

Cost estimate of Election Campaign Proposal

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Short title: Tax-Free Home Energy

Description: Eliminate the federal Goods and Services Tax (GST) on home energy expenses for primary residences, starting in fiscal year 2020-2021.

Operating line(s): Operating and Capital Expenses

Data sources:	<u>Variable</u>	<u>Source</u>
	Home energy demand by type of energy	National Energy Board, National Energy Use database
	Energy prices	National Energy Board
	Greenhouse gas (GHG) emissions	National Energy Use database
	Share of average spending on energy for principal residence	Statistics Canada's Survey of Household Spending
	Effective sales tax rates	Canada Revenue Agency

Estimation and projection method: From 2020 to 2029, home energy demand and energy retail prices were taken from the National Energy Board's Energy supply and demand projections (reference case). Energy prices were then discounted to remove the effects of carbon pricing, after accounting for GHG emissions based on the various types of energy used.

Effective tax rates were applied to energy prices and demand to obtain the cost of the proposed measure. That cost was then reduced to exclude energy spending for secondary homes (around 3 percent of average household energy spending).

Uncertainty assessment: The estimate has moderate uncertainty. It was derived using a microsimulation model, and the data are of good quality. The estimate is sensitive to technology changes, energy prices and carbon pricing policies. A behavioural response is not anticipated.

Cost of proposed measure

\$ millions	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
Total cost	-	1,348	1,338	1,340	1,361	1,379	1,398	1,411	1,421	1,432

Notes:

Estimates are presented on an accruals basis as would appear in the budget and public accounts.

Positive numbers subtract from the budgetary balance, negative numbers contribute to the budget balance.

"-" = PBO does not expect a financial cost