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Doubling the rural top-up rate for fuel charge rebates – Update



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On October 26, 2023, the Government announced a doubling of the rural top-up rate (also known as the rural supplement) for fuel charge rebates from 10 per cent to 20 per cent starting in April 2024.

On November 17, 2023, PBO published a cost estimate of the [increase in the rural top-up rate](#). In the absence of information related to the funding of this measure, PBO assumed that all “base” fuel charge rebate and federal programming amounts would not be affected by the increase in the rural supplement.¹ Further, PBO assumed that fuel charge rebates and federal programming in Prince Edward Island would also not be impacted.²

Recent announcements of fuel charge rebate (Canada Carbon Rebate (CCR)) amounts³ and returning fuel charge proceeds in 2024-25⁴ indicate that the increase in the rural supplement will be funded out of proceeds collected within a province based on a new allocation structure for returning proceeds. The Government also indicated that households in Prince Edward Island will receive the rural top-up.

Under the new allocation structure, 93 per cent (up from 90 per cent) of federal fuel charge proceeds collected in a province will be returned to households—including the rural supplement—in that province; 5 per cent (down from 9 per cent) of proceeds will be returned to small- and medium-sized enterprises (SMEs); and the remaining 2 per cent (up from 1 per cent) will be returned to Indigenous governments.

Since fuel charge proceeds collected continue to be returned through rebates to households and federal programming within each province, the new allocation structure returns more proceeds to households and Indigenous governments, and fewer proceeds to SMEs. Moreover, for provinces where a (relatively) large proportion of their population resides outside of a Census Metropolitan Area (CMA), the doubling of the rural top-up rate is also partially funded through a reduction in base CCR amounts.

Based on the new allocation structure, PBO estimates that doubling the rural top-up rate would increase (total) rural supplement payments by \$345 million in 2024-25, rising to \$647 million in 2030-31 (Table 1). Table 2 provides estimates of the impacts on the rural supplement by province. In addition, PBO estimates that there would be an overall net increase in base CCR amounts of \$77 million in 2024-25, rising to \$156 million in 2030-31

(Table 1). This increase reflects higher base rebates in provinces with the lowest rural population shares (Ontario and Alberta), that offset reductions in base amounts in other provinces with higher rural population shares (Table 3).⁵

The decrease in the total amount for SMEs reflects the reduction under the new allocation structure, down to 5 per cent of fuel charge proceeds returned from 9 per cent. The increase in the total amount for Indigenous governments is due to the doubling of their share of proceeds returned from 1 to 2 per cent under the new allocation structure (Table 1). Tables 4 and 5 provide estimates of the impacts on fuel charge proceeds returned to SMEs and Indigenous governments by province, respectively.

Since changes to rural supplements, base CCR, SME and Indigenous amounts are funded within the existing fuel charge proceeds envelope, the net cost of doubling the rural top-up rate from 10 per cent to 20 per cent would be zero (Table 1).

Table 1: Impacts of doubling the rural top-up rate and changing the allocation of fuel charge proceeds returned, millions of dollars

Fiscal year	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
Rural supplement	-	345	404	447	507	556	603	647
Base CCR	-	77	89	113	123	135	146	156
Proceeds returned to SMEs	-	-562	-658	-747	-840	-921	-999	-1070
Proceeds returned to Indigenous governments	-	141	164	187	210	230	250	268
Total cost	-	-	-	-	-	-	-	-

Table 2: Impacts on rural supplement payments, millions of dollars

Fiscal year	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
NL	-	15	17	20	24	26	28	30
PE*	-	5	6	7	9	10	10	11
NS	-	21	24	27	34	38	41	43
NB	-	15	18	17	20	21	23	24
ON	-	116	136	150	167	183	198	211
MB	-	27	31	35	39	43	47	50
SK	-	57	67	79	88	98	107	116
AB	-	89	105	113	126	138	150	162
Total	-	345	404	447	507	556	603	647

Table 3: Impacts on base CCR amounts, millions of dollars

Fiscal year	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
NL	-	-5	-6	-7	-9	-10	-10	-11
PE*	-	-3	-3	-4	-5	-6	-6	-6
NS	-	-6	-8	-8	-10	-11	-12	-13
NB	-	-6	-7	-4	-5	-6	-6	-6
ON	-	97	113	132	147	161	175	186
MB	-	-2	-3	-3	-3	-3	-4	-4
SK	-	-15	-17	-22	-25	-27	-30	-32
AB	-	18	21	30	33	36	40	43
Total	-	77	89	113	123	135	146	156

Table 4: Impacts on fuel charge proceeds returned to SMEs, millions of dollars

Fiscal year	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
NL	-	-12	-15	-17	-20	-22	-24	-25
PE	-	-3	-3	-4	-5	-5	-6	-6
NS	-	-19	-22	-25	-32	-35	-38	-40
NB	-	-12	-14	-16	-19	-21	-22	-24
ON	-	-284	-332	-376	-419	-459	-497	-529
MB	-	-33	-38	-43	-48	-53	-57	-61
SK	-	-57	-66	-76	-85	-94	-103	-111
AB	-	-143	-167	-190	-212	-233	-253	-273
Total	-	-562	-658	-747	-840	-921	-999	-1070

Table 5: Impacts on fuel charge proceeds returned to Indigenous governments, millions of dollars

Fiscal year	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
NL	-	3	4	4	5	5	6	6
PE	-	1	1	1	1	1	1	2
NS	-	5	6	6	8	9	9	10
NB	-	3	4	4	5	5	6	6
ON	-	71	83	94	105	115	124	132
MB	-	8	10	11	12	13	14	15
SK	-	14	17	19	21	23	26	28
AB	-	36	42	47	53	58	63	68
Total	-	141	164	187	210	230	250	268

Notes

- Estimates are presented on an accrual basis as would appear in the budget and public accounts.
- Estimates are based on the assumption that there are no timing differences between when proceeds are received and when they are returned.
- The value of "0" means that the cost is not material (that is, less than 500 thousand dollars). The "-" symbol represents a value of zero.
- * The impacts on rural supplement and base CCR amounts in Prince Edward Island are notional calculations since all households in the province receive the same rebate. The impact on fuel charge proceeds returned to all households in Prince Edward Island is the combined amount shown in Table 2 and Table 3.
- Totals may not add due to rounding.

Estimation and Projection Method

PBO defined the changes in rural supplement, base CCR, SME and Indigenous government amounts (in all provinces where the federal fuel charge currently applies), as the difference between the amounts with the 20 per cent rural top-up applied under the new allocation structure for returning proceeds, and the amounts with the 10 per cent rural top-up applied under the previous allocation structure. In both cases, the pause in the fuel charge on heating oil was incorporated.

PBO calculated these amounts using projected estimates of fuel charge proceeds provided by Environment and Climate Change Canada (ECCC). The estimated proceeds reflect the most recent projections of GHG emissions in each province by sector, published in ECCC's [Greenhouse Gas and Air Pollutant Emissions Projections – 2023](#).

To be eligible to receive the rural supplement, in provinces where the federal fuel charge currently applies, households must reside outside of a CMA. The determination of a CMA is based on the most recent Census published by Statistics Canada before the taxation year. PBO estimated the proportion of each province's population eligible to receive the rural supplement using CMA determinations based on the 2016 Census for fiscal years 2024-25 and 2025-26. Thereafter, the 2021 Census CMA determinations were used.

Sources of Uncertainty

Projections of GHG emissions by sector are sensitive to assumptions about the behavioral impact of carbon pricing and other economic factors.

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Data Sources

Fuel charge proceeds and GHG emissions under the federal fuel charge by sector and province

Environment and Climate Change Canada

Share of population residing outside a CMA by province

Statistics Canada. [Table 98-10-0005-01](#) and [17-10-0135-01](#)

Allocation of fuel charge proceeds returned to households, SMEs and Indigenous governments

Department of Finance Canada

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¹ For households residing outside a CMA, the rural supplement is based on a percentage “top-up” to the base fuel charge rebate. Households residing within a CMA receive only the base fuel charge rebate.

² All households in Prince Edward Island receive the same fuel charge rebate, that is the base amount and the rural supplement combined, as there is no CMA in the province. Impacts of the amounts returned to Prince Edward Island are now included to reflect the change in the allocation structure of fuel charge proceeds returned.

³ For more information, see [Canada Carbon Rebate amounts for 2024-25](#).

⁴ For more information, see [Returning fuel charge proceeds to Indigenous governments and small- and medium-sized businesses](#).

⁵ For more information on the share of the rural population by province, see [Supplementary Data](#).