



How to make a carbon tax popular? Give the proceeds to the people

A groundbreaking Canadian scheme that rewards green living holds lessons for world leaders wrangling over carbon emissions at the UN summit in Poland

Leyland Cecco in Victoria, British Columbia

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Two decades ago, Canada's westernmost province was in the midst of environmental and economic calamity. A small beetle was devouring large swathes of the region's valuable pine forests, leaving millions of trees dead as infestation spread. The government waited anxiously for cold winters - which would kill the beetles - but year after year the cold never came.

By 2008 the decimation of the forests, along with a series of intense storms walloping the province, prompted British Columbia to take action on climate change. The provincial government introduced a carbon tax, putting a price on fossil fuel emissions. And, crucially, all the money raised was returned to the people in tax cuts.

"It was groundbreaking," said Karen Tam Wu of the Pembina Institute, an environmental thinktank. "It was the first one in the world that was revenue neutral."

A decade later, as climate scientists and policymakers converge on UN talks in Katowice, Poland, urgently seek mechanisms to rein in carbon emissions in a bid to halt the inexorable rise of global temperatures, the British Columbia experiment with the tax is setting an example to others.

Economists and environmentalists have voiced support for it; the World Bank has called it a "textbook" way of developing environmental policy. Earlier in October, the economist William Nordhaus, winner of this year's Nobel Prize for economics, threw his support behind the British Columbia model as an ideal model for export to other economies.

British Columbia is a province known for its environmental lean: yoga and hiking are the region's main cultural exports. For many Canadians, it seems fitting that the continent's most progressive carbon tax would originate

amid mountains, surf and forest.

But the man who helped to usher it in, the former premier Gordon Campbell, rejects the notion that love for the environment is unique to the region.

“If you talk to people in rural communities, in urban communities, in Ontario or Alberta, and they all care about the environment,” Campbell told the Guardian. “They all want to go to pristine places.”

Troubled by the compounding effects of climate change he saw both at home and abroad, Campbell and his government believed a carbon tax represented the most effective way to address the problem - and it wasn't a time to point fingers.

“Are we willing to do something to try to stop [climate change] from taking place, to slow it down?” he said. “Even for people who say: ‘It wouldn't matter, Canada could have all of the emissions in the world and it wouldn't make any difference.’ That's not the point. We should do our bit.”

The carbon tax isn't anything new. The world's best known carbon tax to carry that name began in the European Union in 2005, with the Emissions Trading System. With initial success the price of pollution permits reached more than €20 (\$22/£18) for the right to emit a ton of carbon. But heavy lobbying by industry led to a massive oversupply of permits and a price crash to €3 in 2013 - far too low to drive carbon cuts. Reforms have taken the price back above €20 in recent weeks.

China has seen the attraction of carbon markets as an efficient way of delivering the biggest carbon cuts at the lowest cost. Its carbon market is being established and will, on completion, be the world's biggest.

In the world's second biggest polluter, the US, 10 east coast states have had a “cap and trade” system for carbon emissions since 2009, under which companies have their greenhouse gas emissions capped and then must trade any surplus or deficit with others. But Barack Obama, while president, was unable to pass a nationwide system. Some prominent Republicans have backed a revenue-neutral carbon tax, but with little success.

Many fossil fuel companies claim to back carbon taxes, notably in Australia, where climate policy rows have toppled prime ministers. The oil giant BP is among the supporters of carbon taxes, yet recently spent \$13m (£10.22m) in helping to defeat a proposal in Washington state.

In the rest of Canada, despite the success story in British Columbia, other provinces are dragging their heels. The prime minister, Justin Trudeau, has legislated to impose a carbon levy on reluctant provinces, generating a storm of opposition.



A lake at Bella Coola, British Columbia. Photograph: Taylor S Kennedy/Getty /National Geographic

Ontario's premier Doug Ford, who recently repealed the province's carbon tax, has called it “the worst tax ever”.

“It's a shame that in some places, carbon tax is seen as four-letter word,” said Wu. “It's really a key tool in the toolkit to incentivise the transition to a low carbon economy and curb carbon pollution. In British Columbia, it has definitely worked.”

Nonetheless, the outlook for carbon taxes looks bright: 88 nations, representing more than half of global emissions, say they are or will use carbon pricing to tackle climate change. Furthermore, some states have suggested they would impose carbon border levies on imported goods from nations that do not tax carbon.

By design, the British Columbia plan was simple: it slapped a tax on any fossil fuels used for heating, electricity and transportation. Each person and business was expected to shoulder the burden of pricing pollution; no loopholes, no exemptions.

In everyday life prices ticked up, most noticeably at the gas pump. Companies with emissions-intensive work passed their increased costs on to consumers.

But the critical selling point of the plan - the tax's revenue neutral design - was unprecedented. With a revenue-neutral tax, the government keeps none of the money collected from the levy. Instead, it redistributes all of it - close to \$1.8bn in its first three years - back to taxpayers in the form of tax cuts.

As a result, the increase in energy costs for residents was offset by a tax cut of roughly equal value. Anyone willing and able to change their behaviour to reduce emissions would end up in the black.

"The nice thing about the revenue-neutral carbon tax was that it didn't judge people: if you want to buy something that emits more than somebody else, you're going to pay more tax," Campbell said. "People who wanted to have their taxes actually reduced had to change a little bit of their behaviour, and their tax load would have been reduced."

Low-income residents, as well as those living in rural areas that relied more heavily on fossil fuels, received extra tax and cash benefits.

The tax began as a \$10/ton levy on carbon emissions, eventually reaching \$30/ton by 2012. In speeches touting the tax, Campbell said the reduction in emissions would equate to removing 750,000 cars from the road in the province.

The move - the first of its kind - placated both conservative economists and environmentalists. And, it worked.



Gordon Campbell helped to usher in the revenue-neutral carbon tax while he was premier of British Columbia. Photograph: Vibrant Pictures/Alamy Stock Photo

"We saw fossil fuel consumption decrease by more than 17% and in the rest of Canada fuel consumption increased by more than 1%," Wu said of the four-year period between 2008 and 2012, when the first tranche of increases went into effect.

Fears that the tax would have a negative impact on the economy quickly melted away when the numbers came in, she said. The province grew its economy by 16%, far outpacing any other region of the country.

"It was leading edge at the time," Campbell said. "And, unfortunately, 11 years later, it's still leading edge."

By 2012, when the tax reached its first maximum level (\$30 per ton), 64% of the population supported it. By 2016, it garnered the support of nearly 70% of residents.

In Victoria, the province's capital, residents remain unfazed over the constant increases - a testament of how the tax has drifted into the background. Devon Crosby, who has worked in the oil and gas industry for much of his career, said he has little patience for the current feud across the country. "Look, I'd rather pay an extra 15% on gas for a cleaner and nicer British Columbia."

For others, the tax cuts outweigh any increased costs. "Money talks," said resident Kim Hollingsworth.

"People need incentives to change their behaviour." She based her decision to buy a new, more energy efficient

heater on the climate rebates - part of the suite of climate policies Campbell introduced.

The revenue-neutral aspect of the tax is novel but has frustrated some environmental groups, who feel the tax does not do enough to reduce emissions. Others felt it was too onerous: between 2012 and 2016 Campbell's successor as premier, Christy Clark, froze the tax and repealed a number of environmental policies.

"When the carbon tax was frozen, we saw emissions go back up," said Wu.

By 2021, the tax is slated to reach \$50/ton, but the current British Columbia government is examining modifying the revenue-neutral aspect of the programme in order to allocate funding for green infrastructure, deviating from its original revenue neutrality - a move Campbell feels defeats the purpose of the tax in the first place: "I'm not happy when we say it's going to be revenue-neutral carbon tax and it isn't really. Don't play that game with people."

He remains optimistic that the current feud in the country will dissipate over time. Too many people, he says, are on the defensive, feeling the problems of climate change are not directly their fault.

“I think the relevant question is: are we willing to do something about it when it’s happening?” he said. “And if we can help, are we willing to?”



Vancouver is ranked sixth in the 2018 Economist Intelligence Unit's global liveability index. Photograph: Harry Traeger/Getty Images

Figured out

The numbers that are fuelling international concerns about global warming and climate change are stark. The amount of carbon dioxide in the atmosphere has increased by a third over the past 100 years, to more than 400 parts per million.

That has happened as a result of sharp rises in annual emissions of greenhouse gases, which have roughly doubled since 1971, to 53.5m tons of carbon dioxide equivalent. (CO₂ from industrial processes and from forestry and other land uses makes up about three quarters of greenhouse gases; methane comprises another 16% and nitrous oxide about 6%).

Annual global emissions flatlined for three years from 2014-2016, but rose sharply again last year.

Meanwhile, over the past century, average global temperatures have risen more than 1C.

The one bit of good news is the exponential rise in renewable power supplies, which have surged over the past 20 years to comprise more than 8% of global electricity generation.

Under the 2015 Paris agreement, signatories are supposed to rein in carbon emissions so as to keep global temperatures from rising to 1.5C above pre-industrial levels. But the 1.5C threshold is now looming, mechanisms for implementing Paris are still weak, and many observers are predicting that rises of 3C or more are now far more likely by the second half of this century.

This article is part of a series on possible solutions to some of the world's most stubborn problems. What else should we cover? Email us at theupside@theguardian.com

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