



'Threading the needle' of affordable and effective transportation climate policy

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After housing, transportation is the second highest expenditure for Canadian families – significantly more than what is spent on food. Federal and provincial climate policies aimed at reducing transportation GHG emissions will make transportation energy more expensive, adding to the already significant costs of transportation for Canadian families.

Of course, increasing the cost of fuels like gasoline is the whole point of carbon pricing policies – it's about sending a price signal to change behaviour: buy a more fuel efficient or 'zero emission' vehicle, drive less and walk, bike or take public transit more often.

Direct taxation already accounts for a big chunk of the pump price – just over 40 cents per litre on average across the country, and nearly 50 cents per litre in Vancouver. Federal excise taxes, provincial fuel taxes, municipal taxes, sales taxes and now carbon taxes – either levied directly on every litre, or indirectly through cap & trade permit requirements – adds up to one-third of the price consumers pay at the pump. In addition, there are hidden 'taxes' – the compliance costs of numerous, sometimes overlapping, provincial and federal renewable fuel policies put in place over the last decade.

But with Canadian gasoline prices now approaching levels not seen since before the 2008-09 financial crisis, the realities of an ever increasing tax burden on energy and transportation affordability are only beginning to emerge. The public reaction and media attention is not surprising, especially in B.C. where pump prices are the highest in North America.

Behavioral change on the scale sought by governments however takes time. For some people such as rural residents, this behavioral change just isn't practical. Meanwhile, 'sticker shock' for what is an essential product for the drive to work, to school, to the store, and everywhere else, continues to grow.

For several years now, public opinion polling has shown that Canadians are conflicted when it comes to climate policy. They want to do the right thing, but there are limits to the cost they are prepared to pay, and they expect to see results for the costs incurred. Support for climate policy initiatives like carbon pricing is founded on perceptions of a delicate balance between effectiveness, cost and personal sacrifice.

A recent Ipsos poll¹ in Ontario suggests that this perception balance may already be dissolving. The poll found that 72 percent of Ontarians considered carbon taxes a simple tax grab, while 68 percent dismissed them as a purely symbolic gesture. Only half of poll respondents agreed that carbon taxes will prompt people to make smart choices about their emissions, and that carbon taxes will help improve the world's climate.



And the cost of carbon pricing – either direct or indirect – is only beginning to bite. Depending on the province, the direct carbon tax applicable to transportation fuels currently ranges from zero to \$35 per tonne. This equates to a range of zero cents per litre to eight cents per litre at the gasoline pump. That will change in January 2019 when all provinces and territories will be subject to the minimum federal carbon price of \$20 per tonne – or 4.5 cents per litre. This minimum will rise, in annual \$10 per tonne increments, to \$50 per tonne – 11.5 cents per litre – in 2020.

In addition, the federal government expects to have its proposed Clean Fuel Standard (CFS) in place for 2020. Like predecessor renewable fuel mandates, CFS compliance will add significant new capital and operating costs to supplying Canadian families with the fuel essential to their everyday transportation needs. Recent independent analysis published by Canada's EcoFiscal Commission confirms that the proposed Clean Fuel Standard is a costly policy approach for achieving GHG emissions reductions.

So where does that leave us? Can Canadian governments successfully 'thread the needle' and make material progress on transportation emission reductions, without jeopardizing transportation affordability for Canadian families? Or, are we nearing the point where Canadians' affordability concerns trump their support for transportation emissions reductions?

From my perspective, it's too early to tell, but with the summer driving season nearly here and a June provincial election in Ontario that offers stark choices for the future of carbon pricing, the next six months could bring some clarity to the issue and a peak into Climate politics and election dynamics for 2019.

¹ Conducted for Global News

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