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Economic and Environmental Opportunity:

Growing the Economy, Reducing Emissions

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Creating Jobs and Growth Through Income Tax Reform and Income Tax Reductions

Economic growth, sluggish for the last several years, is nearing recessionary levels on a per capita basis.¹ Job creation remains flat and unemployment remains stubbornly high, at about 7%. More than 1.3 million Canadians are out of work.²

In addition, squeezed by the increasing cost of living, high income taxes, sluggish wage growth and stubbornly high unemployment, Canadian families are finding it harder and harder to make ends meet.

High levels of income tax are one reason for these challenges. The level of income tax (direct taxation) has risen significantly over the last 50 years, from about 12% of gross household income in the 1960s to about 18% today – a 50% increase.^{3,4}

Few taxes have a greater negative impact on job creation and economic growth than income taxes. Shifting the taxation system away from income taxes to other forms of revenue is a powerful way to create jobs and growth. Forty years ago, no OECD member state relied on consumption taxes. Today, most have introduced consumption taxes in order to shift taxation away from income taxes.

The income tax base has also become narrower, due to the myriad of tax deductions and credits introduced over the last 30 years, and overly complex, significantly increasing the cost of compliance. It is estimated that Canadians spent between \$5.84 billion and \$6.96 billion complying with the personal income tax system in 2012.⁵ That amounts to between \$648 and \$772 a year for a typical family of four.

Reducing income taxes is one way to boost growth, encouraging Canadians to work, save and invest. Simplifying Canada's income tax system is another way to boost growth, by broadening

¹ The Bank of Canada is forecasting 1.1% aggregate GDP growth. Taking into consideration annual population growth of 1% means that per capita GDP growth is near zero.

Bank of Canada downgrades economic outlook through 2018, The Toronto Star (October 20, 2016)

<<https://www.thestar.com/business/2016/10/20/bank-of-canada-downgrades-economic-outlook-through-2018.html>>

² *Labour Force Survey, September 2016, Statistics Canada, (September 2016)*

<<http://www.statcan.gc.ca/daily-quotidien/161007/dq161007a-eng.htm?HPA=1&indid=3587-2&indgeo=0>>

³ *Three Decades of Economic and Financial Change in Canada: 1969 to 1999* <<http://publications.gc.ca/Collection-R/LoPBdP/BP/prb015-e.htm>>

⁴ *Survey of household spending (SHS), Statistics Canada*

<<http://www5.statcan.gc.ca/cansim/a26?lang=eng&retrLang=eng&id=2030021&&pattern=&stByVal=1&p1=1&p2=31&tabMode=dataTable&csid=>>>

⁵ *Reforming Federal Personal Income Taxes, A Pro-Growth Plan for Canada, Fraser Institute (January 2015)*

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the tax base, reducing the cost of compliance and helping to make the tax system more competitive with other jurisdictions.

It has been thirty years since the personal income tax system has been reformed. Prime Minister Brian Mulroney's government reformed the personal income tax system in 1987, flattening the system from ten federal rates to three, and reducing the federal upper marginal rate from 34% to 29%. Today, the federal personal income tax system has gone back to the '70s, with five federal rates and a federal upper marginal rate of 33%.

In January 2015, the Fraser Institute proposed reforms to the personal income tax system in a paper, *Reforming Federal Personal Income Taxes, A Pro-Growth Plan for Canada*.⁶ The paper presented the following three options to simplify the income tax system and lower marginal rates.

Option 1

- Eliminate the two middle rates of 26% and 22% (now 20.5%), leaving in place the 15% and 29% rates
- The current thresholds for the 15% and 29% rates would be left in place
- This option is estimated to cost \$21.4 billion

Option 2

- Same as Option 1, but increase the threshold at which the 29% rate is applied from \$136,271 to \$250,000
- This option is estimated to cost \$26.4 billion

Option 3

- Same as Option 2, but reduce the upper tax rate from 29% to 25%
- This option is estimated to cost \$28.6 billion

The Fraser Institute estimated that Option 1 would cost \$21.4 billion. With the Liberal government's new tax rate of 33% (bringing in \$1.65 billion) and the reduction of the 22% rate to 20.5% (costing \$2.85 billion), the new cost of implementing Option 1 would be \$20.2 billion.

Option 1 is the most feasible of all three options because of its lower cost. It is also the most progressive of the three options. To pay for Option 1, the Fraser Institute paper proposed to eliminate \$22.9 billion in tax expenditures.

However, it would be politically difficult to eliminate all of the \$22.9 billion in tax expenditures. For example, some of the tax expenditures identified for elimination include:

⁶ *Reforming Federal Personal Income Taxes, A Pro-Growth Plan for Canada, Fraser Institute (January 2015)*



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- *Charitable Donations Tax Credit*
- *Seniors Pension Income Splitting*
- *Seniors Age Credit*
- *Seniors Income Credit*
- *Child Care Expense Deduction*
- *Deduction of Union and Professional Dues*
- *Employee Stock Option Deduction*
- *Tuition Tax Credit*
- *Registered Education Savings Plan*

Clearly, there would be significant opposition to eliminating the tax expenditures listed above.

A more feasible goal would be to eliminate half of the \$22.9 billion in tax expenditures, leaving tax expenditures listed above to remain in place and instead eliminating tax expenditures like the *Overseas Employment Credit*, *Moving Expense Deduction*, etc.

Eliminating half of the tax expenditures would result in \$11.5 billion in income tax additional revenue. This is not sufficient to pay for the \$20.2 billion cost of Option 1. However, the introduction of a revenue neutral *Federal Carbon Tax*, explained in further detail below, would generate roughly an additional \$18.1 billion by 2030.

The \$11.5 billion generated by eliminating tax expenditures would pay for:

- Doubling of the *Working Income Tax Benefit* (\$1.2 billion)
- New *GST/HST and Carbon Credit* (\$5.0 billion)⁷
- Reductions in personal income taxes (\$5.3 billion)

The \$18.1 billion generated by a revenue neutral *Federal Carbon Tax* would pay for:

- Reductions in personal income taxes (\$14.9 billion)
- Reductions in corporate income taxes (\$1.9 billion)
- New federal transfer to provinces: *Revenue Neutral Carbon Incentive* (\$1.3 billion)

Along with the Federal Carbon Tax, carbon regulations, programs, funds and accelerated capital cost allowances would be eliminated. This would generate \$1.7 in savings which would be used to pay for:

- New federal transfer to provinces: *Revenue Neutral Carbon Incentive* (\$1.7 billion)

Using \$14.9 billion generated by the new *Federal Carbon Tax* to reduce personal income taxes results in an *absolute* reduction in federal personal income tax revenues, something that Option 1 as proposed by the Fraser Institute does not accomplish.

⁷ See Appendix C for calculations.



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Both the personal and corporate income tax cuts would be fully implemented in the 2020 budget. However, the *Federal Carbon Tax* would not be fully implemented until 2030, meaning it would be revenue negative for 10 years. This would result in an \$86.9 billion fiscal stimulus in the form of income tax cuts.⁸

The Plan

A Conservative Party led by Michael Chong will:

- Reduce personal income taxes by \$14.9 billion a year. This would be an absolute reduction in personal income taxes of 10%⁹
- Flatten the personal income tax system from five rates to two rates, keeping the current 15% and 29% rates and the current thresholds¹⁰
- Simplify the personal income tax system by eliminating half of the \$22.9 billion in tax expenditures identified by the Fraser Institute¹¹
- Reduce corporate income taxes by \$1.9 billion a year. This would be an absolute reduction in corporate income taxes of 5%¹²

The Results

Reducing income taxes and simplifying the personal income tax system:

- Result in an absolute reduction in personal income taxes of at least \$14.9 billion and up to \$44.9 billion a year¹³
- Result in an absolute reduction in corporate income taxes of \$1.9 billion a year
- Result in a 10-year \$86.9 billion fiscal stimulus in the form of income tax cuts
- Boost economic growth
- Reduce the cost of tax compliance
- Reduce the need for family income splitting, since flattening the tax system eliminates the difference between marginal rates

⁸ See Appendix B for calculations.

⁹ The federal government currently collects about \$150 billion a year in personal income taxes. Using \$14.9 billion of the new *Federal Carbon Tax* to pay for these personal income tax cuts would result in an absolute reduction in personal income tax revenues of about 10%. This tax cut will be fully implemented in 2020. The *Federal Carbon Tax* would be revenue negative for a period of time, since it would not be fully implemented till 2030, providing fiscal stimulus in the form of a tax cut of nearly 1% of GDP in 2020.

¹⁰ The two rate system would be fully implemented in 2020.

¹¹ The elimination of \$11.5 billion in tax expenditures will be fully implemented in 2020.

¹² The federal government currently collects about \$39 billion a year in corporate income taxes. Using \$1.9 billion of the new *Federal Carbon Tax* to pay for these corporate income tax cuts would result in an absolute reduction in corporate income tax revenues of 5%. This tax cut will be fully implemented in 2020.

¹³ There will be an absolute reduction of federal personal income taxes by \$14.9 billion due to the new *Federal Carbon Tax*. In addition, up to \$30 billion in reductions in provincial taxes could result from the \$3.0 billion *Revenue Neutral Carbon Incentive*, which will provide provinces a federal transfer equal to 10% of the provincial income taxes cut using provincial carbon revenues.

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Helping Low-Income Canadians by Doubling the *Working Income Tax Benefit*

Many individuals and families working in minimum wage jobs have difficulty in making ends meet, and often have incentive to leave the workforce in order to access certain government benefits.

As a result, in 2007 Finance Minister Jim Flaherty introduced the *Working Income Tax Benefit* (WITB) to assist low-income Canadians. WITB is a type of a guaranteed annual income in the form of a negative income tax, with one caveat. It provides a benefit only to those working. Those who do not work do not get any benefit.

WITB is a refundable tax credit that supplements the earnings of low-income workers. It pays no benefit if someone is making less than \$3,000 a year. For a family with children in 2015, it provides a refundable tax credit of 25% of each dollar of working income in excess of \$3,000, reaching a maximum benefit of \$1,844 at \$10,375 of working income in 2015. Once net income exceeds \$15,915, the benefit is reduced at a rate of 15% of each additional dollar, until the benefit is fully phased out at an income of \$28,209. For individuals in 2015, the WITB reaches a maximum benefit of \$1,015 at \$7,060 of working income, beginning to phase out at a net income of \$11,525, and phasing out completely at an income of \$18,292.¹⁴

WITB is not generous enough to have a major impact on reducing poverty or encouraging Canadians to enter and stay in the workforce. In the US, the *Earned Income Tax Credit* (EITC), similar in form to WITB, is far more generous and provides a greater incentive for low-income Americans to enter and stay in the workforce. For example, in 2015 the maximum EITC benefit for a family with children is \$6,242 USD, compared with \$1,844 under WITB.¹⁵ The more generous EITC, could explain, in part, why the US unemployment rate is two points lower than in Canada.

Currently WITB costs \$1.15 billion a year. Doubling the WITB would cost an additional \$1.15 billion a year. This cost will be funded by eliminating half of the tax expenditures identified by the Fraser Institute's paper, *Reforming Federal Personal Income Taxes, A Pro-Growth Plan for Canada*.

¹⁴ *Refundable tax credit for Working income tax benefit: Calculation, Canada Revenue Agency*
<http://www.cra-arc.gc.ca/bnfts/wtb/fq_clc-eng.html>

¹⁵ *2015 EITC Income Limits, Maximum Credit Amounts and Tax Law Updates, Internal Revenue Service*
<<https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/eitc-income-limits-maximum-credit-amounts>>

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The Plan

A Conservative Party led by Michael Chong will:

- Double the *Working Income Tax Benefit*,¹⁶ from \$1.15 billion to \$2.3 billion

The Results

Doubling the *Working Income Tax Benefit* will:

- Help workers in minimum wage jobs by effectively raising the minimum wage
- Meet the challenge of Canada's shrinking workforce by increasing the opportunity cost of not working

¹⁶ The doubling of the *Working Income Tax Benefit* will be fully implemented in 2020.

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Helping Low-Income Canadians Through a New *GST/HST and Carbon Credit*

In order to offset the carbon tax paid by low-income Canadians, the *GST/HST Credit* will be replaced with a new *GST/HST and Carbon Credit*. This will be a tax-free refundable tax credit, paid quarterly, to help low-income individuals and families offset the costs of both the *GST/HST* and the *Federal Carbon Tax*. Merging the existing *GST/HST credit* into the new *GST/HST and Carbon Credit* will ensure efficient delivery of this credit.

Once the *Federal Carbon Tax* is fully implemented, it is estimated that the additional cost of the *GST/HST and Carbon Credit* will be \$5 billion a year.¹⁷ This cost will be funded by eliminating half of the tax expenditures identified by the Fraser Institute's paper, *Reforming Federal Personal Income Taxes, A Pro-Growth Plan for Canada*.

The Plan

A Conservative Party led by Michael Chong will:

- Replace the *GST/HST Credit* with a new *GST/HST and Carbon Credit*¹⁸

The Results

The new *GST/HST and Carbon Credit* will:

- Offset the *Federal Carbon Tax* paid by low-income individuals and families

¹⁷ British Columbia, with a population of 4.6 million and a carbon tax of \$30/t, spends \$192 million a year on the Low Income Climate Action Tax Credit. A corresponding amount for Canada, with a population of 36 million and a Federal Carbon Tax of \$100/t, would be \$5.0 billion per year.

¹⁸ The *GST/HST and Carbon Credit* will be phased in from 2021 to 2030, coinciding with the rollout of the *Federal Carbon Tax*.

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Reducing Emissions Through a Revenue Neutral *Federal Carbon Tax* and a Revenue Neutral *Carbon Incentive*

The scientific evidence is clear. Climate change is one of the greatest environmental challenges of our time. From increasing floods and droughts to disappearing glaciers and sea ice in Canada's Arctic, the impacts of climate change are already being felt. Negative economic impacts are being felt in the insurance industry due to a greater number of extreme weather events. Canada needs to take action, and Conservatives need to have a credible plan to reduce emissions in the 2019 election, a plan based on a conservative belief in the power of markets.

In December, 2009, the Harper government committed in the *Copenhagen Accord* to reduce greenhouse gas emissions (GHGs) 17% below 2005 levels by 2020. In May, 2015, the Harper government announced a new target of reducing GHGs 30% below 2005 levels by 2030. This new target was adopted by the current Trudeau government when it signed the *Paris Accord* in 2016.¹⁹

In order to reduce emissions by 30%, carbon needs to be priced. Currently, carbon is not (fully) priced in our economic system; in the language of economists, it is an “externality”. As a result, no pricing signal exists for the market to respond and a market failure results. This market failure has led to ever increasing levels of greenhouse gases in our atmosphere. The cost of these rising greenhouse gases and a warming planet are an increase in extreme weather events, rising sea levels, loss of biodiversity, and ultimately, negative economic impacts. These costs are not currently priced into our economic system.

Broadly speaking, there are two ways to price carbon: carbon taxes or carbon regulation. A carbon tax is exactly what its name implies: a tax on each tonne of emissions. Carbon regulation, on the other hand, can take many forms: cap-and-trade systems, incentives for renewable energy, renewable fuels, etc.

Carbon taxes are a cheaper way to reduce emissions than carbon regulation, because they use the power of markets to achieve outcomes rather than the heavy intervention of government regulation. For example, Canada's Ecofiscal Commission estimates that carbon regulation in the form of federal ethanol regulation costs at least \$180 for every tonne of carbon dioxide reduced.²⁰ A carbon tax can achieve the same outcome for about one-fifth that cost.

¹⁹ Emissions stood at 747 Mt in 2005. A reduction of 30% would mean 523 Mt of emissions in 2030. The Chong plan is based on a reduction in emissions from 2014 levels.

Environment and Climate Change Canada (2016) Canadian Environmental Sustainability Indicators: Greenhouse Gas Emissions. Consulted on October 25, 2016.

www.ec.gc.ca/indicateurs-indicators/default.asp?lang=en&n=FBF8455E-1

²⁰ COURSE CORRECTION, *It's Time to Rethink Canadian Biofuel Policies*, October 2016

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In the Canadian context, any carbon tax will need to be based on three principles. First, a carbon tax needs to be a consistently priced across all regions of Canada and all sectors of the economy. This is to avoid distortions in our national economy. Otherwise, a patchwork of ten different emission regimes will emerge, creating a new and significant barrier to inter-provincial trade. Second, a carbon tax must not be used as a form of “back-door” equalization. In other words, the federal government must ensure that carbon tax revenues are not taken out of resource rich regions and re-distributed across the country. Third, and most importantly, any carbon tax needs to be revenue neutral to the taxpayer.

British Columbia implemented a revenue neutral carbon tax in 2008. This carbon tax is generally seen as successful. It has reduced emissions compared to “business as usual”, while at the same time allowing BC to reduce income taxes. BC now has the lowest income taxes in Canada, while at the same time enjoying the strongest economic growth of all provinces.^{21,22}

The Plan

A Conservative Party led by Michael Chong will:

- Set a national carbon price of \$10/t in 2018, rising at \$10/t per year until a \$130/t price is reached in 2030. This national price will apply to all sectors and all regions of the country.
- In the following sectors, provinces will be responsible for collecting all the carbon revenues, \$130/t by 2031:
 - *Oil and Gas*
 - *Emissions Intensive, Trade Exposed Industries & other Large Industries*
 - *Agriculture*
 - *Waste*
 - *Electricity*

The pricing scheme in the *Oil and Gas, Emissions Intensive, Trade Exposed & other Large Industries* and *Electricity* sectors will be intensity based, aligning with current provincial plans and ensuring a smooth adjustment for trade exposed industries. Provinces will also be responsible for bringing carbon pricing to the *Agriculture* and *Waste* sectors, either through implementing offsets which can be purchased by covered sectors, or by including them in their own carbon pricing systems.

<<https://ecofiscal.ca/wp-content/uploads/2016/10/Ecofiscal-Commission-Course-Correction-Biofuels-Report-October-2016.pdf>>

²¹ *The shocking truth about B.C.'s carbon tax: It works, The Globe and Mail (July 9, 2014)*

<<http://www.theglobeandmail.com/opinion/the-insidious-truth-about-bcs-carbon-tax-it-works/article19512237/>>

²² *Keep the carbon tax but make sure it's revenue neutral, The Fraser Institute*

<<https://www.fraserinstitute.org/article/keep-the-carbon-tax-but-make-sure-its-revenue-neutral>>

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If provinces do not implement the national carbon price in these sectors (\$130/t by 2031), the federal government will impose a federal carbon tax and remit all the revenues back to the province. For provinces that use these carbon revenues to reduce income taxes or provide rebates, a federal transfer equal to 10% of the taxes reduced will be provided to the province through the *Revenue Neutral Carbon Incentive*.

- In the following sectors, provinces will be responsible for collecting the first \$30/t in carbon revenues, starting at \$10/t in 2018 and increasing to \$30/t in 2020. The federal government will collect the next \$100/t, starting at \$10/t in 2021 and increasing to \$100/t in 2030.
 - Transportation
 - Buildings

A revenue neutral *Federal Carbon Tax* of \$10/t in will be introduced in 2021, rising at \$10/t per year until a \$100/t price is reached in 2030 (the combined federal-provincial price will be \$130/t in 2030).²³ All revenues collected from the *Federal Carbon Tax* will be used to reduce income taxes.

If provinces do not implement the national carbon price in these sectors (\$30/t by 2021), the federal government will impose a federal carbon tax and remit all the revenues back to the province. For a province that uses these carbon revenues to reduce income taxes, a federal transfer equal to 10% of the income taxes reduced will be provided to the province through the *Revenue Neutral Carbon Incentive*.

- Ask the *Auditor General* to verify, in an annual report, the revenue neutrality of the federal carbon tax
- Establish an expert panel of economists from Canada's leading universities to advise the government on any adjustments to the price per tonne necessary to achieve GHG reductions or to maintain competitiveness with other jurisdictions
- Suspend the GHG component of following carbon regulations in 2020 for a period of five years, after which the regulations would be eliminated if it is determined that the carbon price was achieving sufficient GHG reductions:
 - *Passenger Automobile and Light Truck Greenhouse Gas Regulations*
 - *On-road Heavy-duty Vehicle and Engine Greenhouse Gas Emission Regulations*
 - *Renewable Fuels Regulations*
 - *Coal-fired Generation of Electricity Regulations*
 - *Locomotive Emissions Regulations*
 - And any other GHG regulations
- Eliminate the following programs and initiatives:
 - *Clean Energy Fund Program*
 - *EcoENERGY for Renewable Power*

²³ The federal income tax cuts will be fully implemented in 2020. The federal carbon tax will not be fully implemented until 2030, making it *revenue negative* for a period of time.



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- *Energy Innovation Program*
- *EcoENERGY Innovation Initiative (ecoEII)*
- *Program of Energy Research and Development (PERD)*
- *CMHC Green Home*
- *ecoTECHNOLOGY for Vehicles Program*
- *SmartWay Transport Partnership*
- *FleetSmart*
- And any other GHG related programs
- Eliminate the GHG components of the following funds:
 - *Sustainable Development Technology Canada*
 - *Green Municipal Fund*
 - And any other GHG related funds
- Eliminate the following Accelerated Capital Cost Allowance (ACCA):
 - *Accelerated Capital Cost Allowance for Efficient and Renewable Energy Generation Equipment (Class 43.1)*
 - And any other GHG related ACCAs

The Results

Implementing a national carbon price, a revenue neutral *Federal Carbon Tax* and a *Revenue Neutral Carbon Incentive* will ensure that:

- Canada meets its commitment to reduce emissions by 30% by 2030
- Carbon pricing is consistent across all economic sectors and all regions
- Carbon pricing does not become “back-door” equalization
- Carbon pricing does not increase the tax burden

The annual verification of the *Auditor General* will ensure that:

- The principle of revenue neutrality is upheld

The establishment of an expert panel of economists will ensure that:

- The national carbon price is appropriately set and able to respond to changing circumstances

The elimination of carbon regulations, programs, funds and ACCAs will:

- Reduce the cost of carbon regulation
- Reduce the cost of government



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Appendix A

	2014 (Mt)	2021 National Carbon Price: \$40/t			2030 National Carbon Price: \$130/t		
		(Mt)	Provincial Federal		(Mt)	Provincial Federal	
			(billions)	(billions)		(billions)	(billions)
<i>Oil and Gas</i>	192.2	182.6	\$2.2		134.5	\$7.6	
<i>Emissions Intensive, Trade Exposed & Other Large Industries</i>	101.6	96.5	\$1.2		71.1	\$4.0	
<i>Agriculture</i>	72.9	69.3	\$2.8		51.0	\$6.6	
<i>Waste</i>	28.4	27.0	\$1.1		19.9	\$2.6	
<i>Electricity</i>	78.1	74.2	\$1.4		54.7	\$3.4	
<i>Transportation</i>	171.4	162.8	\$4.9	\$1.6	120.0	\$3.6	\$12.0
<i>Buildings</i>	87.1	82.7	\$2.5	\$0.8	61.0	\$1.8	\$6.1
	732.6	695.1	\$16.0	\$2.5	512.2	\$29.7	\$18.1

Provinces collect first \$30/t, beginning at \$10/t in 2018 rising to \$30/t in 2020. Beginning in 2021, *Federal Carbon Tax* begins at \$10/t rising to \$100/t by 2030. For provinces that use these revenues to reduce income taxes or provide rebates, a federal transfer equal to 10% of the income taxes reduced and rebates provided will be provided to the province through the *Revenue Neutral Carbon Incentive*.

Provinces collect all revenues, beginning at \$10/t in 2018 rising to \$130/t in 2030. For provinces that use these revenues to reduce income taxes or provide rebates, a federal transfer equal to 10% of the income taxes reduced and rebates provided will be provided to the province through the *Revenue Neutral Carbon Incentive*.

Notes

1. Assume 5% reduction in GHGs from 2014 levels by 2021.
2. Assume 30% reduction in GHGs from 2014 levels by 2030.
3. To align with current provincial plans, the *Oil and Gas* and *Emissions Intensive, Trade Exposed & Other Large Industries* sectors are based on intensity targets. Carbon price is applied to 30% of emissions (based on 30% reduction in carbon intensity) in 2021, increasing by 1.5% per year through to 2030, when the carbon price will be applied to 43.5% of emissions.
4. *Agriculture* and *Waste* sectors to use offsets; both sectors priced in spreadsheet to calculate *Revenue Neutral Carbon Incentive*.
5. Assume for the *Electricity* sector: 20% natural gas, 80% coal; natural gas at 0.4t/Mwh, coal at 1.0t/Mwh. Exempt first 0.4t/Mwh from carbon price.
6. The Chong plan is based on a 30% reduction from 2014 levels. Emissions in 2005 were 747 Mt, broken down as follows (totals do not add up due to rounding):

Oil and Gas	159
Emissions Intensive, Trade Exposed & Other Large Industries	105
Agriculture	70
Waste	31
Electricity	118
Transportation	171
Buildings	85
Total	747

Source: Environment Canada, National Inventory Report, 1990-2014: Greenhouse Gas Sources and Sinks in Canada



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Appendix B

Fiscal Stimulus Through Real Tax Cuts: 2020 to 2030

	GHGs Reduction From 2014	GHGs Transportation (Mt)	GHGs Buildings (Mt)	Federal Carbon Tax (\$/t)	Federal Carbon Tax (billions)	Personal Tax Cut (billions)	Corporate Tax Cut (billions)	Unused RNCI (billions)	Real Tax Cut (billions)
2020	4%	165	84	\$0	\$0.0	\$14.9	\$1.9	\$1.3	\$18.1
2021	5%	163	83	\$10	\$2.5	\$14.9	\$1.9	\$1.3	\$15.6
2022	7%	159	81	\$20	\$4.8	\$14.9	\$1.9	\$1.3	\$13.3
2023	9%	156	79	\$30	\$7.1	\$14.9	\$1.9	\$1.3	\$11.0
2024	12%	151	77	\$40	\$9.1	\$14.9	\$1.9	\$1.3	\$9.0
2025	15%	146	74	\$50	\$11.0	\$14.9	\$1.9	\$1.3	\$7.1
2026	18%	141	71	\$60	\$12.7	\$14.9	\$1.9	\$1.3	\$5.4
2027	21%	135	69	\$70	\$14.3	\$14.9	\$1.9	\$1.3	\$3.8
2028	24%	130	66	\$80	\$15.7	\$14.9	\$1.9	\$1.3	\$2.4
2029	27%	125	64	\$90	\$17.0	\$14.9	\$1.9	\$1.3	\$1.1
2030	30%	120	61	\$100	\$18.1	\$14.9	\$1.9	\$1.3	\$0.0

Total Real Tax Cuts \$86.9

Notes

1. If the Revenue Neutral Carbon Incentive (RNCI) is not used by provinces, the unused portion will be used by the federal government to further cut federal income taxes, resulting in at least \$1.3 billion in tax reductions in the form of fiscal stimulus. \$1.7 billion of the RNCI from the elimination of regulations, programs, fund and accelerated capital cost allowances is not included as fiscal stimulus.



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Appendix C

Calculation for New GST/HST and Carbon Credit

BC Population	4,600,000
BC Carbon Tax Per Tonne	\$30
BC Low Income Climate Action Tax Credit Annual Cost	\$192,000,000
BC Low Income Climate Action Tax Credit Annual Cost Per Capita Per \$10/t	\$13.91
Canada Population	36,000,000
Additional Cost of the GST/HST and Carbon Credit	\$5,008,695,652

Notes

Sources: Government of Canada, Province of British Columbia