



A Review of Government of Saskatchewan's Climate Change White Paper: A Strong Case for Carbon Tax

On October 18, 2016 the Government of Saskatchewan released a Climate Change White Paper outlining its plans for climate change.¹ This is encouraging news for both Saskatchewan and for Canada. The Government of Saskatchewan stated:

- *Climate change is real, and is exacerbated by human activity.*
- *Carbon causes the planet to warm, and the current rate of warming endangers our future.*
- *We have to take steps now to limit climate change: this fact is indisputable.*
- *The cost of inaction will be far higher than the cost of our efforts to control [greenhouse gases].*

When this White Paper is viewed through a pragmatic lens, ignoring federal and provincial politics, it provides the necessary arguments not only to support carbon tax in Saskatchewan but also in Canada and other countries.

When the Government of Saskatchewan says that the rest of Canada, India, China and other countries in the world should buy Saskatchewan's carbon capture and storage (CCS) technologies, it must have realized that this is only realizable if there is a price on carbon dioxide (CO₂) emissions. Once there is an agreed upon price on CO₂, other jurisdictions will be able to put a value on the CCS. If those jurisdictions implement carbon tax, they will have the appropriated monies to pay for the CCS and other innovations that help reduce greenhouse gases.

The Government of Saskatchewan is right to say that innovation and transformational clean technology should be used to address climate change. But, they would be mistaken to assume that every resident and rate payer of Saskatchewan and/or the rest of Canada should pay for the cost of technological innovation irrespective of their individual carbon footprint, i.e., to pay for technological innovation from provincial or federal governments' general revenue. Allowing for the historic emission differences between developed and under-developed nations, **the cost of any action to fight greenhouse gases emissions should be borne on a fair and equitable basis**, that is every emitter should pay for his/her own fair share. It is not fair that my colleague who bikes and I who drive an eight-cylinder diesel truck to work to pay the same monthly amount for the cost of CCS. The individual consumer's behaviour and patterns of usage are precisely what makes carbon tax as the right policy tool. It has the great potential for not only changing citizen's behaviour by dissuading wastes, but also for enabling the government to generate the necessary funds for technological innovation in a fair and equitable way.

Saskatchewan should be bold and call carbon pricing a "carbon tax." It should unapologetically impose carbon tax on all fossil fuels at the source, impose carbon tax on imports and rebate carbon tax on exports. Disputes with the federal government should not be based on whether to impose carbon tax or not. This has been settled by economic theories, the observation of human behaviour and implementation of carbon tax in other jurisdictions. The debate that will advance the goals of the White Paper and have relevance for citizens is about

¹ https://www.scribd.com/document/328041639/Saskatchewan-White-Paper-on-Climate-Change#from_embed



how to make the tax fair. The fight should now be to convince the federal government to either allow provinces and territories to impose border adjusted carbon tax and rebates, or take responsibility for administering it on behalf of the provinces and territories. This would not be costly or difficult for the federal government, since it already has in place the system and necessary resource for border taxation.²

According to W. Maruyama, former General Counsel of the Office of the US Trade Representative (2007 – 2009), one way to address the problem with carbon leakage and to ensure a level playing field between nations is to implement a carbon or energy tax that is imposed on imports and rebated on exports. Such a system can reportedly be implemented under the World Trade Organization's (WTO's) existing border adjusted tax rules.³

The Government of Saskatchewan's White Paper refers to the failure of British Columbia (BC) and the success of Ontario in reducing their emission levels. It should be noted that although BC showed bravery and bold leadership by using the word tax and imposing a "carbon tax;" however, it fell victim to political appeasement that it used the carbon tax revenues for tax credit instead of using them for CO2 reduction. Ontario, on other hand, while avoiding using the word tax, quietly imposed a carbon tax when it started forcing consumers to pay for solar and wind power generation through their electricity bills. It should also be noted that Ontario imposed carbon tax on gasoline and natural gas in February 2016.⁴

Saskatchewan is correct in saying, "reject a national cap and trade system as an option." A cap-and-trade quota system will create the same market problems as those of taxi quota system (taxi medallion) and dairy quota system (supply management).⁵ Cap-and-trade will only enrich the banks, trading houses, brokers and those who are awarded the CO2 emission credits now at low cost or for free. When these credits are sold to new entrants and new businesses multiple times, policy makers will have a hard time eliminating or correcting the cap-and-trade system. With a carbon tax, flexibility and responsiveness is maximized because if it is not sufficient, it can be increased; if it is too high and hurts economy, it can be reduced; and if it does not work, it can be eliminated. Jurisdictions will not have the same abilities with cap-and-trade.

The Government of Saskatchewan can learn from the best and worst practices of other jurisdictions and implement a properly designed carbon tax/rebate system that ensures it fulfills its greenhouse gases reduction commitments, while it maintains control over its tax revenues and supports economic activities in the province.

In conclusion, we know that the cap-and-trade (quota system) creates market failure; that innovation, research and technological advancement need funding; and that fairness and equity are important for any policy decisions. Therefore, it is the Government of Saskatchewan's best option to implement a carbon tax system and use the revenues to build more CCS; support clean technology sector; address methane capture and liquefaction needs; expand the use of renewables; fund more cogeneration projects; provide nuclear power with a level playing field; enhance the value of Saskatchewan's uranium; support agriculture, pulse crops and soil testing; and feed the world.

² http://www.academia.edu/18125115/Economic_Efficiency_of_Carbon_Tax_vs_Carbon_Cap-and-Trade

³ W. Maruyama, "Climate Change and the WTO: Cap and trade versus carbon tax," *Journal of World Trade*, vol. 45, no. 4, pp. 679-726, 2011.

⁴ <http://www.cbc.ca/news/canada/toronto/ontario-budget-1.3461834>

⁵ <https://www.linkedin.com/pulse/dissecting-ontarios-carbon-cap-and-trade-system-s-muktar-homam>