



## Time for more transparency from governments on the costs of climate policies

*Peter Boag, President & CEO*

*April 2017*

Rarely a day goes by that carbon pricing isn't in the headlines or on the editorial pages; it's the centrepiece of the Pan Canadian Framework on Clean Growth and Climate Change and the expected workhorse behind the Trudeau Government's GHG emission reduction targets. At \$20, \$30 or even \$50 per tonne, an explicit price provides at least some transparency on the costs of carbon policy borne by both Canadian individuals and businesses.

But there's more to it.

Internal policy wheels are grinding away at 'complementary' policies and regulations with embedded carbon costs potentially far higher than those associated with carbon pricing. Governments are mum on these details, ducking the transparency Canadians expect and deserve.

The complementary measures and implicit costs come in many forms and across jurisdictions. Ontarians know all about lack of cost transparency – just ask them about the unexpected soaring of electricity rates, driven in part by Ontario's policies to promote wind and solar energy.

Subsidies to buy electric vehicles are perhaps the most egregious examples of the lack of carbon cost transparency.

A 2014 study by the Montreal Economic Institute calculated the carbon cost of Quebec's electric vehicle subsidization program to be more than \$1,500/tonne, based on subsidies of \$4,000 and \$6,000, depending on the specifics of the vehicle. I wonder what the comparable carbon cost of Ontario's \$14,600 electric vehicle purchase subsidy is. Neither Province has been transparent about the carbon costs of these programs.

In 2008, the BC government implemented a Low Carbon Fuels Standard to complement its carbon tax. It imposes a requirement on fuel suppliers in the Province to achieve a 10 percent reduction in fuel carbon intensity by 2020. The regulation incorporates a credit trading system to enable obligated fuel suppliers to seek out the most cost effective compliance pathway. The current average credit trading price is \$171/tonne in a province that has a \$30/tonne carbon tax. You can find that carbon cost by digging deep into the BC government's website – but it's not a number that the government goes out of its way to publicize to its citizens - it's 'inside baseball' information!

Federally, the government implemented a national renewable fuel standard in 2010 that required ethanol and renewable diesel blending in motor fuels. The government's own internal analysis identified a total 25-year net cost to the economy of \$1.9B for the ethanol mandate, and \$3B for the renewable diesel mandate. The GHG abatements costs per tonne (implicit carbon cost) were \$75 and \$121 respectively (unless you're a regular reader of the Canada Gazette, these numbers might surprise you). And that's not even the full cost. Generous taxpayer-funded production subsidies for ethanol and renewable diesel bring that carbon cost to



\$185/tonne and \$165/tonne respectively, according to a recent report by Canada's Ecofiscal Commission.

The scope and scale of new complementary GHG emission reduction policies now under consideration by the federal and provincial governments is substantial. Transportation emissions are a key focus, with policy initiatives ranging from new Fuel Standards, to zero-emission vehicle mandates, to new subsidies. Yet our governments aren't being up front with Canadians on the cost implications. No wonder recent Nanos opinion polls confirm that Canadians want governments to take action to reduce GHGs on the one hand, but don't support paying more for energy on the other.

In the preliminary results of a recent public survey we commissioned, three quarters of respondents felt that governments had a "major responsibility" to inform citizens of the costs of pursuing GHG emission reduction policy options. Nowhere is this more important than with the embedded carbon costs of 'complementary' policies, where the carbon costs – and implications for Canadians' standard of living and business competitiveness – can be far greater than the explicit costs of carbon pricing mechanisms like a carbon tax or Cap and Trade system.

---

**For further information, please visit [canadianfuels.ca](http://canadianfuels.ca) | [info@canadianfuels.ca](mailto:info@canadianfuels.ca) | 613.232.3709**

**Follow us**

