

# The Impact of a Carbon Tax



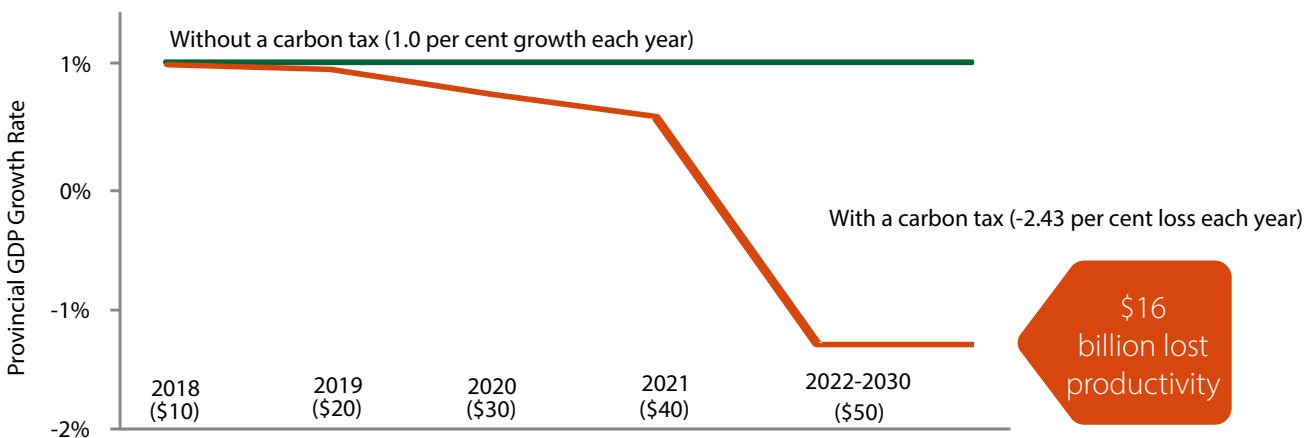
On behalf of the Government of Saskatchewan, the Institute for Energy, Environment and Sustainable Communities (IEESC) at the University of Regina developed a Saskatchewan-specific computable general equilibrium (CGE) model to understand macroeconomic and industry sector impacts of carbon taxes in the province. The province's CGE model relies on publicly available tables from Statistics Canada, similar to the federal model. Saskatchewan's CGE model, however, has been calibrated with economic information specific to the province. This specific model provides a better understanding of the macroeconomic effects of policy choices on the provincial economy than the federal version can offer.

Saskatchewan's CGE model predicts a reduction of 1.43 per cent to provincial GDP at a \$50-per-tonne carbon tax. Without a carbon tax, Saskatchewan's GDP is expected to grow by one per cent each year. This creates a 2.43 per cent gap in lost economic productivity for the province worth \$16 billion from 2019 to the end of 2030.

## Saskatchewan's economy

**What the federal government says:** "GDP growth would remain strong."

**What Saskatchewan predicts:** Saskatchewan loses \$16 billion in lost productivity with a carbon tax.



## Saskatchewan's emissions

Provincial modelling predicts annual emissions in Saskatchewan are reduced by less than one of Canada's 704 annual megatonnes. At a \$50/tonne tax in 2022, the provincial CGE model shows a 1.25 per cent reduction (0.95 megatonnes) in GHG emissions.



# Saskatchewan households

Dr. Jennifer Winter of the University of Calgary's School of Public Policy analyzed the impact of carbon taxes to Canadian households, which shows the impact in Saskatchewan would be \$1,032 by 2022. This is at the low end of estimates prepared by the Saskatchewan Ministry of Environment, which range from \$1,050 to \$1,375, but confirms the estimated cost at more than \$1,000 per household.

\$750 national average

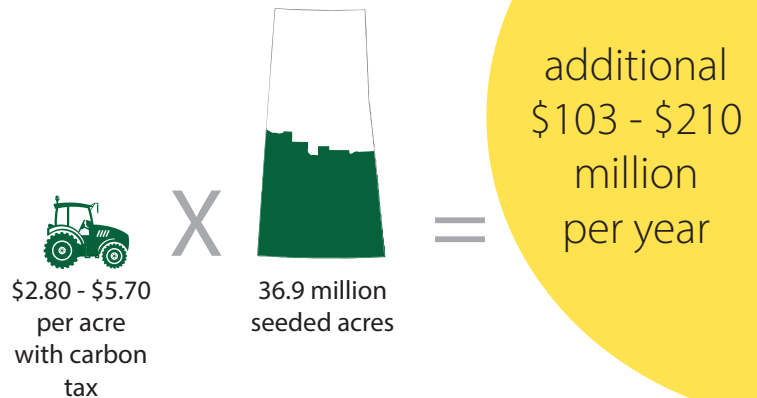
\$1,032 University of Calgary research

\$1,250 Saskatchewan estimate

# Saskatchewan's agricultural producers

The proposed federal Greenhouse Gas Pollution Pricing Act makes an exception from the carbon tax for agricultural producers using qualifying farm fuel. This only applies to diesel and gasoline used for eligible farming activity. The exemption applies only to fuel used in a tractor or combine. Natural gas or propane used to dry grain or heat farm buildings is not exempt, nor is fuel used to transport production to shipping facilities.

If the pesticide and fertilizer industry is able to fully pass costs back to producers, additional costs could range from roughly \$2.80 per acre to \$5.70 per acre, depending on the crop and soil zone.



## Prairie Resilience:

A Made-in-Saskatchewan Climate Change Strategy

Help shape Saskatchewan's future

On December 4, 2017, the Government of Saskatchewan introduced Prairie Resilience: A Made-in-Saskatchewan Climate Change Strategy, which focuses on the principles of readiness and resilience while reducing greenhouse gas (GHG) emissions and adapting to the effects of climate change. Prairie Resilience is broader and bolder than a single policy such as a carbon tax and will achieve better and more meaningful outcomes over the long term.