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Details Released on Federal Proposal for Pan-Canadian Price on Carbon

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On May 18, 2017, following months of speculation on how the federal government will implement its pan-Canadian price on carbon, the government released its technical paper on the federal carbon pricing backstop ([Technical Paper](#)). As we previously reported in our October 2016 publication [Pan-Canadian Price on Carbon](#), the government's plan for a pan-Canadian price on carbon called for all Canadian jurisdictions to have a system for carbon pricing in place by 2018, with a view to ensuring Canada meets its objective to reduce carbon emissions to 30% below 2005 levels by 2030. Specifically, the government set an increasing scale that results in an ultimate carbon price of \$50 per tonne by 2022. The Technical Paper sets out the "backstop" position for jurisdictions that do not achieve federal price benchmarks.

The backstop will come into effect in 2018 and will comprise (1) a levy on fossil fuels and (2) an output-based pricing system for industrial facilities that emit greenhouse gases (GHGs) above a prescribed threshold.

Fossil Fuel Levy

- Applies to liquid (gasoline, diesel fuel and aviation fuel), gaseous (natural gas) and solid (coal and coke) fossil fuels.
- Is payable in respect of fuel that is produced in, imported or brought into a backstop jurisdiction.
- Will typically be paid by the registered fuel producer or distributor.
- Increases exponentially each year (e.g., gasoline will increase from 2.33¢/litre in 2018 to 11.63¢/litre by 2022).
- Provides exemptions in certain circumstances (e.g., use by registered farmers).

Output Pricing

- Applies to industrial facilities that emit more than 50,000 tonnes of CO₂ equivalent emissions annually.
- Applies to emissions from fuel combustion, solvent use and synthetically produced GHGs (from industrial processes and product use).
- Allows non-regulated facilities to opt in (to avoid carbon levies).
- Requires payment for excess emissions (over a predetermined, intensity-based output standard) based on the federal benchmark price or by offset credits or surplus crédits.
- Allows generation of eligible offset credits through voluntary activities (to be determined by regulation).
- Provides for surplus credits when emissions are below a facility's output standard.

Comments on the federal backstop for carbon pricing can be made until June 30, 2017 (in writing to: carbonpricing-tarificationcarbone@canada.ca). We will be monitoring further developments in this area and always invite your comments and inquiries.

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