



## NWT Carbon Tax – Backgrounder

### *Fuel Use in the NWT*

- Overall, 465.3 million liters of fuel were used in the NWT in 2016-17. Gasoline and motive diesel fuel accounted for 43% of this total. Non-motive diesel, diesel for heating and propane for heating accounted for 46% of the total fuel. The remaining fuel use was for aviation and rail.

#### *GNWT Fuel Use, by Type 2016-17*

	Fuel Used In Litres
Total	465,255,771
Gasoline	53,276,151
Motive Diesel	146,884,998
Non-Motive Diesel	114,719,317
Heating Diesel	80,461,651
Aviation	51,730,905
Propane	18,022,909
Rail	159,841

- Fuel for 2016-17 was relatively typical, with the average fuel use 473.4 million over the last six years. Fuel use fluctuates with environmental conditions, as well as economic changes.

### *Greenhouse Gas (GHG) Emissions*

- According to the 2018 National Inventory Report produced by Environment and Climate Change Canada (ECCC), the NWT produced 1,611 kilotonnes of greenhouse gas emission in 2016. Approximately 97% of these emissions were related to energy.
- About 39% of NWT emissions can be attributed to electricity production and heating. Some 57% of emissions are transportation related, comprised of 7% for aviation, 25% for road transportation, 24% for off-road primarily mining related activities, and 1% for navigation and railways.
- ECCC has estimated that implementing the federal backstop for carbon pricing would reduce NWT emissions by 3.4%.

### *Large Emitters*

- In the NWT, large emitters are defined as those private sector establishments that emit more than 50 kilotonnes of GHG on an annual basis. For 2016, large emitters would have included operating diamond mines and the Norman Wells oil facility.
- More than 500 kilotonnes of GHG emissions in the NWT were produced in these facilities.

### *Aviation Fuel in the North*

- Aviation is critical in the NWT. Information from Statistics Canada indicates a much greater reliance on air travel for residents and for transporting cargo than in the rest of Canada. For example, the average amount of air cargo per resident is ten times higher in the NWT compared with the rest of Canada.
- Air transportation is also important part of economic development and a significant cost driver for businesses.
- Exempting aviation fuel will save residents, governments and businesses approximately \$6.4 million annually when the NWT Carbon Tax is fully implemented.

### *Approach to Heating Fuel*

- Climate and price differences result in heating costs that are two or three times higher in NWT communities compared with the rest of Canada.
- Heating for a single detached dwelling is estimated to cost more than \$7,000 annually in some NWT communities compared with about \$2,000 annually in southern cities for a similar dwelling.
- There are also significant differences within the NWT between amounts paid for heating by residents whether they are a homeowner, private market renter, or public housing tenant.
- Typical small businesses in the NWT are estimated to be paying between approximately \$5,000 and \$35,000 annually for heating fuel depending on the nature of their establishment.
- The NWT Carbon Tax for heating fuel will be 100% rebated at the point of purchase for all except large emitters.

This is expected to save homeowners approximately \$500 annually and private market renters approximately \$300 annually depending on location and size of dwelling.

The impact of the NWT Carbon Tax on municipal governments will also be reduced by rebating heating fuel. As examples, this is estimated to save Yellowknife and Inuvik more than \$100,000 annually and about \$30,000 annually for smaller communities based on reported heating fuel expenses.

For small business, rebated amounts for heating fuel could range annually from about \$1,000 to more than \$5,000 depending on the nature of the business.

### *Offsetting Other Household Impacts*

- Cost of living continues to present challenges for NWT residents. The exemption on aviation fuel and the rebate on heating will mitigate some of the impact of introducing a carbon tax.
- Additional impacts will be offset with the Cost of Living Offset benefit (COLO). As noted, these benefits will increase as the NWT Carbon Tax amounts increase. When fully implemented, the

COLO will provide each adult in the NWT \$260 to offset carbon tax impacts and \$300 for each child.

For a couple with two children, this will provide \$1,120 of benefits on an annual basis.

These benefits will be delivered through the Canadian Revenue Agency (CRA). Similar to the existing NWT Child Benefit, Canada Child Benefit, Old Age Security, and the GST Rebate, residents will need to file their annual personal income tax return to access these benefits.

In total, these new benefits will cost the GNWT \$12.0 million annually when fully implemented.

### ***Fuel and Electricity Generation***

- NTPC purchased approximately 19.6 million liters of fuel in 2016-17 for the production of electricity. This is primarily used in smaller NWT communities with diesel powered generators.
- The GNWT subsidizes residential electricity rates for residents in communities with rates higher than Yellowknife through the Territorial Power Subsidy Program (TPSP). Adding the NWT Carbon Tax to diesel purchased for electricity production, will simply increase the amount of subsidy provided.

For businesses and governments operations within the thermal zone, adding the carbon tax on fuel for producing electricity will simply add to the cost of doing business in communities' dependent non-motive fuel for electricity generation.

- The GNWT will rebate the NWT Carbon Tax paid by NTPC for electricity production on an annual basis. Based on 2016-17 fuel consumption, this will amount to \$3.0 million when the carbon tax is fully implemented.

### ***Investing in Green Initiatives***

- The GNWT has outlined a series of energy projects that will reduce GHG emissions as part of the 2030 NWT Energy Plan. These are just a portion of the actions identified as part of the energy plan.
- Many of these action will be completed in partnership with the federal government under programs that require 25% of the funding be provided by the GNWT and 75% by the federal government.
- Specific initiatives planned over the next five years include:
  - Inuvik Wind
  - Fort Providence/Kakisa Transmission
  - Norman Wells Wind/Diesel
  - Whati Transmission
  - Fort Simpson LNG
  - Sachs Harbour Wind/Diesel
  - Aklavik Additional Solar for VSG Trial
  - Fort McPherson Conventional Solar
  - Tulita Solar for Advanced Inverter Trial
  - Ulukhaktok Conventional Solar
  - Paulatuk Conventional Solar
  - Wekweeti Conventional Solar
  - Tsiigehtchic Conventional Solar

- These projects are being advanced through federal programs, but initial estimates indicate the GNWT share for these projects will be approximately \$39.4 million over the next five years, with total project costs expected to be about \$157.4 million.
- Revenues from the NWT Carbon Tax that are targeted for investing in green initiatives are expected to total \$38.7 million over the next five years and will be the main source of resources used to advance actions approved through the 2030 Energy Plan.
- Annual NWT Carbon Tax revenue and related expenditures will be approved by the Legislative Assembly as part of the operational and capital appropriations.