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Building *Nunavut* Together
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Bâtir le *Nunavut* ensemble

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Department of Finance
Kiinauyaliqiyikkut
Ministère des Finances

The Carbon Tax in Nunavut

Frequently Asked Questions



What is the carbon tax?

The carbon tax is a new federal tax on fuel. It came into effect in Nunavut on July 1, 2019.

By increasing the price of fuel, the Government of Canada is encouraging Canadians to use less of it. Using less fuel helps reduce greenhouse gas emissions and fights climate change.

Will the cost of fuel go up in Nunavut?

Yes. On July 1, 2019, the price of fuel in Nunavut increased because of the carbon tax. The amount of the increase depends on how cleanly each type of fuel burns. For example, the carbon tax on gas is about 4.7 cents per litre (\$0.047/L), and the carbon tax on diesel and home heating fuel is about 5.5 cents per litre (\$0.055/L).

The federal government plans to increase its carbon tax rate over the next three years (2020, 2021 and 2022). We estimate the price will go up by about 2.4 cents per litre each year for gasoline and about 2.75 cents per litre each year for diesel and home heating fuel. The federal government sets the specific rates.

What does this mean for me?

The carbon tax will increase the overall price of fuel you pay. As examples:

- It will cost about \$2.80 more to fill up a 60L tank of gas;
- It will cost about \$0.90 more to fill up a 5 gallon jerry can;
- It will cost about \$60 more to buy 250 gallons of home heating oil;

Nunavummiut who use more fuel will pay more carbon tax. Because of this, we expect the largest impact will be on homeowners and those who pay for home heating. Carbon tax will also impact vehicle owners and users.

Customers may also pay a small amount of carbon tax indirectly, if local businesses increase the prices for their goods and services to cover their own fuel costs.

While it is hard to provide an exact amount, the federal government (Environment and Climate Change Canada) estimates that an average family in Nunavut could pay more than \$1,100 extra by 2022, when the federal carbon tax reaches its peak. Families that do not pay for heating will face a smaller impact.



What happens to carbon tax revenues?

The Government of Canada has agreed that it will give whatever it collects from the carbon tax in Nunavut to the Government of Nunavut. In this way all carbon taxes Nunavummiut pay will stay within the territory.

The Government of Nunavut intends to recycle all carbon revenues back into Nunavut's economy. This can happen in different ways.

In 2019, the GN plans to use carbon revenues to pay for a new Nunavut Carbon Rebate, which reduces the amount of carbon tax Nunavummiut pay. The GN has also introduced legislation that, if passed, would reduce the amount of income tax individuals and small businesses pay.

Over time, as the Government of Canada increases its carbon tax rates and collects more money, the GN will look for other ways to use these revenues.

What is the Nunavut Carbon Rebate?

The Nunavut Carbon Rebate is a new program from the Government of Nunavut. It helps Nunavummiut manage the federal carbon tax by paying for half of it at the point of purchase. As examples:

- The carbon tax increased the price of gas by about 4.7 cents per litre. Because of the GN's Nunavut Carbon Rebate, Nunavummiut will only pay half this amount (about 2.35 cents per litre) at the pump. So, instead of paying an extra \$2.80 to fill up a 60L gas tank, Nunavummiut will only pay an extra \$1.40. And, instead of paying an extra \$0.90 to fill up a 5 gallon jerry can, Nunavummiut will only pay an extra \$0.45.
- The carbon tax increased the price of home heating fuel by about 5.5 cents per litre. Because of the GN's Nunavut Carbon Rebate, Nunavummiut will only pay half this amount (about 2.75 cents per litre) on their bill. So, instead of paying an extra \$60 for 250 gallons of heating fuel, Nunavummiut will only pay an extra \$30.

This program applies to all fuel the GN sells through its Petroleum Products Division (PPD).



How will the Nunavut Carbon Rebate change over time?

The federal government plans to increase its carbon tax rate over the next three years (2020, 2021 and 2022). During these years, the GN's Nunavut Carbon Rebate will continue to pay for half the carbon tax for Nunavummiut. As the federal tax rate goes up, so will our territorial rebate.

After the federal government's tax plateaus in 2022, the GN will begin to slowly reduce its subsidy by 10% each year until the rebate phases out completely in 2028. Nunavummiut will face the same overall increase as other Canadians, but over a longer period. This helps recognize that Nunavummiut do not have as many options as southern Canadians to reduce fuel use. Because of our cold climate, remoteness, and reliance on diesel for food and transportation, it will take us longer to adjust.

Will the price of electricity or aviation increase because of the carbon tax?

No.

Before agreeing to the idea of a carbon tax, the Government of Nunavut ensured Canada would take steps to recognize Nunavut's unique circumstances. As part of our work, the Government of Nunavut argued strongly to ensure the tax does not apply to fuel used for public energy generation (QEC) or on aviation fuel used to travel to, from or within Nunavut. Canada agreed, and as a result, Nunavummiut will not need to pay more for electricity or aviation as a result of the carbon tax.

How will the carbon tax impact Nunavut's mining industry?

Mining firms use lots of fuel and contribute significantly to territory's greenhouse gas emissions, but also face global prices and competition.

While the Government of Canada was designing its carbon tax rules, the Government of Nunavut encouraged them to consider the tax's impact on the territory's mining industry. The Government of Canada has included a special calculation called the "Output Based Pricing System" that reduces the amount of carbon tax mining firms pay, while still encouraging mining firms and other large industrial emitters to reduce their emissions. For more information about this system, visit the Canada Revenue Agency's website.

What are fossil fuels?

Fossil fuels release carbon and other harmful greenhouse gases into the air when burned. Examples include gasoline, heating oil, diesel, and naphtha.