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The shocking truth about B.C.'s carbon tax: It works

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When Mark Twain wrote, "Never let the facts stand in the way of a good story," he could have been describing Canada's current climate policy debate. Prime Minister Stephen Harper repeatedly claims that a carbon tax would "destroy jobs and growth." Yet the evidence from the province that actually passed such a tax – British Columbia – tells a different story.

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The latest numbers from Statistics Canada show that B.C.'s policy has been a real environmental and economic success after six years. Far from a being a "job killer," it is a world-leading example of how to tackle one of the greatest global challenges of our time: building an economy that will prosper in a carbon-constrained world.

B.C.'s tax, implemented in 2008, covers most types of fuel use and carbon emissions. It started out low (\$10 per tonne of carbon dioxide), then rose gradually to the current \$30 per tonne, which works out to about 7 cents per litre of gas. "Revenue-neutral" by law, the policy requires equivalent cuts to other taxes. In practice, the province has cut \$760-million more in income and other taxes than needed to offset carbon tax revenue.

The result is that taxpayers are coming out ahead. B.C. now has the lowest personal income tax rate in Canada (with additional cuts benefiting low-income and rural residents) and one of the lowest corporate rates in North America. You shouldn't need an economist and a mining entrepreneur to tell you that's good for business and jobs.

At the same time, it's been extraordinarily effective in tackling the root cause of carbon pollution: the burning of fossil fuels. Since the tax came in, fuel use in B.C. has dropped by 16 per cent; in the rest of Canada, it's risen by 3 per cent (counting all fuels covered by the tax). To put that accomplishment in perspective, Canada's Kyoto target was a 6-per-cent reduction in 20 years. And the evidence points to the carbon tax as the major driver of these B.C. gains.

Further, while some had predicted that the tax shift would hurt the province's economy, in fact, B.C.'s GDP has slightly outperformed the rest of Canada's since 2008.

With these impressive results, B.C.'s carbon tax has gained widespread global praise as a model for the world – from organizations such as the OECD, the World Bank and The Economist. But in the rest of Canada, it is less heralded, which is a shame. Because when you look beyond the political rhetoric and examine the facts, B.C.'s experience offers powerful, positive lessons for Canada.

In particular, it shows that Canada can be competitively ambitious in shaping a 21st century economy that internalizes the real costs of pollution. And that is important, because carbon and other emissions from burning fossil fuels impose heavy costs on us all – as B.C. knows well. The mountain pine beetle infestation, resulting from warming winters, has devastated the province's interior forest industry, closing mills and costing thousands of jobs. Similarly, air pollution, caused mainly by burning fossil fuels, costs thousands of lives and more than \$8-billion a year

to Canada's economy. These problems will only get worse if we don't get serious about tackling the causes of carbon emissions.

B.C.'s example shows that we can do that, while also building a prosperous economy, if we use smart policies. And it's not alone in doing so. Both Alberta and Quebec, for example, have also put a price on carbon emissions, using different policy approaches. All three provinces offer instructive, made-in-Canada lessons for spurring clean innovation, advancing energy efficiency, and preparing Canada's economy to compete with other nations that are already making this shift.

Canada has a history of taking pragmatic, far-sighted policy action to meet global economic challenges, like free trade, deficit fighting or the financial crisis. The shift to a low-carbon economic future poses a similar challenge. With such strong evidence of how to meet it from within our own borders, it's time to set aside the stories and act.

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