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Commentary

Carbon tax fraught with problems

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January 2019

Unintended consequences from an undesirable patchwork of carbon pricing schemes in Atlantic Canada are forcing New Brunswick into an uncompetitive position relative to its peers and dumping higher costs on New Brunswickers and local businesses.

A straightforward analysis of fuel prices in Atlantic Canada demonstrates the gravity of the problem – from aviation to agriculture and those who drive or heat homes.

The impact is clear. When the federal backstop comes into effect April 1, 2019, New Brunswick's tax on gasoline will increase by more than four cents per litre (cpl) while other Atlantic provinces will only increase by one cpl or less. Diesel tax increases will be even greater. It will increase by over five cpl in New Brunswick and one cpl or less in the other provinces.

In 2022 under the federal framework, the situation will be even more concerning. Gasoline tax will rise by more than 11 cpl while other Atlantic provinces' taxes will rise by less than three cpl. Diesel will increase by more than 13 cpl compared to less than three cpl in other provinces.

As a result, when goods are transported across the province – drivers may opt to drive through without purchasing fuel. For example, a trucker could fill-up in Quebec and drive through to Nova Scotia without filling up in New Brunswick. This puts the province at a competitive disadvantage and results in less tax revenue for the province to spend on local programs while endangering jobs.

But that's not all. Everything transported is expected to cost more. From groceries to gifts, there is a trickle down cost eventually borne by all New Brunswick consumers.

And there is even a larger discrepancy in 2019 heating oil costs where New Brunswick will experience a five cpl tax hike while Nova Scotians will see only a one cpl increase … and there will be no increases for P.E.I. or Newfoundland and Labrador. In 2022, heating oil taxes will surge by 13 cpl compared to a tax hike of around one cpl in Nova Scotia with no increases in both P.E.I. and N.L.

This competitive disadvantage will also penalize New Brunswick industries compared to their peers in neighbouring provinces that have adopted their own provincial carbon pricing systems instead of opting for the more stringent federal framework. Higher energy costs coupled with a more stringent policy agenda is a lose-lose proposition for New Brunswick businesses.

These real and competitive disadvantages will unfairly punish New Brunswickers, particularly those on fixed incomes and seniors, in a rural province where people travel more and heat their homes mainly with oil. These additional costs are not expected to be fully offset by federal government refunds.

However, there may be some good news. Premier Blaine Higgs is preparing a new carbon tax proposal for Ottawa consideration and actions that will, hopefully, resolve the existing carbon pricing patchwork recognizing fairness and the unique challenges in New Brunswick where the federal government has most recently imposed national stringencies on industrial facilities that further exacerbate the province's ability to compete.