



Carbon Pricing (aka Carbon Tax) FAQ

On July 1, 2023, the Federal Carbon Backstop (commonly referred to as the carbon tax) will come into effect in Nova Scotia. There's been a lot of concerns and a great deal of misinformation surrounding the carbon tax, so we've put together this document covering some of the questions we're seeing.

1. What is the carbon tax?

The carbon pricing plan coming into effect on July 1 is called the Federal Carbon Backstop, but most refer to it as the carbon tax. Simply put, carbon pricing curbs emissions by placing a price on each tonne of carbon dioxide (or equivalent greenhouse gases) emitted from fossil fuel consumption. This shifts consumption and investment patterns, encouraging more sustainable alternatives.

2. Why do we need carbon pricing (tax)?

Carbon pricing is one of many tools to help address the climate emergency and reduce the amount of greenhouse gases (GHG) we are emitting. Generally, the revenue generated is reinvested in clean energy projects, renewable technologies and initiatives to reduce GHG emissions. This can create new opportunities and jobs in the clean energy sector.

3. Why do we have carbon pricing (tax) in Nova Scotia?

Carbon pricing was first put in place across Canada in 2019, and it has been one of our key climate policies ever since. The Federal Carbon Backstop is an update to our carbon pricing standards. The federal government set a September 2022 deadline for provinces to submit an adequate alternative to the federal carbon pricing standards. The Nova Scotia government refused to submit a proposal tailored to our province, and as a result the Federal Carbon Backstop was applied. Due to affordability concerns, the federal government agreed that the Backstop would not come into force in Atlantic Canada on Jan 1, 2023, as in other provinces, and would only be applied as of July 1, 2023 (a date agreed upon by provincial decision makers).

4. Do we get money back from carbon pricing (tax)?

Yes! The Federal Carbon Backstop is combined with the Climate Action Incentive (CAI) to ensure that the carbon pricing system can shift market and consumer trends without placing undue financial burden on citizens. Taxpayers in provinces under the Backstop will receive quarterly rebates to offset fuel and home heating costs. The breakdown given by the CRA for Nova Scotia residents is quarterly rebates of:

- \$ 124 for individuals
- \$ 62 for a spouse or common law partner
- \$ 31 for children under 19
- \$ 62 for the first child in a single parent family

* Those living in rural Nova Scotia (anywhere outside HRM) will automatically receive an additional 10 per cent on top of these amounts.

5. Do other countries around the world have carbon pricing (tax)?

Yes! Other countries that have a price on carbon include the United Kingdom, parts of the United States, Sweden, China, South Korea, Thailand, Singapore, Bangladesh, Kazakhstan, South Africa, Côte d'Ivoire, Colombia, Chile, Argentina, Brazil, Mexico, Panama, Trinidad and Tobago. In all cases, carbon pricing has been proven to lower emissions effectively, and many have seen substantial growth in their GDP at the same time.

6. Will carbon pricing (tax) actually help reduce emissions?

In countries where a price on carbon has been put in place, GHG emissions have consistently fallen. In Canada, carbon pricing that has already been in place since 2019 has reportedly reduced emissions by 50 million tonnes between 2019 and 2021 – the equivalent of taking 11 million vehicles off the road.

7. How will carbon pricing (tax) help reduce carbon emissions?

Carbon pricing works by capturing the *true* costs of emitting carbon and placing it back at its source. This includes costs paid by the public such as loss of property due to storms, wildfires or rising sea levels, damage to crops from drought and changing rainfall patterns, or healthcare costs associated with heat waves and poor air quality.

This shifts consumption and investment patterns, making economic development compatible with reducing emissions and providing funds to invest in sustainable alternatives.

8. Will carbon pricing (tax) affect food pricing?

Increases in food prices should be minimal, given that energy costs for production and transport are much lower than other costs like labour, material, packaging and marketing. Farmers and fishers are also exempt from federal carbon pricing and starting this year, there will be substantial incentives for companies to improve their sustainability. However, both federal and provincial governments will need to work together to ensure that corporations do not use the carbon pricing system as an excuse to profit by inflating prices.

9. How will carbon pricing (tax) help us tackle the climate emergency?

It will reduce emissions by shifting consumption and investment patterns and provide funds for governments to invest in renewable energy, efficiency measures and other emission reduction strategies. Less carbon means less climate warming, which means we have a shot at avoiding the worst outcomes of the climate emergency!

10. Will carbon pricing (tax) disproportionately affect the lower and lower-middle class?

Not necessarily. If the Climate Action Incentive rebate program works as intended and governments properly invest in supports for lower income households, then most Canadians should receive more money back than they pay in. It is also important to note that lower income populations stand to suffer the worst effects of the climate emergency if we do nothing to curb emissions.

11. Why are other provinces paying less at the pump than Nova Scotia?

Provincial governments had an opportunity to submit alternative carbon pricing plans that were tailored to their specific province. The Nova Scotia government refused to submit a proposal and so we were given the “off the shelf” carbon pricing plan. It is important to note that Nova Scotia will also receive higher Climate Action Incentive rebates, since more of our home heating is done through fossil fuels.

Part of the reason we are paying more than other provinces is due to our former cap and trade system. It just met the minimum requirements that the federal government had set but didn't have as much of an impact on prices at the pump (only about 1.1 cents) because it wasn't a strong policy. With new federal requirements and because our old system having the least impact of all provinces, we now have the most catching up to do to meet the new federal standard, so will see the largest cost increase.



12. How will carbon pricing (tax) change year over year? Will we see another increase in 2024?

Carbon pricing is designed to increase every year, thereby continuously encouraging more and more emissions reductions. This is why it is crucial for decision makers at all levels of government to continue investing in measures that help households get off fossil fuels so that decarbonizing our economy actually saves us money.

13. What will the money collected from carbon pricing (tax) be used for?

The Federal Carbon Backstop is designed so that the vast majority of funds from individuals go back to consumers through Climate Action Incentive rebates (roughly 90 per cent). The remainder is used to support small businesses and Indigenous communities. Funds raised from large emitters are reinvested into efforts to decarbonize such as renewable energy infrastructure, sustainable transportation and efficiency measures.

14. How will carbon pricing (tax) affect rural and urban populations differently?

Rural communities are more reliant on driving and have less options for sustainable transportation. As a result, people living in rural communities can expect to see an additional ten per cent on the rebates they will receive from the Climate Action Incentive.

15. If a new federal government comes into power, could this affect carbon pricing (tax)?

Yes. If a future government wants to it would be able to alter or get rid of the carbon pricing system. However, unless the party had a majority government or the support of the opposition, this would be difficult for them to do.

If a future government were to scrap carbon pricing without providing an effective alternative, it will seriously impact our chances of making the emissions reductions needed to avoid the worst effects of the climate emergency.

