

NOTES AND REFERENCES

REFORMING THE FEDERAL GOVERNMENT'S CARBON TAX PLAN

Notes

- 1 For further understanding of the relative efficiency of a carbon tax, refer to Metcalf (2019) or Mankiw (2013).
- 2 For an analysis of the impact of a carbon tax on emissions reductions, see, for instance, Murray and Rivers (2015), which shows that BC's carbon tax has reduced GHG emissions in the province by up to 15 percent compared to a case where there was no carbon tax. Similarly, McKitrick and Aliakbari (2021) assess the impact of a \$170 carbon tax on Canada's GHG emissions, demonstrating that such a tax would reduce emissions by 25.6 percent compared to a scenario without the tax.
- 3 This concern is particularly significant given Canada's economic stagnation over the last decade, as highlighted by Cross (2023), and bleak future growth prospects as forecasted by the OECD. According to the OECD analysis (2021), Canada is projected to experience the lowest per-person GDP growth rate among 32 advanced economies from 2020 to 2030 and from 2030 to 2060.
- 4 Currently, British Columbia, Quebec, and the Northwest Territories have their own carbon pricing plans, and the federal carbon pricing plan doesn't apply in these jurisdictions (Environment and Climate Change Canada, 2023)
- 5 These rebates should include the hundreds of millions of dollars in GST that the federal government annually collects through its carbon tax.
- 6 Sophisticated models, drawing on economic and scientific knowledge, have been developed to estimate the social cost of carbon (SCC). Countless estimates of the SCC exist, ranging from small negative amounts (which suggests benefits from incremental emissions) to many thousands of dollars per tonne. The wide variation in the estimates of SCC is based on variations in only a few modeling assumptions, such as the discount rate and estimates of climate sensitivity—which refers to the warming expected from doubling the amount of CO₂ in the atmosphere (McKitrick, 2016; Dayaratna et al. 2016).
- 7 The surge in costs relative to foreign competitors is particularly noteworthy given that our largest trading partner, the United States, lacks a comparable national carbon-pricing regime.

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