

Canada Announces National Carbon Pricing by 2018

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October 4, 2016

On July 28, 2016, we wrote about the Government of Canada's intention to propose a plan for national carbon pricing in the fall. At the time, many questions remained outstanding, such as: Is each province or territory required to put a price on carbon? If so, should each province or territory have its own pricing mechanism? Will the Government of Canada create a system binding on every province or territory? Prime Minister Trudeau has now provided answers as the Government announced pan-Canadian carbon pricing by 2018.

In an address to the House of Commons, Prime Minister Trudeau indicated:

- ♦ all Canadian jurisdictions will have carbon pricing in place by 2018
- ♦ provinces and territories may decide whether to implement carbon pricing by using a carbon tax or adopting a cap and trade system – if a province or territory does not implement a mechanism, the Government of Canada will do so for them
- ♦ regardless of the pricing mechanism, there will be a nationwide minimum price for carbon starting at \$10 per tonne of carbon dioxide in 2018 and rising by \$10 per year to reach \$50 per tonne in 2022
- ♦ carbon pricing will be applied to a “common and broad” set of sources across the country
- ♦ revenues from carbon pricing will stay with the provinces or territories to be used as they see fit, and
- ♦ this approach will be reviewed again in 2022 to confirm its efficacy and to decide on future price increases.

With this announcement, the federal government continues towards its objective of reducing Canada's emissions by 30 percent below 2005 levels and honouring its promises at COP 21 in Paris last year.

Now the focus shifts to the provincial and territorial governments across Canada, especially those currently without a carbon pricing mechanism. How will the provinces and territories respond, as Canada moves towards its coveted sustainable and clean growth economy?

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