



Implementing the NWT Carbon Tax

- The GNWT will introduce changes to the *Petroleum Products Tax Act* to implement the NWT Carbon Tax that will become effective July 1, 2019.
- The NWT Carbon Tax introduced in 2019 will reflect \$20/tonne of greenhouse gas emissions (GHG) for the various types of fuel. The rates will increase annually until 2022 when it will reach \$50/tonne.

Proposed NWT Carbon Tax Rates, by Fuel Type

	Jul-19	Jul-20	Jul-21	Jul-22
	(cents/litre)			
Gasoline	4.7	7.0	9.4	11.7
Motive diesel	5.5	8.2	10.9	13.7
Non-Motive diesel	5.5	8.2	10.9	13.7
Railway	5.5	8.2	10.9	13.7
Heating fuel	5.5	8.2	10.9	13.7
Propane	3.1	4.6	6.2	7.7
Natural gas	3.8	5.8	7.7	9.6
Naphtha	5.1	7.7	10.2	12.8

- Administration of the NWT Carbon Tax will be done in a similar manner as the current NWT fuel tax. Tax collectors are typically fuel wholesalers and the process related to tax collection is described in the legislation and related regulations.
- The NWT Carbon Tax will not apply to aviation fuel. This is expected to provide an offset of \$6.4 million annually for residents, governments and businesses when the carbon tax is fully implemented.
- To estimate potential revenues from the NWT Carbon Tax, 2016-17 fuel consumption information is used. For 2019-20 revenue estimates reflect a partial year as the NWT Carbon Tax will become effective July 1. Revenue and expenditures related to the NWT Carbon Tax will be reflected in annual budget documents.
- The NWT Carbon Tax will generate an estimated \$16.3 million in 2019-20, increasing to \$54.5 million when fully implemented.
- The GNWT expects to directly invest \$3.8 million of carbon tax revenue in 2019-20 into initiatives that will reduce GHG emissions, increasing to \$13.9 million annually when fully implemented.

- GNWT initiatives will initially be related to items identified in the 2030 Energy Plan and the Climate Change Strategic Framework. Specific investments will be identified as part of the annual budget process.
- For residents, governments and business entities with less than 50,000 kilotonnes of annual GHG emissions the following offsets for the NWT Carbon Tax will apply.
 - NWT Carbon Tax for heating fuel will be 100% rebated at the point of purchase. This is expected to provide an offset of \$9.4 million annually from the carbon tax for residents, governments and small businesses when the carbon tax is fully implemented.
 - The GNWT will introduce changes to the Income Tax Act to introduce the new Cost of Living Offset (COLO) benefit that will provide benefits to all residents in order to reduce the impact of the NWT Carbon Tax on cost of living.
 - These benefit programs will be administered by the Canada Revenue Agency on behalf of the GNWT. Benefit levels will increase annually as the NWT Carbon Tax rates increase to 2023.
 - When fully implemented, the COLO benefit will provide \$260 annually for each NWT resident 18 years of age or older and \$300 annually for each child when fully implemented.
 - These additions to the benefit programs are expected to cost \$3.6 million in 2019-20 increasing to \$12.0 million when fully implemented.
 - The Northwest Territories Power Corporation (NTPC) will be provided with an annual rebate for non-motive diesel purchased for producing electricity. This is expected to amount to \$3.0 million when the NWT Carbon Tax is fully implemented. Not offsetting this additional cost for NTPC would have meant increased costs for electricity.
- For large emitters (50,000 kilotonnes or more of annual GHG emissions) the following approach will apply for the NWT Carbon Tax.
 - NWT Carbon Tax will be applied on all types of fuel.
 - An annual rebate will be provided for 75% of their carbon tax collected on non-motive diesel and heating fuel. The other 25% will be held in individualized trust accounts that will be able to be accessed for investments by each entity that reduce GHG emissions.
 - The annual rebated portion for non-motive diesel and heating fuel is estimated to be \$11.7 million when fully implemented. The amount retained in trust is expected to be \$3.9 million annually.