

Nunavut Carbon Rebate

- CONTRIBUTION POLICY -

POLICY STATEMENT

As a signatory to the Pan-Canadian Framework on Clean Growth and Climate Change, the Government of Nunavut (GN) supports efforts to combat climate change, including steps to reduce harmful greenhouse gas emissions.

Carbon pricing is meant to reduce harmful emissions by making certain activities, including burning fossil fuels, more expensive. By implementing a carbon price in 2019, the Government of Canada is trying to encourage Canadians to move away from fossil fuels.

While the GN supports this general intent, Nunavummiut have fewer options to reduce their use of fossil fuels than southern Canadians. Remote communities, limited infrastructure and a small economy mean it will take longer for Nunavummiut and their businesses to adjust. For this reason, the GN is committed to helping reduce the direct cost impacts of the federal carbon price to provide more time for this adjustment.

The Nunavut Carbon Rebate (NCR) helps Nunavummiut avoid the full cost of the federal government's carbon tax. Through the NCR, the Petroleum Products Division (PPD) of the Department of Community and Government Services (CGS) rebates 50% of the carbon levy to the wholesaler or, where applicable, directly to the customer. As a result, consumers directly pay only half the federal carbon tax while the GN pays the other half, even as the federal tax rate rises.

The GN will slowly phase out the NCR over time, helping smooth the transition for Nunavummiut.

PRINCIPLES

Carbon pricing can help reduce harmful greenhouse gas emissions, but only when individuals and businesses have the ability to choose lower-carbon activities.

The Government of Nunavut supports efforts to fight climate change, but due to unique northern circumstances (e.g. remote fly-in communities, no electrical grid), Nunavummiut face few alternatives to fossil fuel. As a result, it will take longer to adjust to the federal carbon price.

This program is based on the following Inuit Societal Values:

- 1. Avatittinnik Kamatsiarniq – Respect and care for the land, animals and the environment**

By gradually phasing out the NCR, the GN is protecting Nunavummiut from some initial negative impact of carbon pricing, while upholding the intent of the levy to reduce carbon emissions.

2. Piliriqatigiiniq – Working together for a common cause

For the NCR program to have an impact at the consumer level, coordination and collaboration between multiple organizations and departments is essential.

APPLICATION

This policy and the NCR apply to any fuel subject to levy by the federal carbon price and imported and sold by PPD.

The NCR applies to purchases of gasoline, motive diesel, home heating fuels, and naphtha.

The NCR will only apply to those transactions that adhere to PPD's invoicing protocols.

The rebate will be automatically applied to all PPD sales to eligible fuel wholesale buyers and customers.

DEFINITIONS

Carbon Price

The Government of Canada has developed a carbon pollution pricing system as part of its plan to implement a federal greenhouse gas emissions pricing structure. This system is implemented through the *Greenhouse Gas Pollution Pricing Act*. The system applies in Nunavut.

Carbon Levy

The carbon levy is a charge the Canada Revenue Agency (CRA) imposes on fuel used in the territory. The levy is governed by the *Greenhouse Gas Pollution Pricing Act*.

Fuel Customer

A fuel customer is an organization or individual who purchases, from PPD, fuel for consumption, not for resale.

Petroleum Products Division (PPD)

PPD is a division of the GN Department of Community and Government services responsible for the import, storage and distribution of all of Nunavut's fuel products.

Wholesale Fuel Buyer

A wholesale fuel buyer is any person or business engaged in the activity of purchasing fuel from PPD and selling it for resale.

ROLES AND RESPONSIBILITIES

Minister of Finance

The Minister of Finance is accountable to the Executive Council for the management and administration of this policy and the NCR program.

GN Finance

GN Finance is responsible for managing carbon price rebates received from the federal government and making reimbursements to PPD.

Petroleum Products Division

PPD is the CGS department responsible for tracking and reporting eligible NCR sales to GN Finance.

PROVISIONS

Authority and Accountability

All provisions contained in the *Financial Administration Act* and the GN's Financial Administration Manual shall apply to the administration of the NCR.

Eligibility

Wholesale fuel buyers and fuel customers purchasing directly from PPD are eligible for the rebate.

PPD will automatically apply the rebate to fuel purchases of gasoline, motive diesel, home heating fuels, and naphtha that are subject to the federally imposed carbon levy.

The NCR only applies to transactions that adhere to PPD's invoicing protocols.

PPD and wholesale buyers are responsible for passing the NCR on to their customers directly.

The rebate must be indicated on the customer's bill or through another transparent method that ensures Nunavummiut are aware of the rebate and its impact.

Review

The Deputy Minister of the Department of Finance makes the final decision regarding the eligibility of each wholesale fuel buyer or customer for the NCR.

Program Spending

GN Finance will deposit all revenues from the federal government's carbon levy into the Consolidated Revenue Fund. These revenues will exceed any cost of the NCR.

GN Finance will estimate program costs at least annually, and will seek appropriations from the Legislative Assembly accordingly.

Sales Procedure

When PPD sells fuel to a wholesaler or customer, the invoice reflects the final price of the product.

PPD will develop and maintain the sales procedures needed to discount the full federal carbon levy by the applicable rebate rate when selling to the wholesaler or customer, so that the value of the rebate is passed on to the end customer.

Supporting Data/Reimbursement

Each month (or other period as agreed), PPD will submit a report to GN Finance containing sufficient information to justify reimbursement under the NCR. The report will include supporting sales and inventory data, as well as PPDs federal carbon levy returns

GN Finance will review this report, and may seek additional information. When satisfied, GN Finance will reimburse PPD the value of the NCR costs incurred over the reporting period in a timely manner.

PPD remains responsible for remitting the full value of the carbon levy to CRA on a quarterly basis, and to meet all other requirements of the CRA.

PPD must collect data from wholesale buyers that demonstrate how the rebate has been passed on to the end consumers. PPD shall include this data in their reporting to Finance.

PPD and wholesalers may round down the Nunavut Carbon Rebate to the nearest cent to facilitate sales mechanics (e.g. sales software requirements).

GN Finance may conduct audits of PPD and, in collaboration with PPD, of any wholesale fuel buyer to ensure the NCR is being implemented and reported accurately and transparently.

GN Finance and PPD may develop or adjust operational procedures as appropriate to effectively implement this policy.

Term and Timelines

The NCR is a term program beginning July 1, 2019.

Between 2019 and 2023, the NCR will rebate 50% of the carbon levy.

In 2024 the rebate will decrease in value to 40% and decline by 10 percentage points each year thereafter, until it reaches 0% in **2028**, ending the program.

By gradually phasing out the rebate over several years, the GN is providing Nunavummiut time to adjust to the full carbon rate, while supporting the overall goal of encouraging lower fuel use and carbon emissions.

If at any time the federal government's carbon levy is terminated or significantly altered, the NCR will be cancelled and/or re-evaluated as soon as practicable.

Program Evaluation

GN Finance and PPD will, on an annual basis, jointly review fuel volumes and rebates issued each year.

GN Finance and PPD may publish program information from time to time throughout the year, and will provide regular updates to responsible ministers.

PREROGATIVE OF CABINET

Nothing in this directive shall in any way be construed in whole or in part, to limit the prerogative of the Executive Council to make decisions or take actions respecting carbon rebate contributions outside the provisions of this directive.