

# Cost Estimate of Election Campaign Proposal

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Short title: Emissions Standards for Major Emitters

Description: This proposal would replace the current Output-Based Pricing System (OBPS) for large emitters by the *Green Investment Standards*. Under this new system, large emitters that exceed 40 kilotons of CO<sub>2</sub> equivalent emissions per year will be required to invest in research and development and to adopt emissions-reducing technology. All other aspects of the current OBPS system are assumed to be unchanged. The new system will be effective starting in the 2020-21 fiscal year.

Operating line(s): Operating and Capital Expenses

Data sources:	<u>Variable</u>	<u>Source</u>
	Facilities and emissions data	Greenhouse Gas Reporting program
	Full time equivalent employee data	Departmental Results Report 2017-18
	Cost of operation	Ministerial expenditures by standard object
	Macroeconomic data	Office of the Parliamentary Budget Officer

Estimation and projection method: The cost of replacing the OBPS by the *Green Investment Standards* will be limited to be administrative expenses, since the current program is structured to be revenue neutral. There will be supervisory costs to assist firms investing in green technology. The cost estimate is based on operational costs reported by Innovation, Science and Economic Development Canada. Based on the number of facilities, 49 employees will be required to administer the new system in 2020-21. The resulting costs were then projected forward using inflation forecasts prepared by the Office of the Parliamentary Budget Officer.

Uncertainty assessment: The estimate has moderate uncertainty because this policy may affect Corporate Income Tax (CIT) and Goods and Services Tax (GST) revenues. Investments are sensitive to the policy parameters and changes may affect the price of output or the total profit of the firms.

### 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	-	8	8	8	8	8	9	9	9	9

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