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Federal Government Moves Forward with Pan-Canadian Framework on Climate Change

This week, the federal government announced its intention to implement its carbon pricing regime beginning in 2019. Certain provinces and territories[1] have requested the application of all or part of the federal regime. Other provinces are on track to meet federal requirements with their own carbon pricing systems.[2] The federal carbon pricing system will be imposed on four provinces that have neither accepted the application of the federal regime nor taken sufficient independent action: Saskatchewan, Ontario, Manitoba and New Brunswick.[3]

Saskatchewan, whose output-based performance standard system only partially meets federal reduction requirements, strongly opposes the federal regime. Having first refused to sign on to the Pan-Canadian Framework on Climate Change, Saskatchewan subsequently challenged Ottawa's jurisdiction to impose the carbon levy by initiating a constitutional reference in the Saskatchewan Court of Appeal, scheduled to be heard in spring 2019.

Ontario was one of the provinces that was initially expected to be exempt from the federal carbon pricing regime by virtue of the province's cap-and-trade system. With the recent cancellation of that system by the province's new government, the federal regime will be implemented in Ontario in April 2019. Ontario is also acting as an intervener in the government of Saskatchewan's constitutional challenge and has filed its own constitutional challenge to the federal regime in the Ontario Court of Appeal.

The federal carbon price for greenhouse gas emissions of industrial facilities will begin at $20 per tonne of emissions as of April 2019, and will rise by $10 each year to $50 per tonne in 2022. A carbon levy will also be applied on fossil fuels. While the carbon levy will apply directly to fuel producers and distributors, costs are expected to be passed on to consumers. In order to offset increased costs, the federal government has announced that most of the proceeds collected through the program will be used to make Climate Action Incentive payments to individuals. According to the federal government, a family of four in Ontario will receive a $307 incentive payment in 2019. Direct proceeds from federal carbon pricing on industrial facilities will be invested in the jurisdiction in which they were collected, to support greenhouse gas emission reductions.

For further background, read Pan-Canadian Carbon Pricing Update: Federal Backstop Legislation Proposed, Pan-Canadian Price on Carbon and Details Released on Federal Proposal for Pan-Canadian Price on Carbon.

[1] Yukon and Nunavut will have the federal regime apply in their jurisdiction. Prince Edward Island has requested that the federal regime apply with respect to large industry and will impose its own charge on fossil fuels.

[2] British Columbia, Alberta and Québec have implemented their own climate action plans that have been accepted as alternatives to the federal regime. Newfoundland and Labrador, the Northwest Territories and Nova Scotia have carbon pricing systems that meet federal reduction requirements. Companies located in these excluded provinces that engage in the interprovincial sale of fuel, including into affected provinces, will need to pay close attention to the manner in which the carbon levy is being implemented.

[3] Manitoba is developing its own climate action system, and New Brunswick's pricing system does not fully meet federal reduction requirements.

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