THE HILL TIMES
CANADA'S POLITICS AND GOVERNMENT NEWSPAPER

Opinion

MONDAY, FEBRUARY 19, 2024 I THE HILL TIMES 11

Here’s how to get to zero-carbon emissions equitably

Environment and Climate Change Minister Steven Guilbeault in a Hill scrum on Jan. 31, 2024. 'We propose an alternative to the existing federal carbon tax policy that can also deliver a low-carbon future consistent with our international obligations,' write Jatin Nathwani and Ann Fitz-Gerald. The Hill Times photograph by Andrew Meade

The increase in tax is a reinvestment in our economy for a resilient future. A small levy on current consun1ption can help enable long-tern1 national prosperity. Opposition to the climate plan will subside in due course as trust in the governance structure is established and the benefits get recognized over tim1e.

The federal carbon tax has be- come a major contentious issue energized by a toxic political debate. With the Conservatives' 'axe the tax' movement gaining momentum and others in tow, a crucial national goal of mitigating climate risks is in jeopardy Worse still, Canada's reputation as a trustworthy partner in global agreements is at risk. Given the transition to a low-carbon economy will remain integral to meeting our international commitments for emission reductions, there is a hidden opportunity to foster Canadian-generated and owned intellectual property to drive new wealth creation.

Largely driven by the narrowest short-term anxieties over the cost of home heating fuels in Atlantic Canada, the demands for exemptions to help reduce home heating cost whether it is natural gas or fuel have multiplied. With one exception followed by another inevitably leads to evisceration of the federal climate policy under- mining the broad national support in favour of urgency and action on addressing the climate threat. We would be doing ourselves a great disservice by turning a blind eye to the emerging consequences of climate change impacts already being felt across the country. To trade off miniscule sacrifice in the short term risks substantial future costs amounting to a true tragedy of the horizon.

When the exemptions to the carbon tax were granted on home heating fuels for households in the Atlantic provinces, others joined the chorus: “Why not us? “Exemptions, driven by considerations of affordability for one region of the country, is then perceived as inequitable distribution of burdens. While economists have advocated for the efficiency of the carbon tax, a myopic focus solely on economic efficiency has delivered an unpalatable political outcome that could sink the whole enterprise. If we can acknowledge the fundamental inequity rooted in the disparity of exemptions across regions as a legitimate concern, we need to ask: Is there an alter native pathway to a zero-carbon economy that is equitable, fair, and inclusive? We propose an alternative to the existing federal carbon tax policy that can also deliver a low carbon future consistent with our international obligations. A broader tax base is necessary to ensure distributional impacts across geography, social and economically diverse communities, and low-income households are fully addressed.

An increase in the GST by two per centage points is an alternative to the existing carbon tax. Its merit lies in the principle of equity A tax on total consumption distributes the burden fairly among all Canadians in all income categories other than the lowest income households and individuals. For the latter group, measures are already in place through refunds of the GST and exemptions on essential items such as food, school textbooks, health care items, and critical necessities are already included in the tax.

A narrow focus on carbon pricing of emissions is not the only credible option for dealing with a multi-faceted complex problem affecting industry and households. The two-per centage point increase in the GST will generate approximately $15-bil- lion in revenue increasing every year with a growing economy.

If the revenues are designated exclusively to the purpose of managing the climate risk and leveraged with private sector capital, then a robust annual investment program of $30 billion to $40billion can effectively drive the change. A tax on consumption has limited impacts if any on debts and deficits.

Jatin Nathwani is a professor at the University of Waterloo's Department of Management Science and Engineering and founding director of Waterloo Institute for Sustainable Energy. Ann Fitzgerald is a professor of international security and the director of the Balsillie School of International Affairs.