



Improving BC's Carbon Tax

Changes and Enhancements To Increase Effectiveness and Equity

27 August 2008

Todd Litman

Victoria Transport Policy Institute

Below are recommendations for increasing the effectiveness and fairness of BC's carbon tax, based on analysis by the Climate Justice Project, a group of researchers and organizations working to identify ways to reduce climate change emissions that also help achieve social equity objectives.

Principle: For equity and efficiency sake, prices should apply to all types of emissions.

Recommendation: Apply emission taxes or cap-and-trade pricing to emissions not currently covered by the carbon tax, such as cement processing and landfill methane. Consider raising taxes on coal as a way to include more industrial emissions and encourage cleaner fuel use.

Principle: Pricing incentive implementation should be predictable, gradual and long-term.

Recommendation: Develop a long-term tax schedule that projects annual tax rates at least until 2020, and estimates the resulting emission reductions and other benefits.

Principle: Disadvantaged people should be protected from excess financial burdens.

Recommendation: Specify how rebates and tax reductions for lower-income households will be extended after 2010 to insure that the tax continues to be progressive overall. This could include using carbon tax revenues to eliminate Medical Service Plan premiums.

Principle: Emission reduction pricing incentives become more effective and equitable if implemented with supportive policies and programs, particularly those that help conserve energy by low-income households (which often rent homes, lack resources to invest in house improvements, and purchase used vehicles), public agencies and rural communities.

Recommendation: Identify complementary energy conservation policies and programs, such as improved walking and cycling conditions, expansion of the Way-To-Go program (which supports walking and cycling to school), public transit improvements (including financial investments and other supports, such as converting general purpose lanes into HOV lanes), low-income home weatherization programs (including rental homes), pay-as-you-drive insurance, smart growth land use policies, and special programs to help finance public service energy conservation (such as institutional building weatherization).

For more information see:

Todd Litman (2007), *Smart Emission Reduction Strategies*, (www.vtpi.org/ster.pdf).

Todd Litman (2008), *Carbon Taxes: Tax What You Burn, Not What You Earn* (www.vtpi.org/ster.pdf).

Sightline Institute (2008), *Climate Fairness* (http://daily.sightline.org/daily_score/series/climate-fairness).