

18th Legislative Assembly of the Northwest Territories

Standing Committee on Government Operations

Report on the Review of the Carbon Tax
Bills: Bill 42: *An Act to Amend the
Petroleum Products Tax Act* and Bill 43:
An Act to Amend the Income Tax Act

Chair: Mr. Kieron Testart

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Legislative Assembly
Standing Committee on Government Operations
Assemblée législative
Comité permanent des opérations gouvernementales

AUG 12 2019

SPEAKER OF THE LEGISLATIVE ASSEMBLY

Mr. Speaker:

Your Standing Committee on Government Operations is pleased to provide its *Report on the Review of the Carbon Tax Bills: Bill 42: An Act to Amend the Petroleum Products Tax Act and Bill 43: An Act to Amend the Income Tax Act* and commends it to the House.


Kieron Testart
Chairperson

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STANDING COMMITTEE ON GOVERNMENT OPERATIONS

REPORT ON THE CARBON TAX BILLS: BILL 42: *AN ACT TO AMEND THE PETROLEUM PRODUCTS TAX ACT* AND BILL 43: *AN ACT TO AMEND THE INCOME TAX ACT*

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STANDING COMMITTEE ON GOVERNMENT OPERATIONS

REPORT ON THE REVIEW OF THE CARBON TAX BILLS: BILL 42: *AN ACT TO AMEND THE PETROLEUM PRODUCTS TAX ACT* AND BILL 43: *AN ACT TO AMEND THE INCOME TAX ACT*

INTRODUCTION

The Standing Committee on Government Operations (“the Committee”) is pleased to report on its review of: Bill 42: *An Act to Amend the Petroleum Products Tax Act* and Bill 43: *An Act to Amend the Income Tax Act*, collectively referred to as the carbon tax bills.

The carbon tax bills, sponsored by the Government of the Northwest Territories (GNWT) Department of Finance, were given second reading in the Legislative Assembly and referred to the Standing Committee on Government Operations for review on March 8, 2019. When passed, these bills will implement a carbon tax in the Northwest Territories.

Bill 42 proposes to amend the *Petroleum Products Tax Act* to:

- Impose a carbon tax on petroleum products and natural gas;
- Clarify that all existing provisions in the Act related to the current fuel tax are noted as such;
- Provide an exemption from the fuel tax for petroleum products: delivered to or purchased by an Indian or Indian band on a reserve; or used by a designated municipal authority that is recognized by the Minister as representing a community;
- Make the necessary amendments for collection and administration of this tax in the same manner as the current fuel tax, which requires purchasers to pay the tax, and vendors and collectors to remit the tax to the GNWT;
- Allow the Minister to provide in regulations for rebates and grants;
- Increase the maximum fines and penalties, which may be imposed as administrative penalties or on summary conviction; and

- Set out a process for the appeal of an assessment of tax, interest or administrative penalties under the Act.

Bill 43 proposes to amend the *Income Tax Act* to provide a cost-of-living offset as a mechanism for returning carbon tax revenues to Northwest Territories residents.

Bill 43 also proposes to amend the *Income Tax Act* to make changes in non-refundable tax credits claimed by multi-jurisdictional tax filers including: changes that restrict the Northwest Territories pension credit to NWT residents; and changes that allow full pension and dividend credits to be claimed by NWT residents with business income earned outside of the Northwest Territories.

This amendment, which is not related to the implementation of the carbon tax, arises out of discussions between the Department of Finance and the Canada Revenue Agency aimed at harmonizing the provincial-territorial tax treatment of pension and dividend tax credits for multi-jurisdictional tax filers. It will have the effect of denying NWT pension credits to non-residents with business income earned in the NWT and allowing full pension and dividend tax credits to NWT residents with business income earned outside the NWT.

BACKGROUND

As a signatory to the *Pan-Canadian Framework on Clean Growth and Climate Change*, the GNWT made a commitment to implement carbon pricing in the Northwest Territories. This tax on fuels that emit greenhouse gases (GHGs) is intended to encourage residents and businesses in the Northwest Territories to reduce fuel consumption. Along with the provinces and other territories, the GNWT was given the option by the federal government to implement its own approach to carbon pricing, provided that approach is consistent with the federal approach. For those jurisdictions choosing not to implement their own approach, Canada advised that it would impose its approach, often referred to as the “federal backstop.” The GNWT opted to implement its own approach to carbon pricing, the details of which were publicly released in July 2018.

Lack of Meaningful Engagement with Committee

The GNWT communicated early and frequently with Committee on this work as it progressed, including providing three presentations on the GNWT's proposed approach prior to its public release. The first of these took place in June 2017, prior to the public release of the GNWT's *Discussion Paper on Implementing Pan-Canadian Carbon Pricing in the Northwest Territories*. During this time period, Committee wrote twice to the Finance Minister raising concerns that: the GNWT's approach did not set out options for public debate; the proposed 75% direct rebate for large emitters was too high; there was no rebate or special measures for small businesses; and the policy objectives of the carbon tax were not clearly articulated.

According to the GNWT's plain language summary of Bill 42, the "*federal government reviewed and approved the planned approach in September 2018 and Bill 42 and Bill 43, which are needed to implement carbon pricing, were tabled in the NWT Legislative Assembly in March 2019.*" Committee was not advised that the federal government had "approved" the planned approach in September, which occurred while the Committee was in the process of considering the legislative proposal for the carbon tax bills.

In November 2018, the Committee again wrote to the government, advising that it does not support the proposal in its current form and reiterating its concerns that the 75% rebate for large emitters is too high and there are no specific measures for small businesses. To this, Committee added its concern that the rebates to individuals can only be claimed by filing taxes. Committee also expressed its concern that there was no indication from government as to whether or not the carbon tax legislation would mandate public reporting to enable transparency, increase public awareness of how the tax revenue is being used, and measure the impact of the carbon tax on emissions in the NWT.

While the GNWT was very forthcoming with respect to its discussions with the federal government on the GNWT's proposed approach, there was little actual engagement with Committee to allow regular Members to have input into the development of this approach. As noted, Committee wrote several letters to the Minister raising Committee's concerns with the proposed approach. In retrospect, Committee does not feel that its input was given due consideration, nor was it made clear to Committee that the information being shared was for information purposes only and that the input of regular Members was not being sought.

Committee understands that the GNWT's proposed approach to carbon pricing in the Northwest Territories was negotiated with the federal government, leaving little room for input from regular Members once that process had commenced. The lesson here, from the Committee's perspective, is that earlier engagement of regular Members, including engagement on the discussion of whether or not the GNWT should pursue its own approach, should have taken place.

This would have afforded Members the opportunity to debate issues such as the relative merits of differing policy approaches to reducing GHG emissions, such as a cap and trade system versus a carbon tax. It would also have allowed for dialogue about lessons learned from other jurisdictions such as British Columbia, which has had a carbon tax in place since 2008 and where the Minister is required to present annual plans to the provincial legislature setting out the amount of tax revenue anticipated.

Bills 42 and 43 were introduced in the Legislative Assembly, given first and second reading, and referred to Committee for review on March 8, 2019.

THE PUBLIC REVIEW OF BILLS 42 AND 43

Timing of Review

Rule 75(1) of the *Rules of the Legislative Assembly* provides that a bill referred to a Standing Committee *"shall not be proceeded with until the Assembly receives the report of the Committee or 120 calendar days pass from the day the bill was given second reading."* Convention provides that, should the 120 day period expire while the House is not sitting, Committee must report the bill on the first day of the next sitting of the Legislative Assembly.

On June 5, 2019, the Finance Minister made a statement in the Legislative Assembly advising that the GNWT now intended to implement a carbon tax in the Northwest Territories on September 1, 2019. This statement, which appeared to be directed at the federal government, suggested that there was a delay in the legislative process and that *"this delay was unintended and in no way should be considered as a lowering of the government's commitment to implementing the NWT carbon tax."*¹

¹ Hansard, Minister's Statement 206-18(3), June 5, 2019.

Given that the 120 day period allowed for the review of Bills 42 and 43 expired well after the spring sitting of the Legislative Assembly, Committee is of the view that it has been required, from the outset, to report the bills on August 12, 2019, the first day of the final sitting of the 18th Legislative Assembly, regardless of the GNWT's planned July 1, 2019 carbon tax implementation date. While it is perhaps moot at this point in the term of the 18th Assembly, Committee nonetheless encourages Cabinet Ministers to keep in mind the time allowed by the rules for Standing Committee review of bills when planning its legislative calendar.

Challenges in Comparing Options

Before commencing its review of Bills 42 and 43, Committee undertook to analyze and compare the GNWT's approach with the federal backstop, which is based on Canada's Output Based Pricing System. This system establishes emission intensity standards for various large industrial sectors based on average emissions per unit of output.

Committee found it challenging to assess the salient differences between the two approaches. While Finance provided ample material regarding the GNWT's proposed approach, the key features of the federal backstop were more difficult to ascertain. For example, Finance provided Committee with a figure indicating the estimated "effective carbon tax" for small emitters under the GNWT's approach, which is the average carbon tax per tonne of emissions. Committee asked both Finance and Environment and Climate Change Canada for the corresponding figure under the federal backstop. Committee also requested information on the annual net carbon tax revenues deriving from small emitters under the federal Output Based Pricing System.

The GNWT's response, while detailed, did not provide Committee with the figures it sought. The response from the federal Minister of Environment and Climate Change Canada completely disregarded Committee's inquiries, instead referring Committee to public information on the Government of Canada's website about the Output Based Pricing System that is technically detailed and not specific to the Northwest Territories. Similarly, a lack of detail about the federal government's approach to offsetting the carbon tax for small businesses and municipalities, made direct comparisons with the GNWT's proposal difficult.

Confidential Information and Nature of the Bills Inhibited Public Consultation

Committee originally planned to hold public meetings in Fort Providence, Hay River, Inuvik and Yellowknife. However, on May 8 of this year, two-thirds of the way through the formal 120-day review period, Committee was notified in writing by the Finance Minister that the GNWT had revised its carbon tax approach for large emitters – those emitting 50,000 tonnes or greater of annual greenhouse gas emissions. This was of concern to Committee, which already felt that the GNWT's proposed approach to large emitters was too generous. Committee was advised that this adjustment was necessary to better align the GNWT's approach with the federal backstop, details of which were only released by Canada in December 2018.

Committee had hoped that additional information about this change in approach would be made public by the Minister during the May-June sitting, including details provided in confidence to Committee. When this information was not shared with the public, Committee subsequently issued a news release on June 7th advising of its decision to postpone the planned public consultations until more information was provided by the Department of Finance.

Committee asked that as much detail as possible related to the Committee's specific questions be shared with the public. Unfortunately, as with much of the other information shared by Finance with Committee, the responses to these questions were marked "Confidential – Not for Distribution." This is particularly vexing with respect to Bills 42 and 43, where the majority of the GNWT's proposal is not contained in the legislation itself, but in regulations and other public policy instruments.

Committee is not at liberty to disclose information provided in confidence by Cabinet Ministers. Unfortunately, the large majority of the correspondence received by Committee from the Finance Minister on this initiative, including responses to Committee's questions, was marked confidential, thereby prohibiting Committee from publicly disclosing its contents. This also inhibited Committee's ability to engage in a meaningful consultation. For example, Committee's inability to disclose the information contained in Finance's May 8 letter rendered Committee unable to explain to the public, even with the writing of this report, how the GNWT's approach to large emitters has changed.

Plain Language Summaries Provided

Committee wrote to the Minister requesting plain language explanations of Bills 42 and 43 that could be shared with the public.

Committee wishes to take this opportunity to thank the Minister for responding positively to the Committee's request by preparing plain language summaries of both bills that could be shared with the public. It is Committee's experience, based on consultations undertaken over the course of the 18th Assembly, that simple, straightforward information for NWT residents, outlining the purpose of changes to the law and the impact of those changes, is vital to obtaining meaningful input from the public. Too often, Committee finds itself having to explain government-sponsored bills, leading to confusion about the role of Standing Committees in the legislative process. Accordingly, Committee makes the following recommendation:

Recommendation 1

The Standing Committee on Government Operations recommends that, for all bills proposing to establish, replace, or make significant changes to territorial legislation, a plain language summary be prepared and made available to the appropriate Standing Committee at the time the bill is introduced in the Legislative Assembly.

Committee sent out a second news release on July 15th, indicating that it still lacked sufficient detail to enable Committee to adequately answer questions from the public on these Finance-sponsored Bills. This consideration, along with timing constraints, led Committee to the decision to request written submissions from the public and hold a single public meeting in Yellowknife on August 1st.

PUBLIC INPUT AND COMMITTEE RECOMMENDATIONS

Committee received four submissions on Bills 42 and 43. These submissions, from the NWT Association of Communities (NWTAC), the City of Yellowknife, Arctic Energy Alliance, and a joint submission from Ecology North and Alternatives North are appended to this report. A representative of the NWTAC

also attended Committee's public hearing to present the Association's submission.

While the submission from the NWTAC indicates general support for the GNWT's approach over the federal backstop, it points out that, without a cost-of-living offset, the carbon tax will end up costing municipalities. This is occurring at a time when the GNWT has acknowledged a significant gap between municipal funding needs and funding support received from the territorial government. In fact, the NWTAC submission alleges that when this concern was raised with the Department of Finance, municipalities were advised that they would "just have to increase their property taxes." Committee is dismayed to hear such a report and feels that more should have been done in the GNWT's approach to mitigate the impacts of the carbon tax on underfunded local authorities. Accordingly, Committee makes the following recommendation:

Recommendation 2

The Standing Committee on Government Operations recommends that the Government of the Northwest Territories, led by the Department of Municipal and Community Affairs, complete its work to assess the municipal funding gap on an urgent basis, taking into consideration the increased costs of the carbon tax to all local authorities, and that additional forced growth funding to compensate for these costs be included in the 2020-2021 budget.

The City of Yellowknife's submission also notes chronic underfunding by the GNWT and points out that, while the NWT houses fifty percent of the territories' population, none of the projects identified in the 2030 energy plan over the next five years are scheduled for Yellowknife. The City recommends making revenues available to community governments in order to support actions set out in their Community Energy Plans. Committee notes that the GNWT's Department of Infrastructure administers a GHG Grant Program for Government, which is designed to fill a gap in funding for larger GHG reduction initiatives. Under this program, in place until March 31, 2022, applicants may be eligible to receive up to 75% of eligible project costs.

The City of Yellowknife's submission points out that *"if the proposed carbon pricing regime does not accomplish a reduction in GHG emissions it has merely*

created an unnecessary administrative burden and cost to residents and businesses,” recommending that “the GNWT re-evaluate the program after implementation to ensure that it is making a difference.”

This recommendation for program evaluation is also contained in the joint submission from Ecology North and Alternatives North, which recommends that there should be *“an annual reporting mechanism that evaluates and measures the effectiveness of the tax in meeting its purpose.”*

Committee fully agrees that there should be both annual reporting on the carbon tax and program evaluation to determine the effectiveness of reducing GHG emissions in the Northwest Territories, and to guide future policy decisions. Committee raised these issues during its in camera discussions with and correspondence to the Department of Finance.

Committee also sought the advice of its Law Clerk regarding the potential to amend Bill 42 to include reporting requirements. Committee was advised that such an amendment would likely be ruled outside the scope of the bill given that there are no provisions currently contained in the *Petroleum Products Tax Act* mandating reporting, and that the scope of the bill is narrowly defined to allow for the imposition of the tax and the provision of grants and rebates through regulation.

During the clause-by-clause review of Bills 42 and 43, the Minister indicated that he had made a commitment to Committee that the department would undertake annual reporting on the carbon tax. While Committee is pleased to hear this, a commitment made during an in camera discussion does not carry the weight of a public commitment. Therefore, to provide for this public commitment, Committee makes the following recommendation:

Recommendation 3

The Standing Committee on Government Operations recommends that the Department of Finance table an annual report in the Legislative Assembly on the carbon tax that provides details on: total carbon taxes collected; carbon taxes collected from large emitters; total rebates provided; number and nature of grants provided; costs of administering the carbon tax; reinvestment of carbon tax revenues; projected tax revenues for coming year; and an annual plan for future year reinvestment of carbon tax revenues.

With respect to program evaluation, the Committee makes the following recommendation:

Recommendation 4

The Standing Committee on Government Operations recommends that the Department of Finance undertake an annual assessment of the impact of the carbon tax on greenhouse gas emissions in the Northwest Territories, to be reported in the annual report. This should be integrated with the reporting on GHG emissions under the *Climate Change Strategic Framework* and energy projects under the *Energy Strategy*. This will allow an evaluation of whether the carbon tax is effective in reducing GHG emissions.

Recommendation 5

The Standing Committee further recommends that the Department of Finance undertake a comprehensive review and evaluation of its carbon tax approach, including public consultation, to be completed after the program is fully implemented in 2022. The purpose of review is to determine the effectiveness of the program on reducing GHG emissions and to assess its impacts on the NWT economy, in order to develop program improvements.

The submission received from the Arctic Energy Alliance asked Committee to consider the inclusion of a provision in the *Petroleum Products Tax Act* to allow for the disclosure of fuel sales data at the community level to address significant gaps in the organization's knowledge of energy use in the Northwest Territories.

The Committee is sympathetic to this request and Members appreciate that good data is essential to well-informed, evidence-based decision making. Unfortunately, the same issues of scope that prevented Committee from including annual reporting requirements in Bill 42 also prevent the inclusion of a clause mandating the release of this information, as it is not related to the collection or expenditure of carbon tax revenues.

CONCLUSION

The clause-by-clause review of the Bill was held on August 7, 2019. Committee thanks Minister R.C. McLeod and his officials for their appearance before the Committee. Committee did not move any motions to amend Bills 42 or 43.

Rule 100(5) of the *Rules of the Legislative Assembly of the Northwest Territories* requires Cabinet, in response to a motion by Committee, to table a comprehensive response that addresses the Committee report and any related motions adopted by the House. As required by this rule, Committee usually includes a recommendation in each report, which is moved as a motion in the House, requesting a response from government within 120 days. Given that the 18th Legislative Assembly will dissolve prior to the conclusion of the 120 day time period allowed by the rules, Committee has opted to forego this recommendation. Committee nonetheless requests, to the extent it is possible before the dissolution of the 18th Assembly and for the public record, that government provide a response to the recommendations contained in this report, even of a preliminary nature, that Committee may publicly disclose.

This concludes the Standing Committee's review.

APPENDIX A

SUBMISSIONS

July 24, 2019

Standing Committee on Government Operations
Legislative Assembly of the Northwest Territories
4570-48th Street
Yellowknife, NT X1A 2L9

RE: Bill 42 – An Act to Amend the Petroleum Products Tax Act

Dear Chairperson Testart,

On behalf of the Arctic Energy Alliance (AEA), we appreciate the opportunity to comment and provide input on Bill 42, an Act to Amend the Petroleum Products Tax Act. The focus of this submission is to encourage the Standing Committee on Government Operations to consider including a provision in the Petroleum Products Tax Act to allow for the disclosure of fuel data at the community level to address significant gaps in our knowledge of energy use in the Northwest Territories (NWT).

Based in Yellowknife, the AEA is a not-for-profit society with a mandate to help communities, consumers, producers, regulators and policymakers work together to reduce the costs and environmental impacts of energy and utility services in the NWT. The AEA is the go-to organization in the NWT for advice, programs and services on energy efficiency and renewable energy technologies. We are Natural Resources Canada's official service organization in the NWT for the Energuide Rating System. The AEA also maintains five regional offices throughout the NWT and provides advice, rebates and other services in all 33 NWT communities and to remote sites within the territory as well.

Much of the AEA's work depends on data collection and analysis to enable stakeholders to make well-informed, evidence-based decisions on community energy planning, and energy efficiency and renewable energy projects. For many years, numerous NWT organizations and community governments have sought ways to acquire fuel sales data for community energy planning purposes, without success. Creating a community energy profile and greenhouse gas inventory is a crucial first step in community energy planning and while there is some data available, there are major information gaps in what types and how much fuel is used to produce energy in the NWT. Bill 42 presents a rare opportunity to put in place the legislative tools that would allow for the collection and dissemination of fuel data for energy planning

purposes. The introduction of a carbon tax in the NWT, and the reporting requirements for fuel suppliers contained in the Act, could provide the basis for this type of information sharing, particularly at the community government level.

It is our understanding that under current privacy legislation, the use of this data for energy planning purposes must be expressly authorized in the relevant legislation, in this case, the Petroleum Products Tax Act. As an organization committed to supporting the Government of the Northwest Territories' (GNWT) *2030 Energy Strategy* and assisting the GNWT in meeting its obligations under the *Pan-Canadian Framework on Clean Growth and Climate Change*, the AEA supports instruments that assist communities in gathering robust, accurate and dependable data for energy planning purposes. If this express authorization were to be included in the Act, community governments and our organization would be able to work with precise and correct data related to fuel sales in the NWT, saving a considerable amount of time and ensuring community energy planning is based on actual fuel usage. It would also allow us to effectively measure the success of larger-scale energy efficiency and renewable energy projects so that successful projects could be rolled out across the territory.

Across the NWT, residents, businesses, governments and non-governmental organizations are working to mitigate climate change through energy efficiency and clean, renewable energy technologies; unfortunately, we have limited ways to accurately measure progress. A provision in the Petroleum Products Tax Act to allow for the disclosure of fuel sales data at the community level would address this problem. I encourage the Standing Committee on Government Operations to consider including such a provision in the Act, a measure that would greatly benefit vigorous energy planning and the implementation of effective climate change mitigation measures in the NWT.

Thank you for the opportunity to comment on this important legislation. If Committee members have any questions, I would be pleased to provide additional information.

Sincerely,



Mark Heyck

Executive Director, Arctic Energy Alliance



CITY OF YELLOWKNIFE

**PRESENTATION TO STANDING COMMITTEE
ON GOVERNMENT OPERATIONS**

**BILLS 42: AN ACT TO AMEND *THE
PETROLEUM PRODUCTS TAX ACT***
and

**BILL 43: AN ACT TO AMEND
*THE INCOME TAX ACT***

Submitted to:

STANDING COMMITTEE ON GOVERNMENT
OPERATIONS

Presented by:

CITY OF YELLOWKNIFE
Mayor Rebecca Alty

Date:

August 1, 2019

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Appendix B: Council’s Goals & Objectives 2019-2022

Appendix C: Carbon Pricing Letter to Robert C. McLeod dated December 7, 2017

Appendix D: Backgrounder on NWT Carbon Tax

1 INTRODUCTION

The GNWT, as a signatory of the Pan-Canadian Framework for Clean Growth and Climate Change, has committed to meeting a federal benchmark for carbon pricing by 2019. The introduction of the amendments to the *Petroleum Resources Act* is the first step in fulfilling this commitment. Implementation of carbon pricing is being seen by the GNWT as a tool that will incent behaviors to reduce greenhouse gas emissions (GHG), provide investments in initiatives and programs that lead to greater use of renewable and cleaner fuels, and minimize impacts on the cost of living and doing business in the Northwest Territories.

The City fully supports the reduction of GHG emissions and initiatives that address climate change.

The City has no specific comments related to Bill 43 – An Act to Amend the *Income Tax Act*.

2 AN ACT TO AMEND THE PETROLEUM RESOURCES ACT

2.1 Northwest Territories Association of Communities (NWTAC)

The NWTAC is an association of all thirty-three NWT incorporated community governments that was created to “promote the exchange of information among the community governments of the Northwest Territories and to provide a united front for the realization of goals”. The City of Yellowknife is an active member of the NWTAC.

At the Annual General Meeting held February 28-March 2, 2019 the NWTAC passed Resolution 2019-06-Carbon Pricing (attached hereto as Schedule “A”) to address concerns of members regarding implementation of the ‘carbon tax’. A key point of interest for municipalities is the impact that carbon pricing may have on the cost of living to residents.

2.2 The GNWT’s Approach

In the GNWT’s proposed legislation, aviation fuel will be exempt from Carbon Tax, home heating fuel will be rebated at the point of purchase for homeowners and the Cost of Living Offset benefit (COLO) will offset additional impacts.

The GNWT has outlined energy projects that are being advanced through federal government programs as part of the 2030 NWT Energy Plan and that the 25% GNWT contribution will be funded through the carbon tax. Further, the GNWT’s proposed legislation anticipates that the Legislative Assembly will approve the revenue and expenditures of the NWT Carbon Tax as part of the operational and capital appropriations.

3 CITY OF YELLOWKNIFE

3.1 Background

The City of Yellowknife continually integrates climate action and resilience in its operations and policy structures. City Council recently established Goals and Objectives for 2019-2022 and specifically prioritized adaptation to, and mitigation of, climate change (Appendix “B” – Council’s Goals & Objectives). The City’s ongoing work to revisit asset management and the state of infrastructure has taken on a climate lens, ensuring that sustainable choices are made as the City delivers municipal services to present and future generations.

On May 12, 2014 Council approved the plan to renew the Community Energy Plan (<https://www.yellowknife.ca/en/living-here/Energy.asp>) for years 2015 to 2025. This Plan establishes ambitious and measurable targets to reduce GHG emissions and transition to renewable sources of energy at both the corporate and community levels.

- City corporate targets:
 - 50% reduction in GHG emissions by 2025 (based on 2009 levels)
 - Increase the share of renewable energy use from 50% to 70% by 2025 (based on 2009 levels)
- Community targets:
 - 30% reduction in GHG emissions by 2025 (based on 2009 levels)
 - Increase the share of renewable energy use from 18% to 30% by 2025 (based on 2009 levels)

This Plan builds on the City’s already significant efforts to address climate change. These include:

(i) Working with partners

The City has worked alongside community partners on all matters of energy and climate change. The City relies on the expertise of established organizations to assist with reduction of our carbon footprint. For example, Arctic Energy Alliance has collaborated with the City to integrate variable speed pumps into our critical assets, allowing for energy efficiency and less wear on equipment. The City has engaged Northland Utilities to reconfigure how city streets are lit by using responsive technology that reduces energy use and highlights our natural environment. The City has also worked with Ecology North in the operation and expansion of the Centralized Composting program, annually diverting tonnes of organic waste from being buried and emitting methane.

(ii) Sustainability

The City has received awards and recognition for our commitment to creating a sustainable community, most recently the FCM Sustainable Community Award for the Energy sector. To decrease the City’s reliance on fossil fuels, the City installed a Centralized Biomass Boiler, heating 5 facilities on wood pellets. It is anticipated that this installation will reduce annual GHG emissions by more than 800 tCO₂e (tonnes of

carbon dioxide equivalent). This project alone, with an anticipated heating oil displacement of more than 285,000 litres per year, represents 47% of corporate target for GHG emission reduction. To further reduce the City's requirement for fossil fuels, heat recovery systems are installed at frequently used facilities.

The City has a hybrid electric vehicle as part of its fleet and has installed an Electric Vehicle charging station as a public statement of its commitment and investment towards transitioning to a more sustainable Yellowknife.

The City has also played a key role over the past year in the creation and piloting of the Smart Energy Communities Scorecard, a national tool that will help benchmark and evaluate a community's transition towards energy efficiency.

3.2 City Comments on Petroleum Products Tax Act

The City's comments on the *Petroleum Products Tax Act* are outlined in the following paragraphs:

(i) Cost of Living

As indicated in a letter dated December 7, 2017 from the City to Robert C. McLeod, the City raised concerns regarding the affect implementation of a carbon tax could have on the cost of living for Yellowknife residents (attached hereto as Appendix "C"). A carbon tax is a signal to consumers to switch to lower emitting modes of transportation or heating fuel. However, this price signal is only effective if reasonable alternatives exist which allow consumers to alter their behaviour. The City is supportive of programs that reduce emissions and we expect that the funds raised through imposition of a carbon tax will be used to ensure that other options are developed and made available to territorial residents.

(ii) Effective Programs

The GNWT has committed to introducing carbon pricing to help tackle climate change. It is the City's position that, to be effective, any carbon pricing mechanism must be based on the NWT's unique environmental and economic realities. It is clear that the GNWT's approach to carbon pricing should not be considered in a vacuum and must result in a tangible reduction of GHG emissions to be effective in achieving the GNWT's stated goals. If the proposed carbon pricing regime does not accomplish a reduction in GHG emissions it has merely created an unnecessary administrative burden and cost to residents and businesses. As such, the City encourages the GNWT to re-evaluate the program after implementation to ensure that it is making a difference.

(iii) Carbon Tax Revenue

Pursuant to Council Motion #0221-17, the City's position is that one hundred percent of the carbon tax should be recycled into the economy.

The City would like to note that it is not apparent from the proposed legislation how the GNWT will account for the funds generated through imposition of a carbon tax and how those funds will be accessed and distributed. For example, pursuant to section 7 of New Brunswick's *Climate Change Act*, all revenue generated from carbon pricing is deposited into a Climate Change Fund. The New Brunswick government established the fund to ensure that the resources generated were used to fund climate change initiatives. The proposed legislation does not stipulate where or how the money raised through a carbon tax will be used, but rather that "Carbon Tax revenue and related expenditures will be approved by the Legislative Assembly as part of the operational and capital appropriations".

Furthermore, according to the information provided in the document titled "Backgrounder on NWT Carbon Tax" (Appendix "D"), the revenue generated from the Carbon Tax is estimated to be \$40.0 million over the next five years and will be "the main source of resources used to advance actions approved through the 2030 Energy Plan". The GNWT portion of the costs of the projects being advanced are approximately \$39.4 million dollars over the next five years. It is surprising to note that based on the backgrounder, although the City of Yellowknife contains approximately fifty percent of the population of the Northwest Territories¹, contributing a significant portion of the carbon tax, there are no identified projects scheduled to happen in or around Yellowknife in the upcoming five years, nor are any of the carbon tax revenues allocated to support City projects that are actively reducing GNG emissions in Yellowknife. Given the chronic capital underfunding of Yellowknife (\$10M/annually) that the GNWT acknowledges through its own funding formula analysis, allocating a portion of the tax revenues to the City would be an optimal approach to meet both GNWT and City goals.

The City recommends an approach whereby some revenues would be available to community governments in order to support actions articulated within their Community Energy Plans; a similar model exists within the NWT Enviro Fund, a special purpose fund that is defined under the Financial Administration Act and managed by Environment and Natural Resources.

4 CONCLUSION & NEXT STEPS

The City believes that the Act to Amend the *Petroleum Resources Tax Act* is an important first step in addressing climate change. It is imperative that an accountable system is created to ensure that funds generated by the Carbon Tax are utilized for initiatives that address climate change. Importantly, the carbon pricing regime must not have a negative impact on the cost of living to residents.

¹ See NWT Bureau of Statistics - <https://www.statsnwt.ca/population/population-estimates/bycommunity.php>

Appendix A

NWTAC RESOLUTION:

2019-06 – CARBON PRICING

WHEREAS fossil fuel use contributes to climate change inducing greenhouse gas emissions;

AND WHEREAS the Government of the Northwest Territories is a signatory to the Pan-Canadian Framework for Clean Growth and Climate Change and is committed to meeting Federal benchmark for carbon pricing by 2019;

AND WHEREAS the Government of the Northwest Territories has implemented Pan-Canadian Carbon Pricing in the Northwest Territories;

AND WHEREAS the Government of the Northwest Territories has adopted a Carbon Tax as the preferred option for carbon pricing;

AND WHEREAS communities in the NWT and their residents will see a direct increase in costs as a result of the carbon tax;

NOW THEREFORE BE IT RESOLVED THAT the Northwest Territories Association of Communities lobby the Government of the Northwest Territories to ensure:

- That 100% of the carbon tax revenue be recycled into the economy through transfers to households, business, industry and municipalities;
- That support regarding the implementation of the carbon tax is addressed to the satisfaction of the communities;
- That communities are proportionally funded to offset increased cost of municipal operations as a result of the carbon tax implementation;
- That it commits to the advancement of sustainable initiatives to reduce the reliance on non-renewable fuels; and
- That the implementation and reporting processes related to the carbon tax initiative are presented in a transparent manner.

Submitted by the City of Yellowknife

CATEGORY A CONCURRENCE

Appendix “B”

Council’s Goals & Objectives 2019-2022



CITY OF YELLOWKNIFE

COUNCIL’S GOALS & OBJECTIVES

2019 - 2022

VISION

Yellowknife is a welcoming, inclusive, and prosperous community with a strong sense of pride in our unique history, culture and natural beauty.

MISSION

Council will provide leadership, vision, and direction in responding to the needs and aspirations of the community by working cooperatively with staff and residents to provide municipal infrastructure, programs, and services that are environmentally, socially, and fiscally responsible.

GOAL # 1	Objective 1.1	Objective 1.2	Objective 1.3	
Growing and diversifying our economy	Foster a robust and diversified tourism sector <ul style="list-style-type: none">Implement a governance structure for the DMO and visitors services that will be effective in attracting, serving and maximizing the economic benefits of tourists	Maximize benefits from an expanded post-secondary institution <ul style="list-style-type: none">Continue to advocate for an expanded post-secondary institution in YellowknifeWork with partners to maximize the community and economic development benefits from an expanded post-secondary institution in Yellowknife	Refresh and implement a Yellowknife economic development strategy <ul style="list-style-type: none">Work with local residents, businesses, and community organizations to refresh and action an economic development strategy for the City	
GOAL # 2	Objective 2.1	Objective 2.2	Objective 2.3	
Delivering efficient and accountable government	Enhance long-term financial and asset management planning <ul style="list-style-type: none">Develop a long-term financial plan to ensure the fiscal sustainability and affordability of the CityDevelop and resource an asset management plan to guide long-term decision-making	Integrate a culture of continuous improvement into corporate culture <ul style="list-style-type: none">Invest in professional development for staff and CouncilImplement a manageable and staged process for the regular review of City policies, processes, long-term plans and programs on a set cycle to ensure relevance and drive continuous improvementDevelop and implement a plan for City staff retention and succession to manage program and operations impacts	Confirm clear service level standards for key City programs and services <ul style="list-style-type: none">Establish, monitor, and report service level standards for the City's high demand and/or resource intensive programs and services to support performance management and longer-term resource allocation decisions	
GOAL # 3	Objective 3.1	Objective 3.2	Objective 3.3	Objective 3.4
Ensuring a high quality of life for all, including future generations	Prioritize adaption to, and mitigation of, climate change <ul style="list-style-type: none">Review and prioritize efforts that the City can implement to mitigate and adapt to climate change, including applying a climate change lens when evaluating City initiatives and activities and continuing to implement relevant plans	Redefine Public Transit <ul style="list-style-type: none">Strengthen the service model to respond to user needs, and to attract new users to the system	Work with partners to address pressing social issues <ul style="list-style-type: none">Work with partners to address public disturbancesFocus on bringing partners and funding to support the implementation of the City's 10-year plan to end homelessness	Develop a City of Yellowknife Arts and Culture Master Plan <ul style="list-style-type: none">The City will engage the community in developing an Arts and Culture Master Plan to guide long-term decision making and investment in arts and culture
GOAL # 4	Objective 4.1	Objective 4.2		
Driving strategic land development and growth opportunities	Diversify development options <ul style="list-style-type: none">Develop policies and programs that incent local investment in the development of diverse housing stock, commercial, and industrial options	Promote development across the City <ul style="list-style-type: none">Streamline the planning and building regimes to ensure greater consistency in requirements and clarity in fulfilling approval conditionsWork with the development community to design policies and plans that support the development or redevelopment of properties in the downtown		

DM# 563566

Appendix “C”
Letter dated December 7, 2017
Re: Carbon Pricing Dialogue



CITY OF YELLOWKNIFE
OFFICE OF THE MAYOR

December 7, 2017

Attn: The Honourable Robert C. McLeod
Carbon Pricing Dialogue
Fiscal Policy, Department of Finance
P.O. Box 1320
Yellowknife, NT X1A 2L9

Dear Minister McLeod,

Re: City's Position on the Discussion Paper *Implementing Pan-Canadian Carbon Pricing in the Northwest Territories*

In July of 2017 the Government of the Northwest Territories (GNWT) disseminated a discussion paper entitled, *Implementing Pan-Canadian Carbon Pricing in the Northwest Territories*, which identified possible ways in which a Carbon Tax could be implemented in the Northwest Territories.

The City of Yellowknife believes that Carbon Pricing can be a valuable tool in helping the city and territory reach our goals with regards to Green House Gas (GHG or CO₂) emission reductions and sustainability projects. However, we have significant concerns regarding the implementation of the Carbon Tax, and how it could affect the cost of living for Yellowknife residents, both immediately and as the Tax increases, as well as how the implementation of the Tax could affect municipal operations.

City Council understands the purpose of Carbon Pricing and has discussed this matter at great length. We understand that the GNWT is mandated to implement this Tax, and we commit to working with you during the implementation phase to ensure that Yellowknife residents do not face unfair financial hardship, and that they are able to capitalize on the benefits and opportunities associated with this pricing mandate.

Further to this letter, please find attached Council's consolidated resolution from the Council meeting of October 23, 2017, outlining the City's position regarding Carbon Pricing. Should you have any questions regarding this matter, please do not hesitate to contact me at mayor@yellowknife.ca or 920-5693.

Best Regards,

Mark Heyck
Mayor

DM# 500479

Council Motion #0221-17

That Council affirm a position and adopt the following resolution with respect to the GNWT's discussion paper entitled "Implementing Pan-Canadian Carbon Pricing in the Northwest Territories":

IMPLEMENTING PAN-CANADIAN CARBON PRICING IN THE NORTHWEST TERRITORIES

WHEREAS fossil fuel use contributes to climate change inducing greenhouse gas emissions;

AND WHEREAS the Government of the Northwest Territories will implement Pan-Canadian Carbon Pricing in the Northwest Territories;

AND WHEREAS the Government of the Northwest Territories will be setting priorities under their Framework for opportunities to reduce greenhouse gas emissions;

AND WHEREAS the Government of the Northwest Territories will be adopting a Carbon Tax as the preferred option for carbon pricing;

AND WHEREAS the Government of the Northwest Territories is exploring options on what to do with the funds generated by the Carbon Tax including recycling revenues;

AND WHEREAS the Government of the Northwest Territories is determining who will pay the Carbon Tax;

AND WHEREAS the Government of the Northwest Territories is exploring how and how much carbon tax revenues should be recycled;

AND WHEREAS the Government of the Northwest Territories is investigating the possibility of mixing recycled revenues with broader policy issues;

AND WHEREAS the Government of the Northwest Territories is determining whether the carbon tax recycling should be tied to carbon consumption;

AND WHEREAS the Government of the Northwest Territories is determining, if adopted, whether the recycling approaches should be allowed to change over time;

NOW THEREFORE BE IT RESOLVED THAT the City of Yellowknife urges the Government of the Northwest Territories to ensure:



- 1) That the cost of living of the City's residents is not impacted in a negative way by carbon pricing;
- 2) That the City's concerns regarding the implementation, the impact of the carbon tax and support regarding implementation are addressed to the satisfaction of the City;
- 3) The Government of the Northwest Territories commits to investing in expansion of hydro projects to offset the need for diesel generated electricity;
- 4) The Government of the Northwest Territories commits to investing in co-generation projects that would target waste as a fuel source for co-generation projects;
- 5) The Government of the Northwest Territories commits to implementing projects targeted at reducing the reliance on diesel for off-grid communities;
- 6) That all revenues from carbon taxes be recycled;
- 7) That recycled revenues consist of returning the tax collected directly to residents, businesses, industry and municipalities.
- 8) That 100% of the carbon tax be recycled into the economy through transfers to households, business, industry and municipalities;
- 9) That low income households and/or individuals be taken into consideration when developing policies with respect to any mixing of carbon revenue recycling with broader policy objectives;
- 10) That carbon tax recycling not be tied to carbon consumption, but rather it be applied as in other jurisdictions that are as cost neutral as possible;
- 11) That the recycling approaches shall not be allowed to change over time.
- 12) That the Government of the Northwest Territories support and assist the City in our effort to change legislation to allow Local Improvement Charges for energy retrofit projects;
- 13) That the Government of the Northwest Territories legislate mandatory petroleum sales reporting; and
- 14) That the whole process related to the carbon pricing initiative be transparent.



Appendix “D”

Backgrounder on NWT Carbon Tax

Backgrounder on NWT Carbon Tax

Fuel Use in the NWT

- Overall, 465.3 million liters of fuel were used in the NWT in 2016-17. Gasoline and motive diesel fuel accounted for 43% of this total. Non-motive diesel, diesel for heating and propane for heating accounted for 46% of the total fuel. The remaining fuel use was for aviation and rail.

GNWT Fuel Use, by Type
2016-17

	Fuel Used In Litres
Gasoline	53,276,151
Motive Diesel	146,884,998
Non-Motive Diesel	114,719,317
Heating Diesel	80,461,651
Aviation	51,730,905
Propane	18,022,909
Rail	159,841
Total	465,255,771

- Fuel for 2016-17 was relatively typical, with the average fuel use of 473.4 million litres over the last six years. Fuel use fluctuates with environmental conditions, as well as economic changes.

Greenhouse Gas (GHG) Emissions

- According to the 2018 National Inventory Report produced by Environment and Climate Change Canada (ECCC), the NWT produced 1,611 kilotonnes of greenhouse gas emissions in 2016. Approximately 97% of these emissions were related to energy.
- About 39% of NWT emissions can be attributed to electricity production and heating. Some 57% of emissions are transportation related, comprised of 7% for aviation, 25% for road transportation, 24% for off-road primarily mining related activities, and 1% for navigation and railways.
- ECCC has estimated that implementing the federal backstop for carbon pricing would reduce NWT emissions by 3.4%.

Large Emitters

- In the NWT, large emitters are defined as those private sector establishments that emit more than 50 kilotonnes of GHG on an annual basis. For 2016, large emitters would have included operating diamond mines and the Norman Wells oil facility.
- More than 500 kilotonnes of GHG emissions in the NWT were produced in these facilities.

Aviation Fuel in the North

- Aviation is critical in the NWT. Information from Statistics Canada indicates a much greater reliance on air travel for residents and for transporting cargo than in the rest of Canada. For example, the average amount of air cargo per resident is ten times higher in the NWT compared with the rest of Canada.
- Air transportation is also important part of economic development and a significant cost driver for businesses.
- Exempting aviation fuel will save residents, governments and businesses approximately \$6.4 million annually when the NWT Carbon Tax is fully implemented.

Approach to Heating Fuel

- Climate and price differences result in heating costs that are two or three times higher in NWT communities compared with the rest of Canada.
- Heating for a single detached dwelling is estimated to cost more than \$7,000 annually in some NWT communities compared with about \$2,000 annually in southern cities for a similar dwelling.
- There are also significant differences within the NWT between amounts paid for heating by residents whether they are a homeowner, private market renter, or public housing tenant.
- Typical small businesses in the NWT are estimated to be paying between approximately \$5,000 and \$35,000 annually for heating fuel depending on the nature of their establishment.
- The NWT Carbon Tax for heating fuel will be 100% rebated at the point of purchase for all except large emitters.
- This is expected to save homeowners approximately \$500 annually and private market renters approximately \$300 annually depending on location and size of dwelling.
- The impact of the NWT Carbon Tax on municipal governments will also be reduced by rebating heating fuel. As examples, this is estimated to save Yellowknife and Inuvik more than \$100,000 annually and about \$30,000 annually for smaller communities based on reported heating fuel expenses.
- For small business, rebated amounts for heating fuel could range annually from about \$1,000 to more than \$5,000 depending on the nature of the business.

Offsetting Other Household Impacts

- Cost of living continues to present challenges for NWT residents. The exemption on aviation fuel and the rebate on heating will mitigate some of the impact of introducing a carbon tax.
- Additional impacts will be offset with the Cost of Living Offset benefit (COLO). As noted, these benefits will increase as the NWT Carbon Tax amounts increase. When fully implemented, the COLO will provide each adult in the NWT \$260 to offset carbon tax impacts and \$300 for each child.
- For a couple with two children, this will provide \$1,120 of benefits on an annual basis.
- These benefits will be delivered through the Canadian Revenue Agency (CRA). Similar to the existing NWT Child Benefit, Canada Child Benefit, Old Age Security, and the GST Rebate, residents will need to file their annual personal income tax return to access these benefits.
- In total, these new benefits will cost the GNWT \$12.0 million annually when fully implemented.

Fuel and Electricity Generation

- NTPC purchased approximately 19.6 million liters of fuel in 2016-17 for the production of electricity. This is primarily used in smaller NWT communities with diesel powered generators.
- The GNWT subsidizes residential electricity rates for residents in communities with rates higher than Yellowknife through the Territorial Power Subsidy Program (TPSP). Adding the NWT Carbon Tax to diesel purchased for electricity production, will simply increase the amount of subsidy provided.
- For businesses and governments operations within the thermal zone, adding the carbon tax on fuel for producing electricity will simply add to the cost of doing business in communities' dependent non-motive fuel for electricity generation.
- The GNWT will rebate the NWT Carbon Tax paid by NTPC for electricity production on an annual basis. Based on 2016-17 fuel consumption, this will amount to \$3.0 million when the carbon tax is fully implemented.

Investing in Green Initiatives

- The GNWT has outlined a series of energy projects that will reduce GHG emissions as part of the 2030 NWT Energy Plan. These are just a portion of the actions identified as part of the energy plan.
- Many of these actions will be completed in partnership with the federal government under programs that require 25% of the funding be provided by the GNWT and 75% by the federal government.

- Specific initiatives planned over the next five years include:
 - Inuvik Wind
 - Fort Providence/Kakisa Transmission
 - Norman Wells Wind/Diesel
 - Whati Transmission
 - Fort Simpson LNG
 - Sachs Harbour Wind/Diesel
 - Aklavik Additional Solar for VSG Trial
 - Fort McPherson Conventional Solar
 - Tulita Solar for Advanced Inverter Trial
 - Ulukhaktok Conventional Solar
 - Paulatuk Conventional Solar
 - Wekweeti Conventional Solar
 - Tsiigehtchic Conventional Solar
- These projects are being advanced through federal programs, but initial estimates indicate the GNWT share for these projects will be approximately \$39.4 million over the next five years, with total project costs expected to be about \$157.4 million.
- Revenues from the NWT Carbon Tax that are targeted for investing in green initiatives are expected to total more than \$40.0 million over the next five years and will be the main source of resources used to advance actions approved through the 2030 Energy Plan.
- Annual NWT Carbon Tax revenue and related expenditures will be approved by the Legislative Assembly as part of the operational and capital appropriations.

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July 25, 2019

Rosalie Abbey
Ecology North
5016 50th Avenue, Lower Level
Yellowknife, NT
X1A 2P3

Re: Review of GNWT's Bill 42 and 43

Dear Rosalie,

As was agreed during our conversation on 25 April, I have developed some brief comments on the Government of Northwest Territories' (GNWT) Bill 42 - *An Act to Amend the Petroleum Products Act* and Bill 43 - *An Act to Amend the Income Tax Act*. Please note that these comments follow the sections of the Acts being amended, not the sections of the Bills in which the amendments are proposed. In building these comments I have reviewed the equivalent regulatory regimes of Yukon, British Columbia, and Prince Edward Island.

Bill 42 contains amendments regarding five related topics: the imposition of a tax based on the carbon content of various fossil fuels; the administration and collection of the tax under the terms of the existing fuel tax; the imposition of a duty on fuel vendors to collect and remit the tax; granting the Minister leave to create regulations that guide rebates of the tax, and; provisions for the appeal of assessment decisions made by the Minister in relation to the carbon tax. In addition, it changes the name of the original Act to the *Petroleum Products and Carbon Tax Act*.

Bill 43 creates a cost-of-living offset intended to return carbon tax revenue to residents of the NWT. Given this bill's brevity, most of my comments will focus on the provisions of Bill 42.

The first six sections of Bill 42 are largely focused on legislative housekeeping. However, they do include three notable changes. First, natural gas is named as a fuel to which tax is applied. Second, propane, butane, and naphtha are brought into the list of fuels defined by the Act as "petroleum products." These three fuels are still exempt from the NWT's existing fuel tax, but as we will see, they are subject to the territorial carbon tax. Third, various sections are amended to emphasize their applicability to the territory's "fuel tax." This change is noteworthy because it establishes a clear distinction between the

existing tax and the new carbon tax as separate instruments working towards, presumably, different goals.

Section 2 is amended to set out the terms of the NWT's carbon tax. S.2.1(1) imposes the tax on "petroleum products" and natural gas; recall that propane, butane, and naphtha are now defined as "petroleum products," meaning they are subject to the carbon tax. S.2.1(3) through (6) create various exemptions to the carbon tax, including on aviation fuel, petroleum and natural gas delivered to or purchased by an Indian or Indian band on reserve, and pre-packaged fuels in containers of 10 liters or less. Compared to the carbon tax regimes of other jurisdictions, none of these exemptions are noteworthy.

Sections 2.2 and 2.3 are the start of a trend in the Bill whereby the Minister is provided considerable latitude to use regulation to shape the implementation of the carbon tax. S.2.2 allows the Minister, "in accordance with the regulations," to provide rebates of the tax upon the application of a purchaser or at the time of purchase. S.2.3. allows the Minister to provide rebates to "prescribe[d] large emitters."

Presumably this latter section was included to provide for the protection of trade-exposed, emissions-intensive industries. However, the Bill does not create a definition of which industries fit this label, an inventory of large emitters in the territory, or an emissions threshold beyond which a facility can be counted as a "large emitter." These are meaningful oversights. If the GNWT intends to follow standards set by the Government of Canada to guide the Minister's decisions on prescribing large emitters, these standards ought to be identified in the Act.

Section 3(1) sets out the administrative processes vendors must follow in collecting and remitting both the fuel and carbon tax, plus rules on reporting data related to fuel sales and inventories. This section is worth noting because its provisions mean the Minister will be supplied with the information she will require to develop reports on how fuel use changes as the carbon tax increases over time.

Schedule A sets the carbon tax rate for each of the six covered fuels: butane; diesel; gasoline; naphtha; natural gas, and; propane. It also defines annual increases to the rate of tax applied to each of the six fuels until 2022. Overall, the carbon tax rates established in Schedule A roughly match the rates set by British Columbia in 2010. By 2022, NWT's carbon tax rates will largely match BC's 2019 rates. NWT's rates are, however, marginally higher than those set out in the Government of Canada's *Greenhouse Gas Pollution Act*, the legislation on which rates in PEI and Yukon are based.

The Bill contains no provisions mandating a review of the efficacy of the carbon tax or a review into what increases, if any, ought to be made after 2022. The Minister is under no obligation to make a special report on the amount of tax collected, changes in fuel use, or how the tax is shifting the

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territory's emissions profile. In addition, Bill 42 does not make reference to an overarching emissions reduction strategy, nor does it set a target for reducing emissions that the carbon tax is intended to help meet.

This is in marked contrast to comparable legislation in BC, Yukon, and PEI. In BC, the *Carbon Tax Act* requires the Minister to present annual plans to the provincial legislature projecting the amount of tax that will be collected and how the Minister intends to maintain the revenue neutrality of the carbon tax. In Yukon, the *Carbon Price Rebate Implementation Act* requires the Minister to provide largely similar reports. PEI's *Climate Leadership Act* is notable in that it establishes an emissions reduction goal in legislation while also requiring annual reports to the provincial legislature on the amount of tax collected and rebated.

Bill 42 does not provide certainty on what revenue raised by the carbon tax will be used for, again in marked contrast to other jurisdictions. In BC, Yukon, and PEI, the enabling legislation behind the carbon tax is both explicit and tightly prescriptive regarding how revenues may be used; broadly speaking, these governments must recycle all dollars back to residents and businesses, whether through direct rebates or reductions in other types of tax. In NWT, the value of the cost of living offset proposed in Bill 43 is not tied to the amount of revenue raised by the carbon tax, nor does Bill 42 require that the revenues be deposited in a separate, protected fund.

Overall, Bill 42 reads as a working draft, not a final copy. It is silent on several important questions, including the purpose behind imposing the carbon tax, the ends to which revenue raised by the tax will be applied, and how "large emitters" will be defined. It does not establish an emissions reduction target or include a reporting schedule, even though the proposed amendments would ensure the Minister has much of the information required to develop such reports. Bill 42 does not appear to be an integrated element of a larger emissions-reduction strategy, an omission which will limit its overall effectiveness at shifting patterns of fuel use. I suggest that Bill 42 requires significant rewrites and that, as-written, too much discretion is left to the Minister to shape the implementation of the carbon tax through regulations.

I hope this brief note serves to aid Ecology North in developing their position on Bill 42. I am happy to discuss this topic further at your convenience. I can be reached at 306-380-8275.

Sincerely,

A handwritten signature in cursive script that reads 'Cody Sharpe'.

Cody Sharpe, PhD

August 1st, 2019

Re: Bill 42 – An Act to Amend the Petroleum Products Act and
Bill 43 – An Act to Amend the Income Tax Act

Submission to the Standing Committee on Government Operations

Joint submission by Ecology North and Alternatives North

Ecology North and Alternatives North are pleased to see that the Government of the Northwest Territories (GNWT) is moving forward with a carbon tax. Implementing a carbon tax is a simple and effective tool to provide a consistent and equitable price signal on carbon emitting fossil fuels. We are also supportive of a “made in the North” plan as a way to incentivize the transition towards a low carbon future. However, we believe there are several improvements to be made to Bill 42 - An Act to Amend the Petroleum Products Act and Bill 43 - An Act to Amend the Income Tax Act. This letter will present our recommendations to strengthen these pieces of legislation.

To gain public support, we believe there should be transparency and clarity around the NWT’s carbon tax. From this perspective, we have several concerns about how this legislation is structured and presented. Ecology North would like it to be explicitly stated what the purpose of the tax is for the GNWT. To do this, Bill 42 should:

- a) State clearly the goal of the carbon tax
- b) State clearly whether it will be carbon neutral
- c) Identify how and why money is recycled back to citizens and businesses
- d) Include a provision requiring that all revenue received be placed into a separate protected fund
- e) Require that all projects that are funded be reported on with clearly stated outcomes. We recommend reporting requirements on carbon reductions achieved and dollars spent.
- f) There should also be an annual reporting mechanism that evaluates and measures the effectiveness of the tax in meeting its purpose.
- g) There should be a carbon tax registry in which the revenues and expenditures are made publicly available.

We would like the legislation to outline the annual reporting requirements for the carbon tax, similar to BC, Yukon and PEI. In fact, PEI outlines in its *Climate Leadership Act* an emissions reduction goal and an annual report to the legislature on the amount of tax collected and rebated. We are in favor of similar requirements.

In addition to annual reporting requirements, we would like to see the inclusion of a provision for a carbon tax registry. Much of the information that would be included in a carbon tax registry is already collected and provided to the Minister as outlined in section 3(1).

Recommended language for the inclusion of a carbon tax registry in Bill 42 is as follows:

- (1) The Minister shall establish a carbon tax registry for the Northwest Territories.
- (2) The carbon tax registry shall contain the following information:
 - a) revenues raised through the proposed carbon tax
 - b) rebates or grants given to residents, industry, communities and others

- c) administrative costs associated with the implementation of the carbon tax
- d) reinvestments of revenues into carbon-neutral or carbon-negative research and technologies
- e) annual report that estimates projected tax revenues and annual plan for how the revenues are to be spent
- f) overall reduction in greenhouse gas emissions due to the carbon tax
- g) other matters related to the purpose and effectiveness of the carbon tax

We also have concerns regarding exemptions to the tax including, critically, heating and aviation fuels. We understand that the time for substantial changes to the Bill has passed, but we would like it on the record that the primary intent of this carbon tax should be to reduce carbon emissions, while not adversely impacting the most vulnerable populations. Exemptions in the above categories are not productive to innovation and progress. Building retrofits, including retrofitting heating systems, are one of the most effective and simple ways to make large changes to northern carbon emissions. Additionally, there are significant advances currently being made in the air transportation sector. The heating and aviation fuel exemptions reduce the efficacy of this carbon tax in these important sectors of the economy. If the purpose of these bills is indeed to reduce carbon emissions, then such fuel exemptions are counterproductive to the purpose of the carbon tax as they reduce opportunities for NWT to be leaders in a low carbon economy.

Similar to other recent bills, there is a general concern about the level of ministerial discretion provided. Additionally, many important details from these bills have been left to regulations. We would like to request continuing participation in the process of developing these regulations, and ensuring a high degree of transparency and accountability at every step.

Section 2.2 and 2.3 allows discretion to the Minister to provide rebates of the tax upon application of a purchaser. We are concerned about this discretion and ask that it be removed. At a minimum we ask that it be amended to suggest that there will to be transparency in the form of public disclosure if this section is used by the Minister.

A clear definition of a large emitter is not included in the bill, and we would like that definition made clear. There are very few large emitters in the NWT and the process for collecting and reimbursing large emitters for projects that reduce carbon emissions (the 25% that isn't immediately reimbursed) must be clear and transparent to the public and industry. We believe it should be a competitive process in which industry must compete for the pooled money with projects that reduce the greatest amount of carbon emissions. Again, this returns to the lack of a stated purpose to the bill in informing the forthcoming regulations.

Thank you for the opportunity to comment on these important pieces of legislation. We have attached an analysis of the two bills by Cody Sharpe of Non-Profit Governance Solutions, commissioned for the purpose of this period of legislative review. We look forward to seeing the results of this standing committee to make these bills stronger.



**Bill 42 & 43 – Carbon Tax (Amendments to the Petroleum
Products Tax Act and the Income Tax Act)**

NWT Association of Communities

Comments to the
Standing Committee on Government Operations

August 1, 2019

Bill 42 & 43 – Carbon Tax (Amendments to the Petroleum Products Tax Act and the Income Tax Act)

Comments to the Standing Committee on Government Operations August 1, 2019

The NWT Association of Communities, would like to thank the Standing Committee on Government Operations for providing us with the opportunity to comment on Bills 42 & 43 as it relates to Carbon Tax.

The NWT Association of Communities

The NWTAC is a non-profit, non-governmental organization that represents the interests of 100% of NWT communities.

The NWT Association of Communities was formed in 1966 to represent the interests of municipal governments in the Northwest Territories. It provides a forum and unified voice for the aspirations of its members.

Our Vision:

“Working together to achieve all that our communities want to be”

Our Mission:

“To work together to serve our communities by addressing common issues, delivering programs and exchanging information. We are the unified voice for communities on municipal goals determined by our members.”

Carbon Tax

- As per NWTAC Resolution 2019-06 as found in the Appendix of this document, the Carbon Tax must be designed in such a way to ensure a reduction in the reliance of non-renewable fuels without increasing the cost of living.
- Would like to indicate general support for the Made in the North approach vs. the Federal Backstop
- We are pleased to see the Carbon Tax for the most part being recycled back into the economy but this is not being done for all local government fuel uses.
- Fail to see how not providing any sort of offset (rebate, increased O&M transfer etc.) will make Carbon Tax “revenue neutral” to community governments
- Given that this increase in cost to service delivery will be passed on to local residents (increased property taxes or user fees or reduced level of service) means that it won’t be “revenue neutral” to residents either.
- Previous rebates for energy have not been very effectively communicated to community governments which created problems with planning and budgeting. Effective communication of the impacts is critical. Finding information on the implementation of the Carbon Tax has been very difficult until very recently.

Improved Sharing of Data for Community Energy Use

- Having data regarding energy consumption in communities is a critical element of developing and implementing Community Energy Plans. Collecting this data has proven difficult in the past due to legislative challenges. Please see NWTAC Resolution 2019-11 in the Appendix of this document.
- We are pleased to see in a recent GNWT response to the NWTAC resolutions, the following note *“The fuel volume data that is collected by the Department of Finance Tax Administration for Fuel and carbon tax collection purposes will be compiled by, and made available through, the Bureau of Statistics on an annual basis.”*

APPENDIX

NWT Association of Communities 2019 RESOLUTIONS

WHEREAS it is difficult for the Arctic Energy Alliance to acquire data to report on community energy profiles, and some types of reporting is impossible due to formats and other restrictions on the data;

AND WHEREAS information on community energy use is a critical part of energy planning and supports efforts to reduce greenhouse gas emissions;

AND WHEREAS energy use data as it is currently received is generalized by company and region/territory;

AND WHEREAS the Department of Finance is an important partner in the collection, interpretation and dissemination of information to support decision-making on energy for the GNWT and all NWT communities and residents;

AND WHEREAS the GNWT is collecting data for their carbon tax program and to support federal requirements to report on greenhouse gas emissions;

THEREFORE BE IT RESOLVED THAT the GNWT modify the legislation necessary to allow for the collection and sharing of aggregated energy data to enable partners, including the Arctic Energy Alliance and community governments to fully participate in tracking and goal setting with respect to Energy.

AND FURTHER THAT the GNWT provide clarification on how data will be collected and shared for their carbon tax program and greenhouse gas emissions reporting.

Submitted by: NWTAC Board of Directors

CATEGORY A CONCURRENCE