

Cost Estimate of Election Campaign Proposal

Publication date:	2019-10-11
Short title:	Carbon Tax Repeal
Description:	The new policy will cancel the federal carbon pricing system in 2020-21.
Operating line(s):	Goods and Services Tax Fuel Charge Proceeds Direct Program Expenses

Data sources:	<u>Variable</u>	<u>Source</u>
	Provincial physical flow accounts for greenhouse gas emissions	Statistics Canada
	GHG emissions of Large Industrial Emitters	Greenhouse Gas Reporting Program (GHGRP) data provided by Statistics Canada
	Household expenditure and industrial uses	Provincial I-O tables (Supply and use tables) provided by Statistics Canada
	Electricity generation	National Energy Board
	Residential and transport energy use	National Energy Board
	Projected sectorial GHG emissions	Environment and Climate Change Canada
	Rates of fuel charge	Canada Revenue Agency
	Fuel prices	National Energy Board
	Consumer Price indexes	PBO economic model
	Cost pass-through	Economic literature

Estimation and projection method: The projected fuel charge proceeds and the GST revenue on carbon pricing were estimated using the multi-step model developed by PBO (for more details, see the model description in the fiscal and distributional analysis of the federal carbon pricing system report published in April 2019).

The PBO has previously estimated the projected administrative expenses until 2021-22 (for more details, see the [note on the cost of administering the federal fuel charge and climate action incentive](#) published in May 2019). The inflation rate measured by the consumer price index (CPI) from the PBO economic model was used to project the cost after 2022.

Uncertainty
assessment:

The estimate has moderate uncertainty. The uncertainty is inherent in the projected administrative cost and the absence of the behavioural response to the carbon pricing repeal.

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	-	-222	-168	182	187	180	180	179	184	186

Supplementary information

	Operating line	2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	2028- 2029
Fuel charge proceed loss	Fuel charge proceeds	-	3,890	5,115	6,248	6,212	6,166	6,151	6,122	6,088	6,036
GST revenue loss on carbon pricing repeal	GST	-	135	178	218	218	217	216	215	215	214
Saving on fuel charge proceeds returned	Direct program expenses	-	-4,223	-5,420	-6,243	-6,200	-6,160	-6,143	-6,113	-6,073	-6,017
Administrative expense saving	Operating and Capital Expenses	-	-24	-41	-41	-42	-43	-44	-45	-46	-47
Total net cost	GST	-	-222	-168	182	187	180	180	179	184	186

Notes:

Estimates are presented on an accruals basis as would appear in the budget and public accounts. Totals may not add due to rounding.

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

"-" = PBO does not expect a financial cost