CANADIAN INSTITUTE FOR CLIMATE CHOICES

Carbon pricing to support net zero in Canada

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ABOUT THE **INSTITUTE**

Collaborative Research. Integrated Climate Policy. Better Choices.

About Climate Choices:

- **Federally-funded** climate policy think-tank
- **Independent** research agenda and policy recommendations
- **Board of Directors,** 30+ **Expert Panelists** well known in their fields
- **Advisory Group** provides strategic insight
- Professional secretariat of 24 focused on **research, engagement, and communications**

Canada’s net zero ambitions

- Canada has legislated the adoption of a net-zero 2050 target
  - *Net Zero Emissions Accountability Act* was adopted in June 2021
- Canada recently enhanced its 2030 target
  - From -30% to -40-45% (from 2005)
- Canada’s Liberal government was re-elected last month
  - Renewed mandate on climate policy and carbon pricing



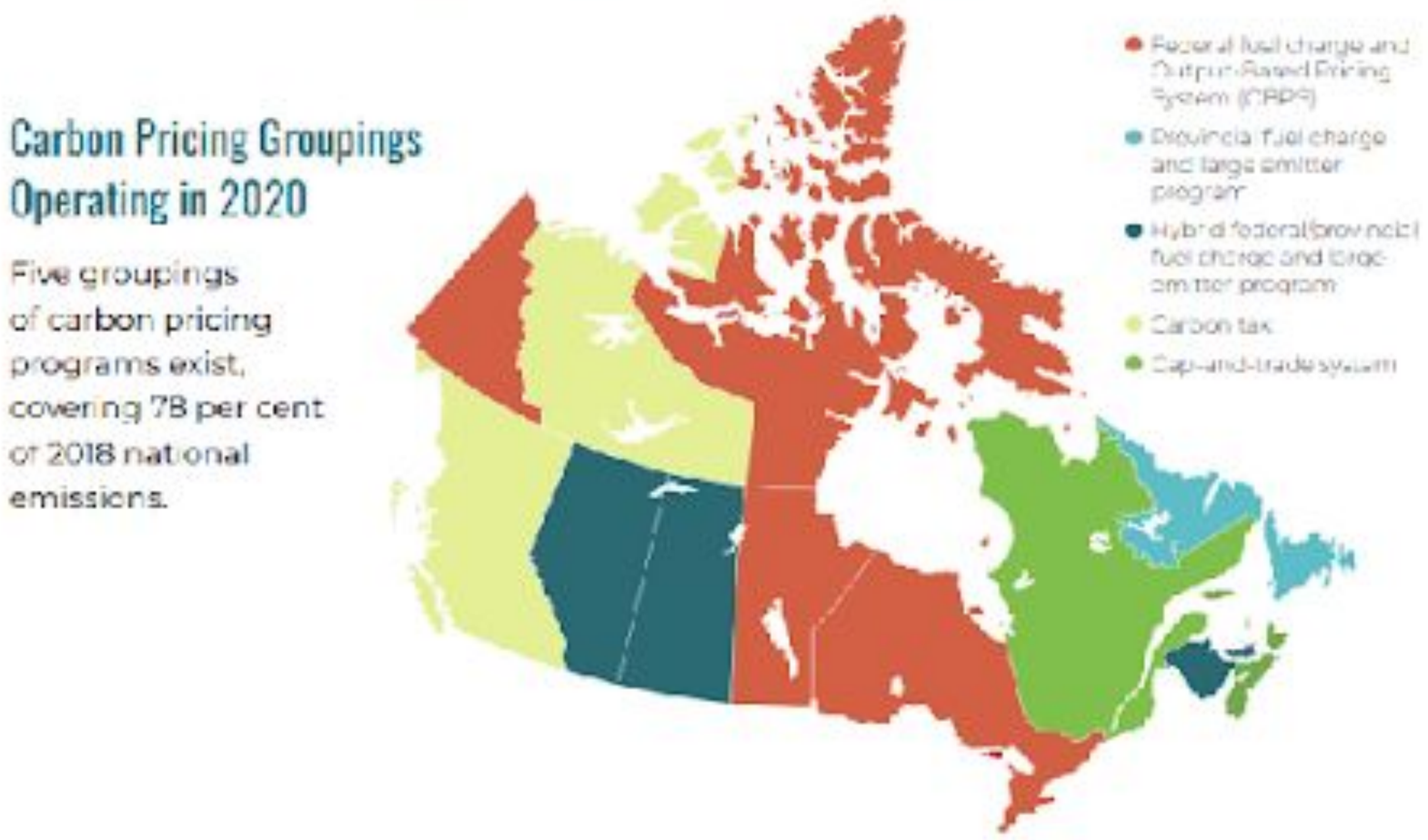
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Canada's carbon pricing approach

- Two parts:
  1. Carbon tax ("levy") – covers 38%
     - CAD40 (USD32)/tonne rising to CAD170(USD135)/tonne by 2030
  2. ETS on large industry ("output-based pricing system") – covers 40%

- Federally-defined benchmarks
  - Sub-nationals can design their own carbon prices if they meet the benchmarks
  - Strength: Systems tailored to regional contexts
  - Drawback: Inconsistent policy signals across regions

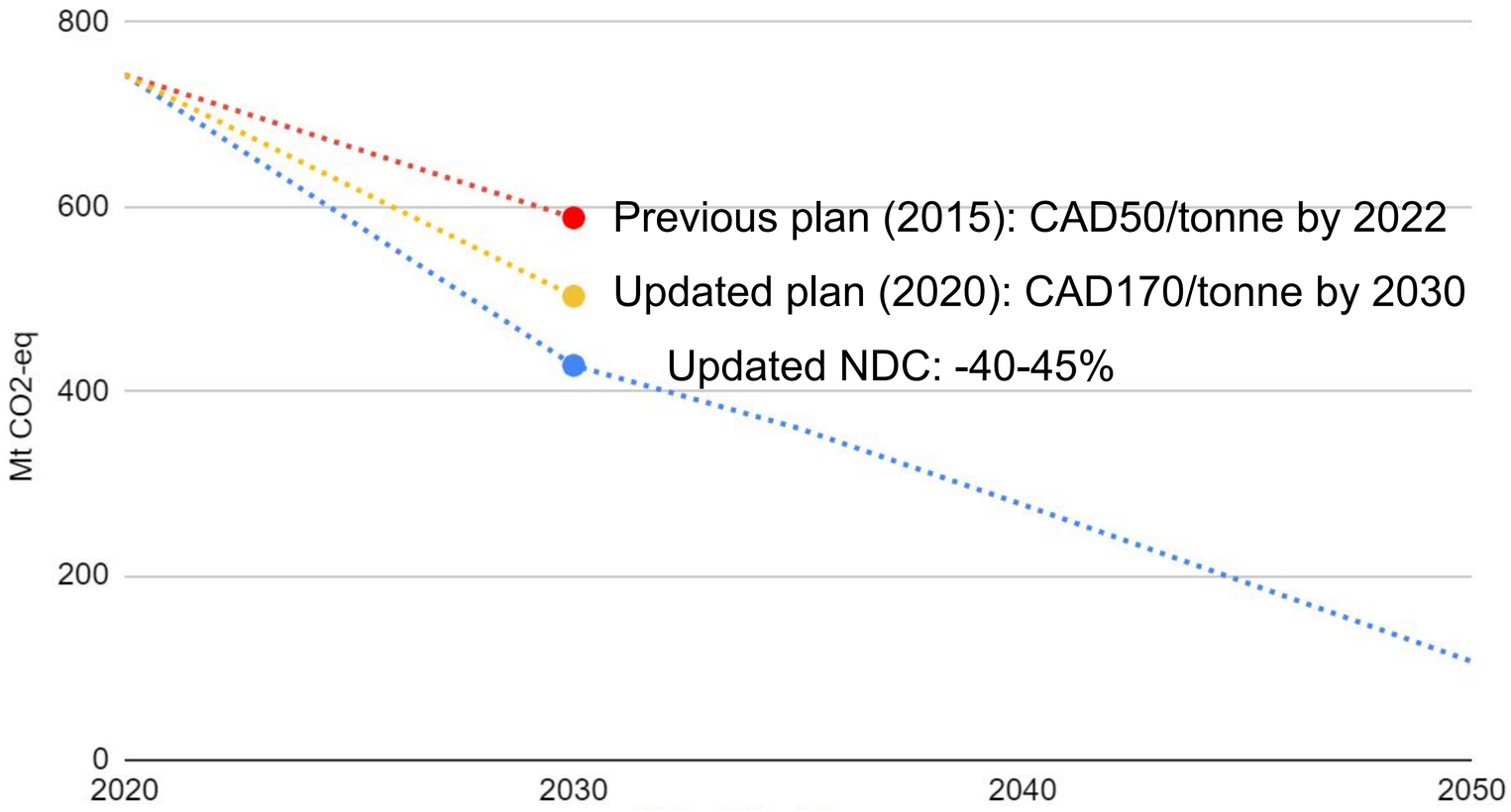
Carbon pricing systems vary across Canada



Sawyer, D., S. Stiebert, R. Gignac, A. Campney, and D. Beugin. 2021. The State of Carbon Pricing in Canada: Key Findings and Recommendations. Canadian Institute for Climate Choices. https://climatechoices.ca/reports/the-state-of-carbon-pricing-in-canada/

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Contribution of carbon pricing & other policies



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Lessons learned

- Applying a national carbon price in the context of strong sub-national governments can be done with good design
  - Ongoing challenge: balancing regional design with desired federal outcomes

- Policy predictability remains a challenge
  - Is there a role for national banks to close the certainty gap?

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