

Report to Council



Date: September 6, 2012
File: 0610-05
To: City Manager
From: City Clerk
Subject: Carbon Tax Review

Recommendation:

THAT Council authorizes the Mayor, on behalf of Council, to write a letter to the Minister of Finance with respect to the Carbon Tax Review.

Purpose:

To provide Council with an update with respect to the Carbon Tax Review.

Background:

See attached.

Considerations not applicable to this report:

Internal Circulation:

Legal/Statutory Authority:

Legal/Statutory Procedural Requirements:

Existing Policy:

Financial/Budgetary Considerations:

Personnel Implications:

External Agency/Public Comments:

Communications Comments:

Alternate Recommendation:

Submitted by:


Stephen Fleming
City Clerk



CITY OF KELOWNA
MEMORANDUM

Date: September 5, 2012
File No.: 1200-90

To: City Manager (Ron Mattiussi)

From: Sustainability Coordinator (Michelle Kam)

Subject: Carbon Tax Review

The Province is currently requesting comments from British Columbians regarding the revenue-neutral carbon tax. The carbon tax was implemented on July 1, 2008, and the final scheduled increase took effect on July 1, 2012. British Columbians have the opportunity to make written submissions regarding the carbon tax to the Minister of Finance from July 1, 2012 – August 31, 2012. The Province has given the City of Kelowna an extension until September 14th to provide a written submission.

The carbon tax puts a price on carbon emissions to encourage individuals, businesses, industry and others to use less fossil fuel and reduce their greenhouse gas emissions. The tax is broadly based and paid by all those who consume fossil fuels in the province. The rate is currently \$30 per tonne of CO₂e. No further rate increases or expansions are planned at this time.¹

The carbon tax is revenue neutral; every dollar generated by the tax is returned to British Columbians through reductions in other taxes. Therefore, this carbon tax is used to offset the tax revenue that was in place prior to the reduction. Since it was first introduced in 2008, it has returned \$500 million more to taxpayers in reductions than it has raised in revenue.

Tax cut measures include income tax credits for low income individuals, cutting the first two personal income tax bracket rates by 5 per cent, providing northern and rural homeowners a benefit of up to \$200 annually, and reducing the business taxes.¹

The City of Kelowna also benefits from the carbon tax through the Climate Action Revenue Incentive Program (CARIP). This is a conditional grant program that provides funding to Climate Action Charter signatories, equivalent to 100 percent of the carbon taxes they pay directly. This funding supports local governments in their efforts to reduce greenhouse gas emissions and move forward on achieving their Climate Action Charter goals. Kelowna has received \$443,469 from the CARIP funding for the reporting years 2008 to 2011. Using the grant, the City created the Carbon Reserve Fund to help achieve the goal of the Corporate Energy and GHG Emissions Plan of reducing GHG emissions 22% by 2017. Projects include building retrofits and changes in vehicle fleet to reduce corporate greenhouse gas emissions as well as save energy costs. The fund has also been used towards reducing community

¹ http://www.fin.gov.bc.ca/tbs/tp/climate/carbon_tax.htm Carbon Tax Review

greenhouse gas emissions by supporting local businesses to participate in the Climate Smart Business Training.

Staff have drafted a response (see attached) to the Province for Council's consideration. The draft includes information on what staff consider to be both the advantages and disadvantages of the provincial carbon tax.

Michelle Kam, Sustainability Coordinator

cc: Financial Accounting Manager

Attachment: Draft letter to the Province

September 10, 2012

Minister of Finance
c/o Tax Policy Branch
PO Box 9547 Stn Prov Govt
Victoria, BC V8W 9C5
Via email: finoffice@gov.bc.ca

Dear Minister of Finance,

Re: Carbon Tax Review

Kelowna's Community Climate Action Plan incorporates the goals of the BC Climate Action Charter, which Kelowna signed in 2007. After two years of consultation and development, Kelowna's Community Climate Action Plan was endorsed by Council on May 28, 2012. The Plan identifies actions and strategies to help achieve Kelowna's Official Community Plan target of reducing community greenhouse gases by 33% below 2007 levels by 2020. The City of Kelowna recognizes that the City cannot achieve the goal in isolation. It will take the cooperation and dedication of the federal government, provincial government and utility companies to provide new programs, opportunities, infrastructure and incentives. The BC Carbon Tax is one example of how the Province can help municipalities reduce their emissions.

The City of Kelowna considers the Carbon Tax to have both advantages and disadvantages. The advantages include:

- an increase in awareness of climate change impacts and the need to take action in reducing emissions;
- providing funding for municipal projects that reduce GHG emissions;
- encouraging municipalities to establish energy conservation policies to reduce carbon use and create a sustainable approach to the provision of municipal services.

One disadvantage of the Carbon Tax is that the relationship between the tax cut measures and the carbon tax is not clear to most people and it appears that some measures are being included to make the tax more supportable. A clearer link between the Carbon Tax and GHG reduction impacts may help address this matter.

Kelowna looks forward to working cooperatively and constructively with the Province to move climate action forward and achieve both our goals for reducing greenhouse gas emissions by 33% in a manner that supports prosperity and community wellness.

Thank you;

Walter Gray
Mayor