“The Canadian example is particularly interesting, as the passage of British Columbia’s carbon tax in 2008 was the first of its kind in North America, and the current efforts of the Canadian federal government to implement a carbon levy backstop could have important lessons for its southern neighbors.”

Implementation of a Carbon Tax: The Canadian Precedent

Introduction

Combating climate change has become an increasingly pressing public policy concern on the global stage. Human-induced climate change is in part brought on by excessive greenhouse gas (GHG) emissions which are linked to habitat loss, rising global temperatures, unpredictable weather patterns, and other challenges across the planet.\(^1\) Of these GHGs, carbon dioxide has been identified as one of the most crucial emissions to reduce in order to prevent warming above 2°C.\(^2\) The World Bank, United Nations, the International Monetary Fund (IMF), and various other organizations believe that carbon pricing is an efficient way to reduce GHG emissions, as it puts a price on the negative externalities of carbon emissions.\(^3\) Consequently, various carbon pricing schemes have been enacted in the Denmark, Finland, Sweden, a variety of European Union countries, Japan, Iceland, and Australia.\(^4\)

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In North America, Canada has been a leader in pricing carbon emissions, and the province of British Columbia in particular has led the way with a carbon tax implemented in 2008.\(^5\) Ten years later, Canada is implementing a similar carbon tax for all provinces without adequate carbon pricing measures as part of their plan to foster sustainable economic growth and cut GHG emissions to combat climate change.\(^6\) However, just south of British Columbia, the state of Washington failed to pass a similar carbon tax first in 2016,\(^7\) and again in 2018.\(^8\) For many years Canada has followed the United States’ lead on climate change policy, which makes it surprising both that British Columbia was able to pass a carbon tax in 2008, and that Canada would be willing to federally implement a similarly structured carbon levy backstop in 2018. In this paper, I argue that British Columbia was able to pass this carbon tax because it had the social conditions to find this policy favorable, and a majority party with enough political capital to implement this policy. I then argue that Canada was willing to implement this broader federal carbon tax policy because it had the similar social conditions and political capital to push this measure through at the federal level.

**Carbon Taxes in British Columbia**

While the concept of carbon taxes is relatively well understood, the revenue-neutral carbon tax of British Columbia is unique and quite complex. Generally, carbon pricing is seen as a way to put a dollar amount onto the negative consequences of GHG emissions, and there are

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three broad categories of carbon pricing; carbon taxes, cap-and-trade, and performance standards systems. While all three systems are present in various Canadian provinces, the revenue-neutral carbon tax in British Columbia was the first of its kind in North America. This carbon tax “applies to all greenhouse gases emitted by all sources of combustion of all fossil fuels (plus peat and used tires where used for heat and energy),” though it does not cover all GHG emissions throughout British Columbia. Beginning in 2008 at a rate of $10 per ton of CO₂ emitted, the tax increased by $5 per year until 2012, where it has remained at a price of $30 per ton. The tax is collected by provincial administrators with other taxes, and while the additional cost is passed to the consumer at the final point-of-sale, the government offsets this cost by providing firms and households income tax cuts and direct payments for low-income households. This repayment of the tax revenues back to the constituents is what makes this carbon tax revenue-neutral, as the government is neither keeping nor reinvesting this new revenue source. Other provinces including Alberta, Quebec, and Ontario have instead chosen to reinvest their GHG emissions revenue into a variety of efforts that include investing in new green technologies, providing financial support to Indigenous and Northern communities, and similar projects aimed at mitigating and adapting to the challenges of climate change. Both revenue-neutral and reinvestment systems have merit, but a revenue-neutral carbon tax is perhaps easier to pass into

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law in large part because it means that the taxpayers are given something to offset the increased costs due to the tax.

**Passing the Revenue-Neutral Carbon Tax in BC**

Against the backdrop of British Columbia’s long history of environmental activism, 2007-2008 saw historically high levels of interest in environmental issues, in part triggered by a beetle infestation, and comprehensive news media coverage of these events, creating the social conditions to put political pressure on the government to implement climate policies, resulting in the carbon tax of 2008. British Columbia’s history of environmental awareness runs deep, and indeed, many residents “see environmental activism and stewardship as a hallmark of their province.” Environmental social movements are seen as a way to engage politically, and British Columbia’s environmentally-focused activism made the region notorious in the 1980’s and 1990’s. Furthermore, Vancouver is the home city of the environmental organization Greenpeace, and the Green Party receives up to 10 percent of votes in most general elections. This strong regional emphasis on environmental activism provided the initial foundation for British Columbia’s interest in progressive climate policies. Throughout the early 2000’s, climate change’s impacts were the subject of global interest, and many countries (including Canada) were increasingly aware that their policies would not slow GHG emissions to acceptable levels to prevent warming. Simultaneously, the pine forests of British Columbia were devastated by a beetle infestation that was largely attributed to warming winter temperatures due to climate change.

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change.\textsuperscript{18} Canadian news media were aware of these trends and were reporting on environmental issues, but usually through the lens of policy making, urging government action through comprehensive climate policy.\textsuperscript{19} These elements combined to make the environment one of the most pressing issues for many Canadians between 2007 and 2008, surpassing the economy and healthcare as areas for concern.\textsuperscript{20} Taken together, these factors put immense political pressure on the majority Liberal Party, incentivizing them to propose climate-focused policies, as this was at the forefront of voters’ minds. However, public interest alone was not enough to enact the kind of political action necessary to pass British Columbia’s carbon tax, and the political capital of the majority Liberal Party was also essential to the passage of this carbon tax.

Due to the centralizing power structure of Canada’s parliamentary system and rising political pressure for climate action, the political capital of the Liberal Party in 2007 and 2008 was essential to the passage of British Columbia’s carbon tax. Canada’s parliamentary structure concentrates political power in the hands of the provincial Premiers and the federal Prime Minister, which, in combination with a first-past-the-post electoral system, typically creates majority governments which can then enact their policy mandate with little push-back.\textsuperscript{21} This centralized power structure allowed Premier Gordon Campbell of the Liberal Party to set the policy making agenda, and they took the opportunity to capitalize on voters’ climate change enthusiasm and create new policies focused on addressing these issues, which included the

carbon tax, announced in February of 2008.\textsuperscript{22} The Liberal Party faced both internal and external pressure to enact some form of climate change policy, and understood that their safe position as the majority party allowed them to pass this relatively radical carbon tax. Furthermore, the business community had usually been more closely associated with the more conservative Liberal Party, and while they were surprised by the Liberal Party’s new climate policies in 2007, they were aware of the public pressure to address climate change, and acknowledged that some form of carbon pricing was necessary to create stability and relieve investor anxiety.\textsuperscript{23} With a parliamentary majority, popular support and the backing of the business community, the Liberal Party’s political capital was large enough to solidify the proposal and implementation of the carbon tax in 2008. Without this fundamental base of political capital and support, this carbon tax would not have passed or survived its first election cycle, as it faced serious threats from the opposition party.

Despite the best efforts of the minority New Democratic Party and diminishing public support, British Columbia’s carbon tax survived in large part due to the Liberal Party’s right-of-center politics. When the carbon tax went into effect during the summer of 2008, it was seen as wildly unpopular with voters,\textsuperscript{24} despite previous public support for some form of climate policy action. Initially the measure was popular with urban voters, but a backlash soon emerged first from rural and Northern communities, then from all demographics as the timing of the tax’s implementation coincided with a large spike in the price of gasoline in July 2008.\textsuperscript{25} This meant

that across the world transportation costs were rising, but voters in British Columbia were quick to attribute this price spike to the new tax. The New Democratic Party, which was in the minority at this time, saw this as an opportunity to take back political power in the upcoming 2009 election and began their “Axe the Tax” campaign. The “Axe the Tax” effort was a surprise to many, considering that the left-leaning New Democratic Party had called for a carbon tax in 2007 and was typically seen as the greener, more environmentally progressive party. However, it seemed that the New Democratic Party could not resist the chance to “capitalize on populist opposition to the Campbell government,” and allowed their political party to serve as the platform for opposition to the carbon tax. Fortunately for the carbon tax, the economic crash of 2008 lowered gas prices and pulled voters’ attention away from the environment and refocused them on the economy, which the right-of-center Liberal Party was able campaign on during the 2009 election. Because of its history as a more fiscally conservative party, the Liberal Party was able to stay in the majority after the 2009 election due to their economic policies after the 2008 recession, ensuring that the carbon tax would remain in place. The political capital of the Liberal Party was able to carry it through the next election cycle while it’s right-of-center reputation strengthened the Liberal Party’s formerly weak position, and they effectively beat the New Democratic Party’s “Axe the Tax” campaign. The British Columbia case demonstrates both the importance of public support, and the necessity of a political party willing to implement the climate change policy, even when it begins to fall out of favor. With the combination of these

factors, British Columbia was able to implement its carbon tax and set an example for other provinces and the country as a whole.

**Canada’s Carbon Tax**

Similar to the situation in British Columbia, Canadian citizens were concerned about environmental issues and climate change in the mid 2010’s, which created the political pressure for First Ministers to implement a federal carbon pricing system. According to a 2015 study by the Pew Research Center, 51% of Canadians surveyed believe that “global climate change is a very serious problem”, and 84% “support [their] country limiting greenhouse gas emissions as part of an international agreement.”\(^{30}\) This indicates that Canadians were in favor of measures to combat climate change including the Paris Agreement, which seeks to limit GHG emissions internationally.\(^{31}\) In a similar vein, 56% of Canadians supported national carbon pricing in April of 2015 according to a survey conducted by the Angus Reid Institute, a Canadian non-profit similar to the Pew Research Center.\(^{32}\) The discrepancy between these two numbers is interesting considering that they were taken around the same time. However, this 28 percentage point difference between Canadians supporting international obligations to reduce GHG emissions and Canadians willing to support carbon pricing makes sense in context, as carbon pricing is immediate, understandable, and much less vague than committing to upholding international agreements, so citizens understand that carbon pricing would indicate a higher cost for them personally. Indeed, as the details began to emerge about the carbon pricing mechanisms that Prime Minister Justin Trudeau’s government intended to implement, support began falling, and


in July of 2018, only 45% of Canadians supported carbon pricing measures, as they more acutely understood the cost of these measures. In response to this, the Trudeau administration announced in October that the federal carbon tax would be revenue neutral, similar to British Columbia’s carbon tax, and support for the tax increased to 54% by November of 2018. What these numbers indicate is that there is a majority base support for these carbon pricing measures in Canada, which helps explain the policy push towards carbon pricing at the federal level. Furthermore, this shifting support demonstrates how small tweaks to public policy, like making the carbon tax revenue-neutral, can change public opinion just enough to carry the effort into effect.

While Canada’s efforts to price carbon began in Alberta and British Columbia in the mid-2000’s, political pressure from Canadian citizens concerned about the environment has allowed Canada to emerge as a North American leader in climate change policy. As mentioned previously, many of Canada’s provinces have adopted either carbon taxes, cap-and-trade, or performance standards systems to minimize GHG emissions and respond the growing threat of climate change. These efforts came to a head in April of 2015 with the “Declaration of the Premiers of Canada” at the Québec summit on Climate Change, which was followed up in March of 2016 with the “Vancouver Declaration on Clean Growth and Climate Change.” Both declarations marked a major departure from previous federal climate policies which were based

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on the United State’s demonstrating Canada’s decision to better fulfil its global obligations to combat climate change, due in part to growing political pressure to make these changes. Among the commitments pledged in this declaration were the implementation of “GHG mitigation policies in support of meeting or exceeding Canada’s 2030 target of a 30% reduction below 2005 levels of emissions” while transitioning “to a low carbon economy by adopting a broad range of domestic measures, including carbon pricing mechanisms, adapted to each province’s and territory’s specific circumstances.” In pursuit of this goal, they established the Working Group on Carbon Pricing Mechanisms, which ultimately concluded that “carbon pricing is one of the more efficient tools available to governments to incent a transition to a low carbon economy,” encouraging further efforts of carbon pricing at the federal level. After the Vancouver Declaration and the research of the various working groups, the “Pan-Canadian Framework on Clean Growth and Climate Change” was released, with pricing carbon pollution as one of its central pillars. While the Framework sought to provide each province and territory with the maximum amount of independence in pricing and regulating carbon emissions, the Government of Canada also proposed a federal carbon pricing system which would apply to provinces whose GHG emission regulation programs do not meet the established criteria. This federal carbon levy backstop which would cover provinces without adequate carbon pricing mechanisms, with a carbon price of $10 per ton in 2018, rising by $10 per year to reach a maximum of $50 per ton in

What these efforts demonstrate are the political willpower of the Canadian federal government to take carbon pricing policies, which were successful at the provincial level, and expand them to the federal level in order to fulfill Canada’s domestic and foreign GHG emission reduction goals.

Unfortunately for Canada, these carbon pricing measures are not popular amongst all provinces, especially those which will require the federal carbon tax backstop. Northern provinces, and provinces whose gross domestic product is heavily reliant on fossil fuels like Saskatchewan, see the tax as unfair. Additionally, there is doubt on whether the efforts taken by Canada will be enough to reach their GHG emission reduction goals. Fortunately, British Columbia’s carbon tax provides some hope for Canadian lawmakers and the global community. Although the tax was unpopular after it was passed, “polling revealed that 64% of British Columbians were either somewhat or strongly in favour of the carbon tax, compared to 34% somewhat or strongly opposed.” Furthermore, after the tax, emissions in British Columbia were lower and gasoline consumption fell, all while economic growth in BC kept pace with the national average. Because support for the carbon tax has already seen a small resurgence since its rebranding as revenue neutral, federal carbon pricing through the carbon levy backstop is likely to continue.

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measures, including the backstop, they will be setting an example for the continent, and could serve as a model for the United States and other countries.

Conclusion

Carbon pricing can be one of the most effective tools to limit GHG emissions, thereby slowing the rate of climate change and preserving our planet for future generations. Although the United States has no federal carbon pricing policies, both Mexico and Canada are moving to price the negative consequences of carbon emissions on the environment through federal carbon pricing initiatives. The Canadian example is particularly interesting, as the passage of British Columbia’s carbon tax in 2008 was the first of its kind in North America, and the current efforts of the Canadian federal government to implement a carbon levy backstop could have important lessons for its southern neighbors. Ultimately, in the case of both British Columbia in 2008 and Canada as a whole in 2015, citizens’ interest and concern over the environment helped create political pressure to write and implement climate policy. The governments then used this political pressure to justify passing carbon taxes, relying on their political capital to help push these efforts through. While these carbon taxes may not be enough to halt GHG emissions or stop mass extinctions and habitat loss, they are a step in the right direction and symbolic of the global shift needed to address the looming threat of climate change.

Bibliography


