, Canadians for Clean Prosperity commissioned a groundbreaking economic impact study that revealed that, under the proposed federal backstop carbon pricing system, households in Ontario, Saskatchewan, and Alberta would receive more back in carbon dividends than they would pay in carbon pricing costs, should the government elect to return all revenue collected to citizens, following what's known as a "fee and dividend" approach.

As a companion to that report, we have new data that suggests the same is true for New Brunswick, which will likely be deemed noncompliant with The federal Greenhouse Gas Pollution Pricing Act, and have the federal "backstop" price imposed on them come January 2019. This backstop would take the form of a direct carbon tax, starting at $20 per tonne in January 2019, and rising by $10 per year until reaching $50 in 2022.

Returning money directly to households in the form of a dividend cheque has been suggested as a mechanism to ensure that families are not unfairly burdened by increased energy costs. This does not mean that households would receive back the same amount that they paid in carbon taxes. Every individual would receive an equal per capita payment – the more individuals and households can reduce their greenhouse gas emissions, the more money they will save.

What has been unclear up until now is how a carbon fee & dividend approach would affect average households in New Brunswick, and different household types with different numbers of people or income levels. Canadians for Clean Prosperity commissioned Dave Sawyer of EnviroEconomics to investigate:

A. How much Canadians in New Brunswick would pay in carbon taxes under the federal backstop (taking into account both direct and indirect costs);

B. How much revenue would be collected from New Brunswick under the federal backstop; and

C. How much New Brunswick households of different compositions and of different income levels would receive back if the money was returned as carbon dividends, and whether those households would see net benefits or net costs.

The results show that at almost all income levels and for almost all family types, families and households would receive more money back in carbon dividends than they would pay out in carbon taxes or indirect costs.

There will be enough funds to give households back more than they paid in because carbon taxes are collected not only on households but also on business and industrial emissions. To ensure jobs are not lost, large emitter companies in trade sensitive sectors such as cement or steel manufacturing would have their payments

largely refunded through the federal Output Based Pricing System. However, our modelling assumes that the federal government would choose to recycle all other revenues directly to households.

**The results show that at almost all income levels and for almost all family types, families and households would receive more money back in carbon dividends than they would pay out in carbon taxes or indirect costs.**

### Costs

The first table shows the increased direct carbon costs that households would pay for energy use in New Brunswick. This includes costs such as fuel for transportation and home heating. Note that higher income households tend to emit more carbon than lower income households.

Figure 1: NB Household Carbon Costs in Purchased Energy ($2017, central value)

| Income Group | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|
| <$20k | $132 | $189 | $243 | $294 |
| $20k- $40k | $172 | $247 | $318 | $383 |
| $40K-$60k | $190 | $272 | $350 | $421 |
| $60K-$80k | $217 | $310 | $399 | $480 |
| $80K-$100K | $230 | $330 | $424 | $510 |
| $100K-$150K | $251 | $359 | $461 | $554 |
| >150K | $276 | $395 | $507 | $610 |

The second table shows the indirect costs households would pay in New Brunswick. These figures were calculated by looking at the goods and services that typical households consume in Statistics Canada household consumption expenditure data, and then calculating the greenhouse gas intensity of that basket of goods and services.

Figure 2: NB Household Indirect Costs in Non-Energy Consumption ($2017, central value)

| Income Group | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|
| <$20k | $29 | $42 | $56 | $68 |
| $20k- $40k | $37 | $55 | $72 | $88 |
| $40K-$60k | $45 | $80 | $105 | $130 |
| $60K-$80k | $45 | $93 | $123 | $151 |
| $80K-$100K | $64 | $107 | $141 | $174 |
| $100K-$150K | $102 | $151 | $199 | $245 |
| >150K | $123 | $182 | $239 | $294 |

### Benefits

In New Brunswick, our modelling suggests individuals would receive $163 per capita in 2019 if all revenues were returned on an equal per capita basis in the province. An average New Brunswick household (2.6 people) would receive $441 in 2019.

Figure 3: Estimated revenue to be returned equally to all NB households or per capita (central estimate)

| | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|
| **All revenue** | | | | |
| Household | $441 | $645 | $835 | $1,019 |
| Per capita | $163 | $239 | $309 | $377 |

### Net Costs / Benefits

Under this scenario, households would face both increased carbon costs and financial assistance in the form of carbon dividends. Therefore, the question remains, would most households be further ahead or further behind? **Our calculations show that the vast majority of households in New Brunswick at all income levels and family types would be net financial winners from a carbon dividends system.**

Figure 3: NB Net Household Benefit / (Cost) ($2017, central value)

| Income Group | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|
| <$20k | $280 | $414 | $536 | $657 |
| $20k- $40k | $232 | $343 | $445 | $548 |
| $40K-$60k | $206 | $293 | $380 | $468 |
| $60K-$80k | $179 | $242 | $313 | $388 |
| $80K-$100K | $147 | $208 | $270 | $335 |
| $100K-$150K | $88 | $135 | $175 | $220 |
| >150K | $42 | $68 | $89 | $115 |

## Conclusion

By making it more expensive to pollute, households and businesses become more incentivized to reduce emissions. Changing habits can help reduce carbon output, lessening the impact on the environment. This research demonstrates that the objection that carbon pricing will cost average households in New Brunswick large amounts of money is ill-founded – or at least easily mitigated. By implementing carbon dividends, the federal government can ensure that typical families will receive more money back in their dividend cheques than they will face in additional carbon costs. The study also shows that with carbon dividends, carbon pricing would be highly progressive. While almost all households would be net beneficiaries, by far the biggest benefit will go to lower income households. Based on these findings, Canadians for Clean Prosperity recommends that the federal government use all revenues collected in provinces subject to the federal carbon pricing backstop to introduce per capita carbon dividends in those provinces.

Mark Cameron
Executive Director, Canadians for Clean Prosperity
info@cleanprosperity.ca