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## The Progressive Conservative Party of Ontario and Carbon Taxes: A Political Discussion

**An effective measure to impact climate change, or  
a well-intentioned policy with little chance of any overall effect?  
*Is there another way?***

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***"Climate change is a fact. It is a threat. It is man-made. We have to do something about it, and that something includes putting a price on carbon."* Patrick Brown, March 5, 2016**

### Introduction of this discussion – the reason for this paper

I have never segregated principles and politics and have always held that politics is epitomical of principled actions. This is why I have found an easy fit and (life-long) home in the **Progressive Conservative Party of Ontario**. I reject the view that political interests and principled outcomes are self-exclusionary. I am mindful of a point made by former President Carter upon receiving the 2002 Nobel Peace Prize that "*We must adjust to changing times and still hold to unchanging principles.*"<sup>1</sup> The innate wisdom in those few words is palpably plain. It is also inspirational. The explanation, perhaps, is in its contrast to today's fashionable derision for many things political.

This inclination likely finds a linkage with the modern consumption of politics as sport with a spectator absorbed "*winning is everything*" mind-set,<sup>2</sup> no doubt moved in part by 24 hour news coverage and pundit panel shows refereed by glib commentators perennially extolling observed acts of political gamesmanship.

Within the context of the post-PCPO-convention carbon-tax debate in which I engaged many fellow PCs, I surprisingly discovered this outlook brandishing in the shadows of declamatory support for a changing political position (although not from those in leadership positions in the party or those holding elected office). I encountered only a few who advanced principled positions supporting a carbon tax. The most common explanation embraced opportunism by describing this as an astute maneuver designed to pull the political rug out from under PCPO's political opponents. This helps us win, I was told.

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<sup>1</sup> Jimmy Carter - Nobel Lecture, Oslo, December 10, 2002: "*I thought often during my years in the White House of an admonition that we received in our small school in Plains, Georgia, from a beloved teacher, Miss Julia Coleman. She often said: "We must adjust to changing times and still hold to unchanging principles."*"

[http://www.nobelprize.org/nobel\\_prizes/peace/laureates/2002/carter-lecture.html](http://www.nobelprize.org/nobel_prizes/peace/laureates/2002/carter-lecture.html)

<sup>2</sup> See for example: The Huffington Post, April 22, 2015, "*Too Many Americans Treat Politics Like Just Another Sport, And It's Causing Problems*," Maxwell Strachan, Senior Editor; [http://www.huffingtonpost.com/2015/04/22/american-politics-sports\\_n\\_7111738.html](http://www.huffingtonpost.com/2015/04/22/american-politics-sports_n_7111738.html) "A recent study has found that a significant percentage of Americans with partisan leanings care more about their political party winning an election — or maybe more accurately, beating the other party — than about seeing the policies that their party supports put into law. And that goes for Democrats and Republicans alike," and, **The University of Kansas**, "**Most partisans treat politics like sports rivalries**," <http://news.ku.edu/2015/04/13/study-most-partisans-treat-politics-sports-rivalries-instead-focusing-issues>

Borrowing for a moment from the parable “*The King and the Poisoned Well*”<sup>3</sup> having not drunk from the well, the indifference of my enthusiasm was met with decidedly derisive, logic-leaping declarations that I must not support efforts to abate climate change, or, that *capo dei capi* of modern put-downs - I must be a “denier,” with neither charge able to maintain a toehold in a rock-face of truth.

While these reactions were perplexing, I struggled to reconcile them with my sense of progressive-conservatism, which I best describe as “*balancing progressive goals with conservative values.*”<sup>4 5</sup> At the core of progressive-conservatism, as I have experienced it, was at least some sense of a vital set of enduring principles, ensuring the thoughtful value-based development of policies, with expectations extending far beyond the ambition of electoral success.<sup>6</sup> Because of this formational process, those policies would inspire fidelity until they were adjusted or discarded through the competition of more superior reasons aligned still with the same foundational principles.

Post-convention I had difficulty reconciling how two disparate policies could be formed and then supported by the same principled framers. The indigestible but easy answer of forsaken principle rests so at odds with my personal fidelity to the **PCPO** and my impression of today’s leadership that it has been rejected as impossible. Yet, I was unable to stimulate a reasoned argument beyond that set out in the sub-heading of this paper. While one must exist, it has eluded my quite engaged efforts, drawing from me the only plausible explanation that it, as yet, has not been developed past its originating central thesis. If this is a correct assessment, it remains as impervious to assault as does a contrarian view, rendering my dilemma an “undecidable problem,” an unwarrantable ending point.

So, to end this, I decided I must begin this, and develop and consider the overall public policy efficacy of the introduction of carbon taxes to Ontario. And so began several months of research and open-minded analysis, which I present to the audience I seek to impact, the rational, informed principled thinker. I begin with a point of clarification. What follows is not an effort to design or consider the best carbon tax policy options available, nor does it purport to present a thesis strenuously arguing for or against the adoption of a carbon tax, although, I oppose it. For the **PCPO**, on this, the *Rubicon* seems to have been crossed.

I will examine though the vulnerabilities associated with maintaining this vector, and perhaps illustrate that the political risks are not abated with the avowal of intuited climate modernism. This is a political discussion, pure and simple. This is about politics.

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<sup>3</sup> **The King & The Poisoned Well:** There was once a wise king who ruled over a vast kingdom. He was feared for his might and loved for his wisdom. Now in the heart of the city, there was a well with pure and crystalline waters from which the king and all the inhabitants drank. When all were asleep, three witches entered the city and poured seven drops of a strange liquid into the well. They said that henceforth all who drink this water shall become mad. The next day, all the people drank of the water, but not the king. And the people began to say, "The king is mad and has lost his reason. Look how strangely he behaves. We cannot be ruled by a madman, so he must be dethroned." The king grew very fearful, for his subjects were preparing to rise against him. So that evening, he ordered a golden goblet to be filled from the well, and he drank deeply. The next day, there was great rejoicing among the people, for their beloved king had finally regained his reason. --Author Unknown

<sup>4</sup> A description borrowed to a degree from, **What Progressive Conservatism Looks Like**, by Mike Dwyer, September 10, 2012, In The League <http://ordinary-gentlemen.com/2012/09/10/what-a-progressive-conservatism-looks-like>

<sup>5</sup> And, as practiced, among others by Presidents Roosevelt (Theodore), Taft and Eisenhower and Prime Ministers Disraeli, Baldwin and Churchill. Theodore Roosevelt stated that he had "*always believed that wise progressivism and wise conservatism go hand in hand*"; Jonathan Lurie, William Howard Taft: The Travails of a Progressive Conservative. New York, New York, USA: Cambridge University Press, 2012. p. 196

<sup>6</sup> With a successful election being the tool but not the singular goal.

## A general discussion on climate change – just a bit

I know. The world is full of experts on climate change. We are all experts (or so many believe). But, as unavoidably “expert” as I (and others) have become through no more than being a daily consumer of news for the past 30 years, I did discover quite a bit and learned a lot through my research over the past few months. Here is but a bit of it. As a side-bar, googling “climate change” nets 136,000,000 **Google** hits. The amount of material is endless. And, growing. It is impossible to keep up with it as evidence, interpretation, opinion and politics constantly evolve, often at lightning-speed.

Although our collective awareness was likely triggered by at least 1992’s **Rio Earth Summit**,<sup>7</sup> or perhaps at the *very* beginning, Prime Minister Thatcher’s September 27, 1988 speech to the Royal Society,<sup>8</sup> the United Nations<sup>9</sup> notes that awareness that accumulated carbon dioxide in the Earth’s atmosphere could create a “greenhouse effect” and increase the temperature of the planet commenced in the 19<sup>th</sup> century, and as we all know, by the middle of the 20th century, it was becoming clearer that human action had significantly increased the production of these gases, and the process of “global warming” was accelerating.

Some argue, as reported by the UN, there is alarming evidence that the earth has passed important tipping points, which would (and if true - should<sup>10</sup>) alter the discussion, and transform the world’s attention from avoidance to adaptation. But, the political debate seems to begin and end, for the moment at avoidance. If those scientific theories are correct, and at some future point that will be known, then this by necessity will also inevitably change.

Some years back, BBC News traced some key milestones, scientific discoveries, technical innovations and political action relating to climate change.<sup>11</sup> Most would likely be surprised (I was) at the now venerable history, pre-dating by a hundred years our “collective awareness.”

- 1824** French physicist Joseph Fourier describes the Earth's natural "greenhouse effect."
- 1861** Physicist John Tyndall shows that water vapour and certain other gases create the greenhouse effect.
- 1896** Chemist Svante Arrhenius concludes that industrial age coal burning will enhance the natural greenhouse effect (but suggests this might be beneficial for future generations). His conclusions on the likely size of the "manmade greenhouse" are in the same ballpark a few degrees Celsius for a doubling of CO2 as modern day climate models.
- 1927** Carbon emissions from fossil fuel burning and industry reach one billion tonnes per year.
- 1938** British engineer Guy Callendar shows that temperatures had risen over the previous century as did CO2 concentrations, suggesting this caused the warming.

<sup>7</sup> The 1992 Rio Earth Summit: Summary of The United Nations Conference on Environment and Development

<sup>8</sup> Where she said, “Recently three changes in atmospheric chemistry have become familiar subjects of concern. The first is the increase in the greenhouse gases . . . which has led some to fear that we are creating a global heat trap which could lead to climatic instability.” <http://www.margaretthatcher.org/document/107346>. In “*The Downing Street Years*” the Prime Minister noted that the speech “broke quite new political ground” but there was a lack of media interest such that “television did not even bother to send film crews to cover the occasion” (at p. 640). Much more on Prime Minister Thatcher’s contribution later.

<sup>9</sup> United Nations Global Issues: Climate Change, <http://www.un.org/en/globalissues/climatechange/index.shtml>

<sup>10</sup> If the same standard of proof that is applied to the “abatement argument” is applied to the “mitigation argument”, there is every reason to pursue adaptation with the same zeal as abatement, if not more so. I suggest this will never occur (until there is no option). Mitigation policies will effect real people in real time and will be rather extreme, whereas abatement policies are generally mild, at least as they are presently practiced or considered, more easily absorbable, and defer a “solution” into an as yet unassigned point in the future. Yet, if it is likely that the tipping-point has been passed, attempts at abatement are a mugs-game and futile, and responsible governments must start now protect their citizens. They aren’t. They won’t.

<sup>11</sup> BBC News: Science & Environment, A brief history of climate change, 20 September 2013

- 1957 US oceanographer Roger Revelle and chemist Hans Suess show that seawater will not absorb all the additional CO<sub>2</sub> entering the atmosphere, as many had assumed and write: "Human beings are now carrying out a large scale geophysical experiment..."
- 1958 Charles Keeling begins systematic measurements of atmospheric CO<sub>2</sub> and within four years, the project which continues today, provides unequivocal proof that CO<sub>2</sub> concentrations are rising.
- 1965 A President's Advisory Committee warns that the greenhouse effect is a matter of "real concern."
- 1988 Intergovernmental Panel on Climate Change (IPCC) formed to collate and assess evidence on climate change.
- 1989 Prime Minister Thatcher warns in a speech to the UN of a vast increase in the amount of carbon dioxide reaching the atmosphere. She calls for a global treaty on climate change.
- 1995 IPCC Second Assessment Report concludes that the balance of evidence suggests "a discernible human influence" on the Earth's climate.
- 1998 Publication of the controversial "hockey stick" graph.
- 2001 IPCC Third Assessment Report finds "new and stronger evidence" that humanity's emissions of greenhouse gases are the main cause of the warming seen in the second half of the 20th Century.
- 2007 The IPCC's Fourth Assessment Report concludes it is more than 90% likely that humanity's emissions of greenhouse gases are responsible for modern day climate change.
- 2009 China overtakes the US as the world's biggest greenhouse gas emitter.
- 2013 The first part of the IPCC's fifth assessment report says scientists are 95% certain that humans are the "dominant cause" of global warming since the 1950s.

Canada has been engaged in the climate change debate from the outset, first it should be noted, under a progressive conservative government, and at the 1992 Rio Summit<sup>12</sup> affirmed that "Canadian governments must address global warming taking into consideration our long term economic and environmental interests"<sup>13</sup> and that "Canada also wished to preserve Canada's competitiveness" and "to involve as many countries as possible, using a common approach that would allow countries to act in different ways."<sup>14</sup> However, from the outset, the response of all nations was tempered with economic realism with UN convention principles noting that "any policies and measures to deal with climate change should be cost effective so as to ensure global benefits at the lowest possible cost."<sup>15</sup> An Inuit saying referenced in the Canadian notes<sup>16</sup> offers some guiding wisdom in considering this issue, "*We do not inherit the earth from our fathers, we borrow it from our children,*" an adage remarkably consistent with conservative values.

I suggest though, as have many, that Canada's (and Ontario's) role must be assessed with perspective. The **PBL Netherlands Environmental Assessment Agency**<sup>17</sup> reports that the world CO<sub>2</sub> emissions are 35,669,000 kilotons (kt). The main emitters are China (10,540,000), the United States (5,334,000), the European Union (3,415,000), India (2,341,000), Russia (1,766,000) and Japan (1,278,000). These top six (6) emitters account for 69% of total emissions, with China and the U.S. driving 45% of the total. Canada, on the other hand, emits 565,000 kt of CO<sub>2</sub>, just 1.5% of the world's total, with Ontario of course, representing just a fraction of that.

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<sup>12</sup> See: The Rio Earth Summit: Summary Of The United Nations Conference On Environment And Development; Prepared by: Stephanie Meakin, Government of Canada, Science and Technology Division, November 1992

<sup>13</sup> Department of External Affairs, "Canada and the World Environment," 1991

<sup>14</sup> United Nations Conference on Environment and Development (UNCED), Canada and the Earth Summit, 1992

<sup>15</sup> Framework Convention on Climate Change, United Nations, A/AC.237/18 (PartII)/Add.1, 15 May 1992

<sup>16</sup> Referenced in the Meakin Report.

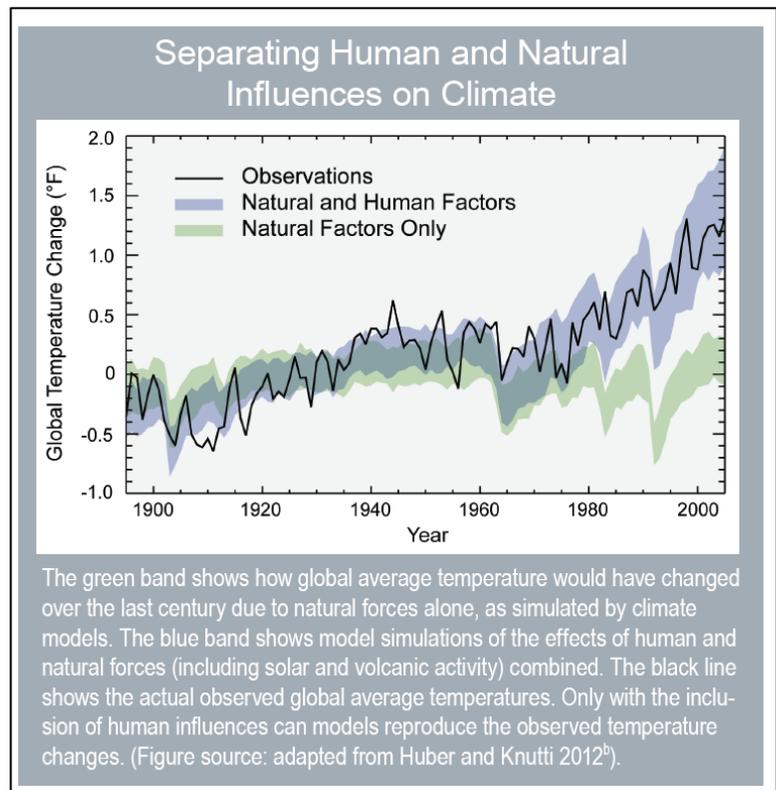
<sup>17</sup> From the PBL website: <http://www.pbl.nl/en/aboutpbl> PBL Netherlands Environmental Assessment Agency is the national institute for strategic policy analysis in the fields of the environment, nature and spatial planning. We contribute to improving the quality of political and administrative decision-making by conducting outlook studies, analyses and evaluations in which an integrated approach is considered paramount. Policy relevance is the prime concern in all our studies. We conduct solicited and unsolicited research that is always independent and scientifically sound.

The recent **Intergovernmental Panel on Climate Change (IPCC) Climate Change 2014 Synthesis Report Summary for Policymakers**<sup>18</sup> advises that human influence on the climate system is now “clear” (p. 2), warming of the climate system is unequivocal (p. 2), and “in recent decades, changes in climate have caused impacts on natural and human systems on all continents and across the oceans. Impacts are due to observed climate change, irrespective of its cause, indicating the sensitivity of natural and human systems to changing climate” (p. 6), “changes in many extreme weather and climate events have been observed since about 1950” and “some of these changes have been linked to human influences” (p. 7). The IPCC concludes that the continued emission of greenhouse gases will cause further warming “increasing the likelihood of severe, pervasive and irreversible impacts for people and ecosystems” (p. 8). The IPCC also predicts that “many aspects of climate change and associated impacts will continue for centuries, even if anthropogenic emissions of greenhouse gases are stopped” (p. 16) necessitating the need for adaptation and mitigation as “complementary strategies for reducing and managing the risks of climate change” (p. 17). (The emphasis is mine.)

Certainly, applying the generally accepted climate debate standards, this report is to be believed. There is no reason for it not to be. And, no political construct can waive away its significance. However, it must be carefully and thoughtfully interpreted.

One is able to reasonably conclude that the warming of the climate is unequivocal and human activity is a clear but not exclusive influence. Climate change has caused impacts and human activity accounts for some of these changes. The chart on the right (not from the IPCC report but appearing in and extracted from the 2014 U.S. report, **Climate Change Impacts in the United States**),<sup>19</sup> shows the relative contribution of natural and human influences on climate.

While the continued emission of greenhouse gases will cause further warming, the most striking IPCC assertion that even if human contribution absolutely ceases climate change will continue for centuries suggests, as introduced earlier, that adaptation perhaps ought to be the prevailing policy worry.



<sup>18</sup> <http://www.ipcc.ch/report/ar5/syr/>

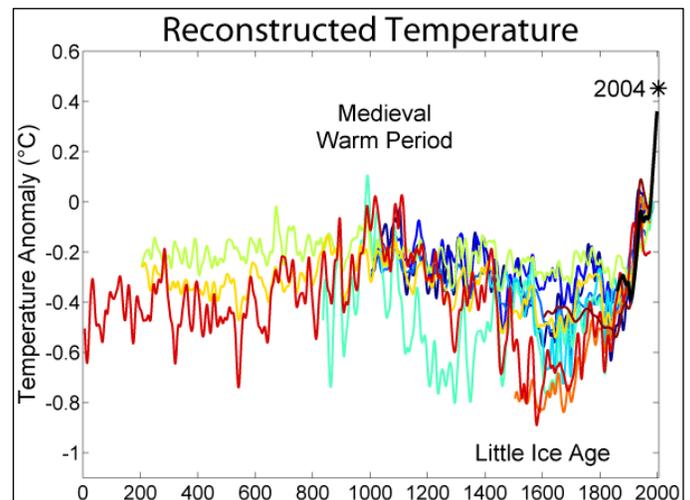
<sup>19</sup> Melillo, Jerry M., Terese (T.C.) Richmond, and Gary W. Yohe, Eds., 2014: Climate Change Impacts in the United States: The Third National Climate Assessment. U.S. Global Change Research Program, 841 pp. doi:10.7930/J0Z31WJ2, at page 8. The National Climate Assessment assesses the science of climate change and its impacts across the United States under the auspices of the Global Change Research Act of 1990; <http://nca2014.globalchange.gov/downloads#menu-report>

## The climate change skeptics are not necessarily the troglodytes some assert

It is of course open season on those who question any element of the climate change debate.<sup>20</sup> If the dialogue were not so vitriolic and venomous, the disproportional responses it evokes would be less concerning. Yet, in a world where the governor of California is comfortable enough to slam climate skeptics as 'troglodytes', at a Vatican conference no less,<sup>21</sup> it seems there are no limits to silence even the most mild of retorts, no matter how reasonably positioned. This, I have observed, seems to be an ambidextrous response, with “deniers”<sup>22</sup> and “believers” being equal practitioners of the rancorous retort. One observer notes, correctly in my view, that “climate change is increasingly being discussed in moral and even religious terms.”<sup>23</sup>

Conrad Black, who has written at length on climate change, defines himself not as a “climate change denier” but as “an unsuccessful climate change evidence seeker,”<sup>24</sup> noting that “the world's temperature has risen approximately one half of a centigrade degree. . . in 35 years,” that “there has been minimal global warming for 18 years, though carbon emissions in the world have steadily increased throughout that period” and that “it is indisputable that the world has been warmer several times in its history than it is now, so whatever impact man may have on it, the world's temperature is evidently subject to fluctuations for other reasons.”<sup>25</sup> Lord Black also warns that “not only is the evidence of the effects of increased carbon use unclear, but the economic consequences of discouragement of carbon use are very clear and very harmful to the most vulnerable countries” suggesting that neither China or India are “going to change policy to accommodate the militant ecologists of the West.”<sup>26</sup>

In reference to temperature fluctuations over the past two thousand years (most of which of course is reconstructed), note the chart to the right.<sup>27</sup> Temperatures between 900 and 1200 seem to be as high (with some reconstructions showing higher – go to the link referenced in the footnote for more information on the chart) than those at the end of the 20th century, with



<sup>20</sup> See for example: Labeling People ‘Climate Change Deniers’ Merely Reveals the Attacker’s Ignorance, Anthony Watts / December 18, 2012, “People who challenge the claims of the Intergovernmental Panel on Climate Change (IPCC) are often labeled “global warming skeptics.” Skeptics do not deny that warming occurred in modern times, but, sensibly, questioned the cause.”

<sup>21</sup> Jerry Brown slams climate skeptics as 'troglodytes' at Vatican conference, Nick Gass, 07/21/15 07:10, <http://www.politico.com/story/2015/07/jerry-brown-slams-climate-change-skeptics-troglodytes-120399#ixzz4AHoXpbO5>

<sup>22</sup> While I do so dislike the term “denier” for its obscenely clear, historically footed, pejorative gist, it has unfortunately irreversibly entered the climate change lexicon.

<sup>23</sup> Climate, Politics And Religion – My Opinion, June 5, 2015, Climate Change, Faith , Policy <http://katharinehayhoe.com/wp2016/2015/06/05/climatepoliticsandreligion/>

<sup>24</sup> National Post, December 12, 2015, **The perfectly respectable environmental movement has been hijacked by climate radicals**, Conrad Black; The article goes on: “Once an intellectual fad attained such a state of permeation that it was impossible to set foot out of doors without being disparaged for unkindness to vegetables, and for desecration of grass, our politicians rushed headlong to the head of the mob, overcommitted themselves to the cultish fad, rivalled each other in their trillings of virtue and shrieks of ecovengeance.”

<sup>25</sup> National Post, December 5, 2015, The great climate conference charade playing out in Paris, Conrad Black

<sup>26</sup> *Ibid.*

<sup>27</sup> Sourced from: [https://commons.wikimedia.org/wiki/File:2000\\_Year\\_Temperature\\_Comparison.png](https://commons.wikimedia.org/wiki/File:2000_Year_Temperature_Comparison.png)

those during the period between 1400 and 1800 being much lower with the latter period being designated as the “Little Ice Age.” Many similarly themed charts presented in climate change discussions tend to commence data in the 19<sup>th</sup> century, ignoring the earlier much warmer periods.

Interestingly, when in a gentle discussion with a disagreeable disputant I referenced Lord Black’s views, I was met with what I was to discover to be a rather common form of retort, and delivered with a smile and a wave of the hand, “*Oh, I don’t like (in this case) Conrad Black,*” thereby providing a licence of sorts to outright ignore the arguments or facts presented. Climate change is a subject that while inspiring endless and impassioned debate, also seems to accept this form of “personality argument” allowing casual dismissal of contrarian views by simply dismissing the source. Another trend has been described as “motivated reasoning” where evidence is not critically evaluated, with opposing sides on certain issues being equal practitioners.<sup>28</sup> Being still, and hopefully always, bereft of these argument traits, I resist their application to this discussion.

Lord Black’s<sup>29</sup> views on India and China of course are absolutely correct. India is the fastest-growing major economy in the world and its emissions increased by 67.1% between 1990 and 2012, and are projected to grow 85 percent by 2030 under a business-as-usual scenario.<sup>30</sup> At the Paris Climate Talks India’s negotiators sought to show that India was ready to play ball in international climate negotiations but still ensure climate change would not detract from India’s development goals.<sup>31</sup> Prime Minister Modi defended “differentiation” calling for more stringent responsibilities for developed countries and suggested that the principle should be a bedrock part of nearly every provision of the agreement, declaring at the beginning of the Paris Summit that “. . . *developing countries should have enough room to grow.*”<sup>32</sup> Moreover, while some argue that developed countries may attempt “green trade barriers by carbon tax differences” adversely affecting China’s capacity to internationally compete,<sup>33</sup> giving credence to some western control over developing nations’ emissions, a more realistic view, in my opinion, is that the West is powerless through taxation policies as they will not target the practices they aim to discourage since China exports only a low percentage of its high energy-intensive products.<sup>34</sup>

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<sup>28</sup> Denying climate change isn't scepticism – it's 'motivated reasoning' | David Robert Grimes | Science | The Guardian, 5 February 2014: “This is part of a phenomenon known as motivated reasoning, where instead of evidence being evaluated critically, it is deliberately interpreted in such a way as to reaffirm a pre-existing belief, demanding impossibly stringent examination of unwelcome evidence while accepting uncritically even the flimsiest information that suits one's needs. . . . a vital discussion on a scientific issue can be hijacked as a proxy for deep-seated ideological differences.

<sup>29</sup> For the record, and for whatever relevance it provides, I find Conrad Black to be a fascinating, thought provoking modern commentator (and interpreter of history), and although I do not normally accept his views as easily as his critics dismiss them, I do find myself more often than not in comfortable accord, and always find his writings to be an elucidating read.

<sup>30</sup> India’s Climate And Energy Policies; October 2015; Center for Climate and Energy Solutions; <http://www.c2es.org/docUploads/india-factsheet-formatted-10-2015.pdf>

<sup>31</sup> Time: Why No Country Matters More Than India at the Paris Climate Talks; Justin Worland / Paris @justinworland; Dec. 11, 2015; <http://time.com/4144843/india-paris-climate-change/>

<sup>32</sup> *Ibid.*

<sup>33</sup> See: The Design on China's Carbon Tax to Mitigate Climate Change; WANG Jin-nan, GE Cha-zhong I YAN Gang; , JIANG Ke-jun; LIU Lan-cui; Dong Zhangfeng; Chinese Academy for Environmental Planning, Beijing 100012, China; Energy Research Institute National Development and Reform Commission, Beijing 100038, China) <http://www.caep.org.cn/english/paper/The-Design-on-China-Carbon-Tax-to-Mitigate-Climate-Change.pdf>

<sup>34</sup> See: Carbon Taxes May be Ineffective in Discouraging Emissions; Taxing carbon at the border could be protectionism; Olivier Cattaneo; Jul 5, 2010; [http://siteresources.worldbank.org/INTRANETTRADE/Resources/239054-1239120299171/5998577-1244842549684/6205205-1254773603280/TheEpochTimes\\_July5\\_2010.pdf](http://siteresources.worldbank.org/INTRANETTRADE/Resources/239054-1239120299171/5998577-1244842549684/6205205-1254773603280/TheEpochTimes_July5_2010.pdf) “A simple reorganization of production, whereby only the goods using low-emission production techniques, such as hydro or nuclear energy, would be exported to the United States or Europe, would allow China to comply with emission limits and be exempt from border taxes, without any effect on global emissions. Thus, a border adjustment mechanism may risk carbon leakage, despite the fact that avoiding carbon leakage is the motivation.”

## Conservatives and the Environment

It has become clear to me that the leader's focus on the environment is more than peripherally connected with another exceedingly important political objective – to restore the public persona of conservatives as guardians of the environment and to correct an accident of political history that has allowed the liberal agenda to usurp that role. In the eyes of many, the “anti-tax” focus of the **PCPO**<sup>35</sup> has become intertwined with the Party's identity, at the exclusion of almost all else, particularly with matters pertaining to the environment. This of course is not an accurate view of the **PCPO** which has always focused on the environment.<sup>36</sup>

Patrick Brown's passionate narrative of his entry into political awareness<sup>37</sup> clearly establishes this as a goal, if not a legacy feature. Environmentalism has been described as “the quintessential conservative cause,”<sup>38</sup> and “many environmental solutions are consistent with long-standing conservative principles.”<sup>39</sup> Of course, many internationally known conservatives exercised political power towards the environment, including Theodore Roosevelt,<sup>40</sup> Dwight D. Eisenhower,<sup>41</sup> Margaret Thatcher,<sup>42</sup> and even Richard Nixon, who many may be unaware given his competing notoriety, left a rich environmental legacy.<sup>43</sup>

And, of course, the list would be incomplete without reference to Brian Mulroney's leadership in establishing the **1991 U.S./Canada Air Quality Agreement** (more on Mulroney later). The 2014 Canada-U.S. Air Quality Agreement Progress Report<sup>44</sup> notes that as of 2012, Canada's total emissions of sulphur dioxide decreased 58% from 1990 levels while the U.S. reduced total sulphur dioxide emissions by 78% from their 1990 emission levels, both of which are remarkable achievements.

If I am correct that this broad-view image transformation is at least partly in the crosshairs, it is important that the eventual policy vehicle chosen through which to promote this objective be one that delivers similarly clear and impressive results. The prevailing questions therefore become: i). What are the expected quantifiable benefits of an Ontario carbon tax?; ii). Is a carbon tax likely to deliver on those, and if so, by when? ; and, iii). How will those results be measured?

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<sup>35</sup> Along with other North American conservative movements.

<sup>36</sup> As but one of many examples, while the Liberals take credit for the movement from coal fired power generation, it was Elizabeth Witmer as a PCPO Minister of the Environment who announced in 2001 the planned closure of the coal-fired Lakeview Electrical Generating Station. See: <http://www.cbc.ca/beta/news/canada/coal-burning-in-mississauga-to-end-by-2005-1.261016>

<sup>37</sup> The “Mulroney letter” narrative among other things.

<sup>38</sup> Conservatives Are Conservationists; Roger Scruton 04/11/08; First Principles <http://www.firstprinciplesjournal.com/articles.aspx?article=577&>

<sup>39</sup> How Conservatives Can Break the Liberal Monopoly on Green Policy; The Atlantic; Ed Schafer; Aug 14, 2013 Ed Schafer is a former U.S. secretary of agriculture and a former governor of North Dakota; <http://www.theatlantic.com/politics/archive/2013/08/how-conservatives-can-break-the-liberal-monopoly-on-green-policy/278625/>

<sup>40</sup> T. Roosevelt preserved more than 230 million acres of wilderness, created the U.S Forest Service, aggressively pursued soil and water conservation, and established more than 200 national forests, national monuments, national parks and wildlife refuges.

<sup>41</sup> Eisenhower established the Arctic National Wildlife Refuge.

<sup>42</sup> Thatcher understood the scientific underpinnings of climate change and was instrumental in the development of the UN's Intergovernmental Panel on Climate Change (IPCC) in 1988.

<sup>43</sup> Nixon signed into law an impressive list of environmental legislation including the National Environmental Policy Act, the Marine Mammal Protection Act, the Environmental Pesticide Control Act, the Safe Drinking Water Act and the Endangered Species Act, and established the Environmental Protection Agency (EPA) as a cabinet-level federal department.

<sup>44</sup> <https://www.ec.gc.ca/Publications/default.asp?lang=En&xml=30F4015A-1C47-40AB-A422-7D3C4280BA01>

## What is a carbon tax designed to achieve?

A carbon tax is a tax levied on the carbon content of fuels.<sup>45</sup> Simple enough. But, the *sine qua non* of an environmental inspired carbon tax is its motivational object. Since the government of British Columbia perhaps has the most skin-in-the-game on this, let me turn to the B.C. Ministry of Finance as a definitional authority:

### What is a Carbon Tax?

A carbon tax is usually defined as a tax based on greenhouse gas emissions (GHG) generated from burning fuels. It puts a price on each tonne of GHG emitted, sending a price signal that will, over time, **elicit a powerful market response across the entire economy, resulting in reduced emissions**. It has the advantage of providing an incentive without favouring any one way of reducing emissions over another. By reducing fuel consumption, increasing fuel efficiency, using cleaner fuels and adopting new technology, businesses and individuals can reduce the amount they pay in carbon tax, or even offset it altogether.<sup>46</sup>

A carbon tax is necessary, it is argued, “because current markets generally do not price the potentially negative impacts” of emissions. A carbon tax “internalizes this distortion”<sup>47</sup> in a “transparent and consistent way to make people and business recognize the cost of the GHG emissions their fuel use.”<sup>48</sup> As “carbon pollution is a negative externality” it “is a cost imposed on the whole of society” and “in a free market these negative externalities are not included in the price leading to overconsumption and social inefficiency.” The purpose of a carbon tax is to “internalise the externality.”<sup>49</sup> A former federal leader described it this way: “A carbon tax is categorized as a “pigouvian” tax<sup>50</sup> . . . that is, the social and environmental costs of a product not reflected in its market cost” and most polluters “can emit carbon for free.” “If carbon emissions were priced in our economy, consumers and businesses would have a powerful incentive to choose goods and services with lower carbon content, and to invest in proven or innovative energy-saving and emission-reducing technologies.” It would be in their own interest to curb their carbon emissions, thus reducing their tax burden.<sup>51</sup> Otherwise, this market failure and inefficient use of resources will lead to increasing concentrations of greenhouse gases, the effects of which will be borne by future generations.<sup>52</sup>

An essential prerequisite for the expected execution of a carbon tax (even if the “incentives” work) is the handiness of alternatives to fossil fuels.<sup>53</sup> Presently, there are few. But let’s set that “inconvenient truth” aside for a moment, and apply B.C.’s optimism that those new technologies will appear by virtue of the same carbon tax inspired economic dynamics. That optimism, it should be noted,

<sup>45</sup> Hoeller, P. and M. Wallin (1991). OECD Economic Studies No. 17, Autumn 1991. Energy Prices, Taxes and Carbon Dioxide Emissions (PDF). OECD website. p. 92

<sup>46</sup> <http://www.fin.gov.bc.ca/tbs/tp/climate/A1.htm>

<sup>47</sup> An Energy Policy Essay: Revenue-Neutral Carbon Taxes in the Real World; Insights from British Columbia and Australia, by Jeremy Carl and David Fedor, Shultz-Stephenson Task Force on Energy Policy; [www.hoover.org/taskforces/energy-policy](http://www.hoover.org/taskforces/energy-policy), at. p. 16

<sup>48</sup> What's wrong with a revenue neutral carbon tax?, January 25, 2016, Marvin Shaffer, <http://rabble.ca/blogs/bloggers/policynote/2016/01/whats-wrong-revenue-neutral-carbon-tax>

<sup>49</sup> Carbon Tax – Pros and Cons; Tejvan Pettinger; January 20, 2013, <http://www.economicshelp.org/blog/2207/economics/carbon-tax-prosand-cons/>

<sup>50</sup> “Pigouvian taxes are corrective taxes levied on each unit of output an externality-generator agent produces. It is named after economist Arthur C. Pigou, who developed the idea in his book “The Economics of Welfare,” 1920. Pigouvian taxes are used in order to diminish the ugly consequences of externalities, especially in highly polluting industries,” from: <http://www.policonomics.com/pigouvian-tax/>

<sup>51</sup> “Tax is Not a Four Letter Word; A Different Take on Taxes in Canada”; Wilfred Laurier University Press, 2013, “Carbon Taxes: Can a Good Policy Become Good Politics?,” Stéphane Dion, p. 172

<sup>52</sup> Options And Considerations For A Federal Carbon Tax, Center for Climate and Energy Solutions, February 28, 2013, p. 2

<sup>53</sup> Burlington Gazette, Do we need a carbon tax in Ontario? We need something to save this planet but not at the gas pump where the pain can be seen and felt, Ray Rivers, March 7, 2015; <http://www.burlingtongazette.ca/do-we-need-a-carbon-tax-in-ontario-we-need-something-to-but-not-at-the-gas-pump-where-the-pain-can-be-seen-and-felt/>

is also held by other governments. The Republic of South Africa takes the view that carbon pricing will “encourage a shift in production patterns towards low-carbon and more energy-efficient technologies” and “the carbon-intensive factors of production, products and services are likely to be replaced with low-carbon-emitting alternatives.”<sup>54</sup> It may be of value to note though that coal fires the majority of South Africa’s generating capacity and will do so many decades into the future, and as a developing country, South Africa is not obliged to reduce its emissions of greenhouse gases.<sup>55</sup>

### Carbon Tax or Cap and Trade - what’s the difference and what’s best?

Here is a simple explanation of the distinctions: “A cap-and-trade system sets the maximum level of emissions so the environmental outcome is known but the resulting price is unknown, while a carbon tax sets the price and lets the market determine the environmental outcome.”<sup>56</sup> Many economists argue that a carbon tax would be more efficient than cap and trade<sup>57</sup> or simply better<sup>58</sup> yet the support for cap and trade remains strong,<sup>59</sup> <sup>60</sup> with many suggesting that Ontario’s economy fares well under an “optimally designed cap and trade system.”<sup>61</sup>

For the definitive word on this though, I conclude with the assessments of that aforementioned esteemed former federal leader, whose views seem to be ever so consistent at least with the B.C. design, if not the embryonic **PCPO** views (and to whom, as promised, I will return later): “Carbon cap-and-trade systems are complicated structures, difficult to administer, subject to gaming, and involve offsetting credits that may take years to negotiate and implement. In contrast, a carbon tax would be administratively simple and straightforward to implement.”<sup>62</sup>

For the purposes of this discussion, let’s leave it at that – a carbon tax is better than cap and trade.<sup>63</sup>

<sup>54</sup> Policy Paper For Public Comment; Carbon Tax Policy Paper; Reducing greenhouse gas emissions and facilitating the transition to a green economy, May 2013, Department of National Treasury, Republic of South Africa, p. 8

<sup>55</sup> IPCC Expert Meeting on Industrial Technology Development, Transfer and Diffusion, 21-23 September, Tokyo, Japan, sponsored by Ministry of Economy, Trade and Industry (METI), Japan; Technology and climate change policy in South Africa, Clive Turner, Greg Tosen, Wendy Poulton, Tony Stott and Siven Naidoo, pages 21 and 22; [https://www.ipcc.ch/pdf/supporting-material/PROCEEDINGS\\_%20ITDT.pdf](https://www.ipcc.ch/pdf/supporting-material/PROCEEDINGS_%20ITDT.pdf)

<sup>56</sup> Options And Considerations For A Federal Carbon Tax, Center for Climate and Energy Solutions, February 28, 2013, p. 1, <http://www.c2es.org/publications/options-considerations-federal-carbon-tax>

<sup>57</sup> The Carbon Tax Talks: An Example of Bad Process, Politics, and Policy, by George David Banks October 30, 2012, <http://blog.heartland.org/2012/10/thecarbondtaxtalksanexampleofbadprocesspoliticsandpolicy/>

<sup>58</sup> Carbon Taxes: Reducing Economic Growth—Achieving No Environmental Improvement, Institute for Energy Research, p. 1; <http://instituteforenergyresearch.org/studies/carbon-tax-primer/>

<sup>59</sup> Cap and trade best way for Canada to reduce emissions, Toronto Star, April 28, 2016, Jamison Steeve: Cap and trade is the best way for Canada to reduce its greenhouse gas emissions and still maintain economic growth and competitiveness. Rather than having multiple provincial auctions, the administrative costs of the program would be minimized through coordinated joint auctions across provinces. If Canada as a whole puts a hard cap on emissions, the domestic demand for low carbon (cleantech) goods and services will increase. This will help the country develop its cleantech market, providing space to grow and sell to a domestic market, eventually maturing, exporting and capturing global market share.

<sup>60</sup> Ontario Bar Association, Cap-and-Trade Program Design Options Consultation, submitted to the Ministry of the Environment and Climate Change: The OBA supports cap-and-trade.

<https://www.oba.org/CMSPages/GetFile.aspx?guid=b1db841f-1fc0-427d-b889-35001b06bebf>

<sup>61</sup> Institute for Competitiveness & Prosperity, April 2016, Toward a Low-Carbon Economy, [http://www.competeprosper.ca/work/working\\_papers/working\\_paper\\_25](http://www.competeprosper.ca/work/working_papers/working_paper_25)

<sup>62</sup> “Tax is Not a Four Letter Word; A Different Take on Taxes in Canada”; Wilfred Laurier University Press, 2013, “Carbon Taxes: Can a Good Policy Become Good Politics?,” Stéphane Dion, p. 174

<sup>63</sup> And, since the Ontario Liberals politically “own” cap and trade, that is an auspicious conclusion.

## One of the pitfalls of a carbon tax – tax regression

Better, perhaps. But, perfect – no (even if it works and technology develops such that there are vast numbers of successful energy émigrés). There are several controversial, potentially divisive downsides, many easily exploitable by political opponents. One of those is the design problem of tax regression, and this may be a particular bugaboo for the **PCPO**, as it lays bare a classical *perception* of constituency preference, one that political opponents will manipulate, and one that is a less innate element of cap and trade.

A leading Canadian economist argues that a carbon tax “falls most heavily on the poor” as energy consumption “tends to be a larger share of their resources compared to the rich.”<sup>64</sup> Yet, the compensating design adjustment requires “rebates to low income Canadians to offset higher energy costs, thus negating the purpose of the policy.”<sup>65</sup> So profound is the effect that many suggest “carbon pricing policy must consider the costs imposed on households of different incomes.”<sup>66</sup> This is not only a complicating design feature undermining the “simplicity” attributes of a carbon tax,<sup>67</sup> it thwarts its primary design purpose to change behaviour. This also of course gets to the core of the “revenue neutral” undertaking.<sup>68</sup> It is recognized that while “carbon tax revenues can be returned to households in various ways . . . no single approach simultaneously provides both incentives to work and invest and robust low-income protection.”<sup>69</sup> The “tax swap” approach may provide “the largest expected aggregate economic gains . . .” but “is also the most regressive, since the income tax rate cuts would mainly benefit higher-income households while offsetting only a small fraction of the disproportionately large hit to low-income households.”<sup>70</sup> Yet one op-ed piece in a major paper suggests this is actually a desired policy outcome.<sup>71</sup>

To address this, B.C. adopted a “**Low Income Climate Action Tax Credit**,”<sup>72</sup> which is itself a complicated statutory and regulatory labyrinth,<sup>73</sup> and which has kindled claims of inadequacy.<sup>74</sup> Some

<sup>64</sup> Point CounterPoint: The Carbon Tax Tango | AVJ – Canada's Environmental Voice, Jack Mintz, July, 2006; <http://www.alternativesjournal.ca/policy-and-politics/point-counterpoint-carbon-tax-tango>

<sup>65</sup> *Ibid.*

<sup>66</sup> Canada’s Ecofiscal Commission, Carbon Pricing And Household Fairness, April 2016, Dale Beugin, Richard Lipsey, Christopher Ragan, France St-Hilaire, Vincent Thivierge, p. 2; <http://ecofiscal.ca/wp-content/uploads/2016/04/Ecofiscal-Commission-Provincial-Carbon-Pricing-Household-Fairness-Report-April-2016.pdf>

<sup>67</sup> See for example: Carbon Tax Is Unpopular for Good Reason, Economic Policies for the 21st Century, Diana Futchgott-Roth, February 29, 2016; <http://economics21.org/html/carbon-tax-unpopular-good-reason-1624.html>; “However, as tax practitioners know, a carbon tax is complex to set up. It requires adjustments to make sure that the tax is not unduly regressive and does not encourage consumption of imports relative to domestic production. Rather, political expediency always triumphs over academic elegance. Carbon taxes are regressive. Since low income people use more energy as a percent of their income than high income people, a switch to a carbon tax would have to be accompanied by transfers to low income groups.”

<sup>68</sup> More on revenue neutrality next.

<sup>69</sup> Center on Budget and Policy Priorities: Policy Futures: The Design and Implementation of Policies to Protect Low-Income Households under a Carbon Tax; Chad Stone, September 21, 2015; <http://www.cbpp.org/research/climate-change/the-design-and-implementation-of-policies-to-protect-low-income-households>

<sup>70</sup> *Ibid.*

<sup>71</sup> Correcting the record on carbon pricing, Toronto Star Opinion, December 6, 2015, Joseph Heath is a professor in the School of Public Policy and Governance at the University of Toronto; <https://www.thestar.com/opinion/commentary/2015/12/06/correcting-the-record-on-carbon-pricing.html>; “There are, however, many people who are driving, right now, only because gasoline prices have been averaging around \$1 per litre. Raise that price by five or 10 cents, and they will actually drive less. Carbon prices will work, for exactly the same reason that capitalism as a whole works — because both consumers and businesses respond to the incentives that prices provide at the margin” (quote edited).

<sup>72</sup> For a general description, see: <http://www2.gov.bc.ca/gov/content/taxes/income-taxes/personal/credits/climate-action>

demanding higher tax credits also suggest that the energy consumption tax credit concept should be extended more generally to carbon consumption for low income earners through “an excess profit tax” (my categorization), or something of the sort, arguing “that higher fuel prices in the marketplace have an adverse impact on low to-middle-income earners, and additional policies should be developed to avert this outcome (such as excess profits taxes on oil and gas companies that could be redistributed widely).”<sup>75</sup> Dissecting the impacts further, still others argue that the tax credit “does not do enough to mitigate or provide access to reliable transit options for low-income women across BC.”<sup>76</sup> In the business sector, initial support for the B.C. approach has waned as the B.C. program moved off its commitment of revenue neutrality and tax relief.<sup>77</sup> It seems that as one problem is “fixed,” another is born, and with its fix comes demands for further adjustments, and with those . . . *and so it goes*.<sup>78</sup> On this, the politics of Ontario of course will mirror those of B.C.

Nowhere are these political and interest conflicts becoming more apparent than in **Washington State**, which presents a remarkably observable social experiment as that state considers **Initiative Measure No. 732**.<sup>79</sup> This is the first serious attempt at implementing a carbon tax in the U.S., and one which embodies the “tax and swap” approach. Modeled on the B.C. design, it has created a new forum through which to parade design pitfalls, including those reproving the tax for business failures,<sup>80</sup> and its overall efficacy, with Washington’s Democratic Party observing that B.C. emissions went up, not down.<sup>81</sup>

<sup>73</sup> See: *Income Tax Act, RSBC 1996*, c 215, 1, Low income climate action tax credit, s. 8.1 (1); and B.C. Reg. 135/2008 *Income Tax Act Low Income Climate Action Tax Credit Regulation*.

<sup>74</sup> See for example: Fair and Effective Carbon Pricing, Lessons from BC, February, 2011 (revised January 2013) by Marc Lee, Sierra Club BC, Canadian Centre for Policy Alternatives, [https://www.policyalternatives.ca/sites/default/files/uploads/publications/BC%20Office/2011/02/CCPA-BC\\_Fair\\_Effective\\_Carbon\\_FULL\\_2.pdf](https://www.policyalternatives.ca/sites/default/files/uploads/publications/BC%20Office/2011/02/CCPA-BC_Fair_Effective_Carbon_FULL_2.pdf); and see: Submission September 2012 British Columbia Carbon Tax Review by Sustainable Prosperity (a national research and policy network based at the University of Ottawa). <http://www.sustainableprosperity.ca/sites/default/files/publications/files/Read%20Submission%20here.pdf>

<sup>75</sup> Climate Justice Project; Is BC’s Carbon Tax Fair? An Impact Analysis for Different Income Levels by Marc Lee and Toby Sanger, OCTOBER 2008, page 21. <https://www.policyalternatives.ca/publications/reports/bcs-carbon-tax-fair>

<sup>76</sup> Equality Impact Statement: Carbon Tax, West Coast LEAF, December 2011; <http://www.westcoastleaf.org/wp-content/uploads/2014/10/2011-EQUALITY-IMPACT-Carbon-Tax-Statement.pdf>

<sup>77</sup> See for example: BC Chamber 2016 Budget Submission to the B.C. Government, Focusing On Tax Reform And Economic Development Within A Balanced Budget Framework, page 13; <http://www.bcchamber.org/advocacy-news/bc-chamber-2016-budget-submission-bc-government#sthash.QgWBQ3zs.dpuf>; at page 13: “Since the carbon tax was introduced we have seen the tax measures move from broad based personal and corporate tax cuts to a range of niche, targeted tax credits. This is undermining the effectiveness of the carbon tax as a tax shift measure and is undermining support for the tax by limiting the savings British Columbians should be seeing in terms of reduced tax burden”; and at page 17: “. . . begin a process to return the revenue neutrality measures of the carbon tax to broad based reductions in BC’s personal and business taxes.”

<sup>78</sup> With all due regard to **Kurt Vonnegut**.

<sup>79</sup> Filed March 20, 2015, with a referendum vote in the Nov. 8, 2016 elections; see: [http://sos.wa.gov/assets/elections/initiatives/FinalText\\_779.pdf](http://sos.wa.gov/assets/elections/initiatives/FinalText_779.pdf)

<sup>80</sup> PBS Newshour: Washington considers nation’s first carbon tax. Ken Christensen, Earthfix February 12, 2016 <http://www.pbs.org/newshour/updates/washington-considers-nations-first-carbon-tax-let-these-chickens-give-you-the-scoop/>: More than 350,000 voters signed petitions for Initiative 732. Under state law, Washington’s legislators must either authorize the carbon tax themselves, or send it to a statewide vote in November. It would tax polluters \$25 for every metric ton of CO<sub>2</sub> they emit in Washington. The proposal, modeled after legislation in British Columbia, would tax companies and consumers on fossil fuels they burn in the state. The plan is “revenue neutral,” which means any revenue generated by the tax – \$1.7 billion annually is the current estimate – would return to state residents through various tax cuts. Linda Delli Santi, executive director of the British Columbia Greenhouse Growers’ Association, said her 5-acre greenhouse operation paid more than \$50,000 in carbon taxes a year, which forced her to sell her business. British Columbia cement producers say they’ve lost a third of their market share to cement makers outside of the province due to increased production costs, according to the Cement Association of Canada.

<sup>81</sup> January 31st, 2016: Washington State Democratic Party takes position opposing CarbonWA’s I-732; <https://www.nwprogressive.org/weblog/2016/01/washington-state-democratic-party-takes-position-opposing->

Climate advocacy groups, while supportive of the social goal, find the tax neutrality element objectionable as it prohibits tax revenue funded community investments.<sup>82</sup> Other advocacy groups take an even harder stand, arguing “if low-income communities and communities of color are going to be the ones hardest hit by the effects of climate change, how would a revenue-neutral carbon tax help them?”<sup>83</sup> Win or lose, **Initiative Measure No. 732** will likely leave deep divisions after November’s vote, and perhaps some lessons for Ontario.

### Will a carbon tax deliver?

Carbon taxes have been derided as being a “bright, shiny object that’s mesmerizing many energy and environment pundits across the political spectrum.”<sup>84</sup> Other commentators suggest those “so convinced of the rightfulness of their actions . . . are pushing Canada to make a sharp economic turn . . . no matter how expensive or economically debilitating.”<sup>85</sup> One commentator suggests “out of nowhere, carbon pricing has become a political fad.”<sup>86</sup> Certainly going it alone is perilous. Carbon pricing not “matched by equivalent carbon prices in other jurisdictions can potentially create competitiveness pressures on individual economic sectors.”<sup>87</sup>

The motivational “tipping point” of a carbon tax has been estimated to be between \$150 to \$200 per tonne of carbon dioxide equivalent emissions (CO<sub>2</sub>e)<sup>88</sup> (and some say higher)<sup>89</sup> which would hike the price of a litre of gas \$0.43.

carbonwas-i-732.html: Perplexingly, CarbonWA continues to try to sell I-732 to people by talking about following the “lead” of British Columbia, which is currently governed by one of the biggest groups of greenwashers in history: Christy Clark’s B.C. Liberals, who seemingly haven’t met a pipeline or fossil fuel terminal project they didn’t like. British Columbia adopted a carbon tax years ago, but it has not been successful in keeping the province’s emissions in check. In fact, British Columbia’s emissions have been going up, not down.

<sup>82</sup> Why We Can't Support Carbon Washington's I-732 (Fuse is the state's largest progressive organization - people creating change online, on the ground, and on issues that matter.)

[http://fusewashington.org/why\\_we\\_cant\\_support\\_carbon\\_washingtons\\_i-732/](http://fusewashington.org/why_we_cant_support_carbon_washingtons_i-732/): “Reducing global warming pollution has always been one of our top priorities at Fuse. We’re very sympathetic to the broader goals of both the Alliance and CarbonWA, and as a grassroots organization we appreciate the energy behind I-732. All of this makes us reluctant to pick sides between these measures. Unfortunately, I-732’s revenue neutral approach would prohibit us from making necessary investments in our communities”.

<sup>83</sup> What Will It Take for Washington State to Put a Price on Carbon? The Stranger; SYDNEY BROWNSTONE; March 2, 2016: A Controversial Carbon Tax Is Going on the November Ballot—But Critics Say Hard Conversations About Race and Social Justice Need to Happen First;

<http://www.thestranger.com/news/2016/03/02/23642432/what-will-it-take-for-washington-state-to-put-a-price-on-carbon>

<sup>84</sup> The Carbon Tax Talks: An Example of Bad Process, Politics, and Policy, by George David Banks October 30, 2012, <http://blog.heartland.org/2012/10/thecarbondtaxtalksanexampleofbadprocesspoliticsandpolicy/>

<sup>85</sup> When energy policy goes bad: National Energy Program’s failure offers clues to why new climate-change laws could fail too, Claudia Cattaneo, Financial Post Magazine, April 7, 2016; <http://business.financialpost.com/financial-post-magazine/when-energy-policy-goes-bad-national-energy-programs-failure-offers-clues-to-why-new-climate-change-laws-could-fail-too>

<sup>86</sup> Ross McKittrick: How politicians wrecked the case for carbon taxes, Financial Post, March 15, 2016; <http://business.financialpost.com/fp-comment/ross-mckittrick-how-politicians-wrecked-the-case-for-carbon-taxes>; “Out of nowhere, carbon pricing has become a political fad. All the government’s favourite experts and beautiful people are on board. But the underlying theory simply does not back up the superficial claims being thrown around. Carbon pricing can help control some aspects of the costs of reducing greenhouse gas emissions, but only in some circumstances and not in the ways typically being claimed in Canada.”

<sup>87</sup> Provincial Carbon Pricing And Competitiveness Pressures, Guidelines for Business and Policymakers, November 2015; <http://ecofiscal.ca/reports/provincial-carbon-pricing-competitiveness-pressures/>; page ii

<sup>88</sup> Terence Corcoran: The great green carbon tax grab, Financial Post, February 25, 2016; <http://business.financialpost.com/fp-comment/terence-corcoran-the-great-green-carbon-tax-grab>: “Paul Booth, a Western University economist and an Ecofiscal “commissioner,” said during a Google Hangout this week that Canada will need a carbon tax of “\$150 to \$200” if it is to have any hope of meeting the carbon reduction targets the

I am of the age to still recall, with some vividness, the profound political effect an \$0.18 per gallon price-hike (\$0.04/ litre – then about a 20% increase) had on a past and short-lived federal progressive conservative government.<sup>90</sup> When B.C. implemented its carbon tax, it started at \$10 per tonne (2.41 cents/ litre) that increased until 2012's \$30 per tonne (6.67 cents/ litre<sup>91</sup>). In 2013, during an election cycle, in promising to stall the carbon tax at 2012 levels until 2018, the B.C. Premier rationalized the move thusly, "Now we're at a point where people are finding it really difficult to afford to live in British Columbia and . . . we have to work hard to keep life affordable for people."<sup>92</sup>

If a tax greater than \$30 is not affordable for British Columbians, then it won't be for Ontarians, and most certainly would be rejected by the electorate. But, at even \$30 it is set at but a fraction of the motivational tipping point which, beyond its collective "feel-good" component, renders *all* of the tax a wasted expenditure. Carbon taxes "likely cost much more than the benefits they provide"<sup>93</sup> with the benefits being felt (if at all) many generations away.<sup>94</sup> Every politician it seems though is hoisted on the same political petard between a tax design that accomplishes little or prudently implementing limited actions that riles "growing political constituencies (that) demand action now."<sup>95</sup> While I am at all not insensitive to this political Catch-22, that a decision is tough only accentuates the need for the best long term result, and that result cannot necessarily be measured by electoral amiability, which would likely be transitory at best at any rate.

The political problem is even more confounded when an element as essential as "revenue neutrality" enters the fray. The "tax-swap" idea, the cementing attribute for one group<sup>96</sup> becomes nothing more than "a political decision than anything else, designed to make the tax more publicly acceptable"<sup>97</sup> to another, who insist that it be abandoned,<sup>98</sup> with the tax proceeds funding other climate actions, such as alternative technology development, public transit expansion, energy efficiency retrofits, and just transition programs for workers.<sup>99</sup> Even the President of the Manufacturers & Exporters Association argues that returning the proceeds of a carbon tax puts "speed bumps in the green lane" and "it doesn't make a lot of sense to shift income away from the industries that are investing in new technologies and then turn around and give it to consumers or businesses whether they are taking steps to reduce emissions

Trudeau government agreed to at the Paris summit. Math: A \$200 carbon tax would mean 43 cents per litre at the gas pumps. Total annual Ontario government revenue grab at that level: \$13 billion".

<sup>89</sup> Even South Africa suggests "a carbon price should reflect the marginal external damage costs of carbon emissions . . . levels of carbon prices required to achieve a certain desired level of emissions reduction range . . . to over US\$300"; Policy Paper For Public Comment; Carbon Tax Policy Paper; Reducing greenhouse gas emissions and facilitating the transition to a green economy, May 2013, Department of National Treasury, Republic of South Africa, page 9

<sup>90</sup> <http://www.cbc.ca/archives/entry/1979-joe-clarks-government-falls>

<sup>91</sup> <http://www.fin.gov.bc.ca/tbs/tp/climate/A4.htm>

<sup>92</sup> Carbon tax freeze part of B.C. Liberal election pledge, CBC News Posted: Apr 04, 2013 5:55 AM PT Last Updated: Apr 04, 2013 8:15 AM PT, <http://www.cbc.ca/news/canada/british-columbia/carbon-tax-freeze-part-of-b-c-liberal-election-pledge-1.1389584>

<sup>93</sup> The New Atlantis, "Conservatives, Climate Change, and the Carbon Tax," Jim Manzi, Summer 2008; <http://www.thenewatlantis.com/publications/conservatives-climate-change-and-the-carbon-tax>, at page 19.

<sup>94</sup> "Getting most of the carbon out of the energy cycle today would be a very expensive undertaking, and a century is a long time to wait for the payoff from this investment," *ibid.*, at p. 19.

<sup>95</sup> *Ibid.*, at p. 20

<sup>96</sup> Usually those conservative minded: "Most of the carbon tax proposals floating around today are revenue neutral, mainly, as far as I can tell, because conservatives demand it," 10 reasons a carbon tax is trickier than you think, by David Roberts (<http://grist.org/author/david-roberts/>) 19 Nov 2012.

<sup>97</sup> Climate Justice Project; Is BC's Carbon Tax Fair? An Impact Analysis for Different Income Levels by Marc Lee and Toby Sanger, OCTOBER 2008, page 21. <https://www.policyalternatives.ca/publications/reports/bcs-carbon-tax-fair>, at p. 16.

<sup>98</sup> *Ibid.*, at p. 7.

<sup>99</sup> *Ibid.*, at p. 16.

or not.”<sup>100</sup> Another notes the irony that “a revenue neutral tax allows people to continue consuming fossil fuels without making any direct or indirect effort to offset the emissions they generate or otherwise mitigate the costs their GHG emissions will cause,”<sup>101</sup> a position remarkably close to the PCPO “pay to pollute” criticism.<sup>102</sup>

Other than the inherent motivational elements, it is argued by some that revenue neutrality “means foregoing any money for climate solutions.”<sup>103</sup> The tax-swap component of the B.C. scheme has been described as “a bug of BC’s carbon tax framework, not a feature”<sup>104</sup> noting that in B.C. “2/3 of carbon tax revenues have been used to support corporate income tax cuts.”<sup>105</sup> As “carbon taxes can raise significant amounts of revenue” one suggestion is that tax proceeds can be made available “for deficit reduction,”<sup>106</sup> with the **International Monetary Fund** suggesting “most of the revenue could be used for deficit reduction.”<sup>107</sup> That approach would, I suggest, noting the history of taxation in Canada, require a lot of tax-payer goodwill in order to secure acceptance.<sup>108</sup>

From this I conclude that, all in all, a carbon tax sufficient to stimulate behaviour adjustments may exceed taxpayer appetites, trigger dissension and animosity over the details, and even in the unlikely event it works, end up doing nothing at all to abate climate change, all the while expending political capital with likely no gain of popular acceptance, at a time when the majority of Ontarians already oppose such a tax.<sup>109</sup>

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<sup>100</sup> The Hill Times, JULY 28, 2008, Jayson Myers, President, Manufacturers & Exporters; <http://thepublicservant.ca/wp-content/uploads/2014/08/The-Hill-Times-Ottawa-28-July-2008-948th-ed.pdf>; “Carbon taxes levied on fossil fuels and then redistributed in the form of personal and corporate income tax cuts are another example of counterproductive policy measures. It doesn’t make a lot of sense to shift income away from the industries that are investing in new technologies and then turn around and give it to consumers or businesses whether they are taking steps to reduce emissions or not. As a consumer, I would say thank you very much for lowering the income taxes I pay, but I am just as likely to turn around and use those tax savings to buy fossil fuels at a higher price. The incentive to lower emissions would be much stronger if investments in less carbon-intensive technologies (equipment, cars, appliances, retrofits) could be credited against the carbon tax. Leave more money, not less, in the hands of those consumers and businesses that are taking action to reduce emissions. Now there’s an innovative idea.”

<sup>101</sup> What’s wrong with a revenue neutral carbon tax?, January 25, 2016, Marvin Shaffer, <http://rabble.ca/blogs/bloggers/policynote/2016/01/whats-wrong-revenue-neutral-carbon-tax>

<sup>102</sup> April 16, 2015: Queen’s Park- Today, MPP for Huron-Bruce and Critic for the Environment and Climate Change Lisa Thompson asked the Liberal government for the third time this week how their proposed “Pay to Pollute” scheme will affect families in Rural Ontario.; <http://lisathompsonmpp.ca/2015/04/16/thompson-continues-to-press-the-liberals-on-their-pay-to-pollute-scheme/>;

<sup>103</sup> 10 reasons a carbon tax is trickier than you think, by David Roberts (<http://grist.org/author/david-roberts/>) on 19 Nov 2012

<sup>104</sup> The case against a revenue neutral carbon tax | CCPA Policy Note, January 15, 2015, Marc Lee, <http://www.policynote.ca/thecaseagainstarevenueutralcarbontax/>

<sup>105</sup> *Ibid.*

<sup>106</sup> Brookings Institution, Carbon Taxes as Part of the Fiscal Solution, William G. Gale, Samuel Brown and Fernando Saltiel March 12, 2013; <http://www.brookings.edu/research/papers/2013/03/12-carbon-tax-gale>

<sup>107</sup> International Monetary Fund: Promising Domestic Fiscal Instruments for Climate Finance; Background Paper for the Report to the G20 on—Mobilizing Sources of Climate Finance; Prepared by staff of the International Monetary Fund; November 2011, p. 3.; <https://www.imf.org/external/np/g20/pdf/110411b.pdf>

<sup>108</sup> Bearing in mind that taxpayers have a long history of changes of taxation objectives over time, perhaps dating back to the *Income Tax War Act, 1917*, which Prime Minister Borden assured was “temporary.” See: [http://www.biographi.ca/en/bio/borden\\_robert\\_laird\\_16E.html](http://www.biographi.ca/en/bio/borden_robert_laird_16E.html)

<sup>109</sup> How do Ontarians feel about taxing carbon? It depends who’s asking, iPolitics, BJ Siekierski, April 6th, 2016; <http://ipolitics.ca/2016/04/06/how-do-ontarians-feel-about-taxing-carbon-it-depends-whos-asking/>; “Torch found 60 percent of Ontarians — with a reported margin of error +/- 3.5, 19 times out of 20 — opposed a provincial carbon tax and 66 per cent of PC voters strongly opposed one”. See also: Poll suggests Ontarians not warming to carbon-pricing scheme, Toronto Star, By Robert Benzie, Queen’s Park Bureau Chief, March 2, 2016; <https://www.thestar.com/news/queenspark/2016/03/02/poll-suggests-ontarians-not-warming-to-carbon-pricing->

## The British Columbia carbon tax - is taxation dawn coming from the west?

As the B.C. model has been lauded as the cat's meow of climate policies, and rests large as an influence on **PCPO** thinking, let me explore the B.C. experience a little more closely.

The B.C. carbon tax was implemented on July 1, 2008.<sup>110</sup> The government describes it thusly: “The tax puts a price on carbon to encourage individuals, businesses, industry and others to use less fossil fuel and reduce their greenhouse gas emissions; send a consistent price signal; ensure those who produce emissions pay for them; and make clean energy alternatives more attractive. The carbon tax is revenue neutral, meaning every dollar generated by the tax is returned to British Columbians through reductions in other taxes.”<sup>111</sup> The carbon tax is collected at the point of retail consumption. A report, “**BC’s Carbon Tax Shift After Five Years: An Environmental (and Economic) Success Story**,”<sup>112</sup> as the title suggests, declares the program a major success, and seems to provide the impetus for political buy-in elsewhere, including Ontario. The authors, “Sustainable Prosperity”(SP)<sup>113</sup> advise that “BC’s fuel consumption has fallen by 17.4% per capita and fallen by 18.8% relative to the rest of Canada” and to boot “cuts to income and other taxes have exceeded carbon tax revenues by \$500 million from 2008-12.”

*So, who wouldn't want to sign up?* Well, as it turns out, quite a few, with most of those being credentialed economists, the very class of professional often touting the benefits of carbon taxes. Jock Finlayson,<sup>114</sup> Executive Vice-President and Chief Policy Officer at the Business Council of British Columbia, in a response to the SP report<sup>115</sup> finds the attribution of the drop in fuel consumption almost entirely to the carbon tax “a surprising assertion and is inconsistent with mainstream economic analyses,” noting that “most consumers, in response to a modest increase in tax-inclusive energy prices, are unlikely to significantly change the amount or type of energy used.” Finlayson argues that “altering households’ energy consumption is a long-term proposition and likely requires sharp price increases well beyond what a small jurisdiction realistically can consider undertaking on a unilateral basis.” Finlayson suggests that “since there are few or no cost-effective substitutes for fossil fuel . . . in practice B.C.’s carbon tax creates incentives for some businesses to reduce output or shift production.”

Finlayson criticises the SP report for not examining “other factors, apart from the carbon tax, that have influenced reported energy use in B.C. since 2008,” which would include “the huge decline in production and employment in the forest sector”<sup>116</sup> and other relevant factors,<sup>117</sup> and the “surge in cross-

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[scheme.html](#); and Just one third approve of carbon pricing in Ontario February 4, 2015 @ 6:00 AM; <http://poll.forumresearch.com/post/230/carbon-tax-slightly-preferred-to-cap-and-trade/>

<sup>110</sup> *Carbon Tax Act*, SBC 2008, C. 40

<sup>111</sup> [http://www.fin.gov.bc.ca/tbs/tp/climate/carbon\\_tax.htm](http://www.fin.gov.bc.ca/tbs/tp/climate/carbon_tax.htm)

<sup>112</sup> <http://www.sustainableprosperity.ca/content/bc%E2%80%99s-carbon-tax-shift-after-five-years>

<sup>113</sup> According to its website: “Sustainable Prosperity (SP) is a national green economy think tank/do tank. We harness leading-edge thinking to advance innovation in policy and markets, in the pursuit of a greener, more competitive Canadian economy. At the same time, SP actively helps broker real-world solutions by bringing public and private sector decision-makers to the table with expert researchers to both design and apply innovative policies and programs”; <http://www.sustainableprosperity.ca/about-us-1>

<sup>114</sup> Jock Finlayson is Executive Vice President and Chief Policy Officer at the Business Council of British Columbia where he has worked since 1994. Prior to the Council, Finlayson was Vice President of Research at the Canadian Council of Chief Executives. He has served on a number of boards of directors and advisory groups for a number of organizations, including the Bank of Canada, Statistics Canada’s National Statistics Council, the Institute for Research on Public Policy, the Canada West Foundation, Genome BC and the B.C. Innovation Council. In addition, he has served as president of the Association of Professional Economists of B.C. and the Ottawa Economics Association; See: <http://www.csls.ca/board/finlayson.asp> and <http://www.bcbc.com/pdfs/JAF%20Bio%202015.pdf> for a more detailed biography.

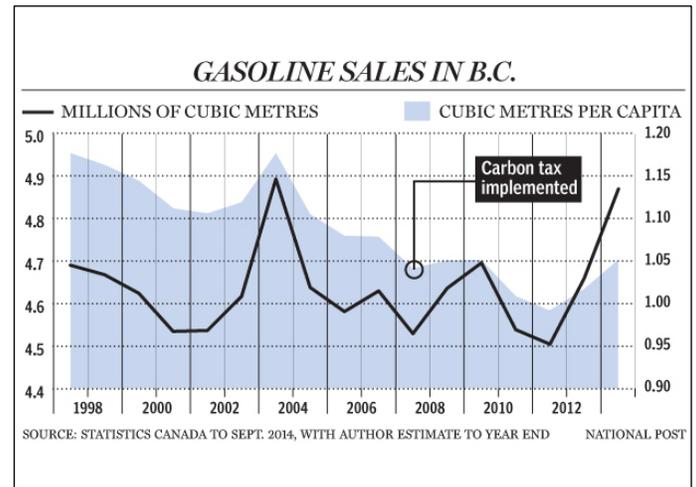
<sup>115</sup> B.C.’s carbon tax hurting businesses; Jock Finlayson, Special To The Vancouver Sun 07.31.2013; <http://www.vancouversun.com/business/2035/carbon+hurting+businesses/8739247/story.html>

<sup>116</sup> Finlayson notes that “forestry is the largest industrial consumer of energy in the province.”

<sup>117</sup> “. . . several developments that have dampened fuel consumption in the Lower Mainland (urban densification, completion of the Canada Line, higher regional parking taxes, the higher TransLink fuel levy, and steep increases in

border shopping,”<sup>118</sup> noting that “growing cross-border fuel purchases artificially lower reported energy consumption . . . in B.C.” Instead of the SP reported \$500 million net gain, Finlayson argues “the government’s “tax shift” policy has imposed a net financial cost on businesses.”<sup>119</sup>

Philip Cross, a Senior Fellow at the Macdonald-Laurier Institute,<sup>120</sup> in a 2015 Financial Post article, “**The carbon tax illogic**,”<sup>121</sup> suggests that the “notion that carbon taxes won’t hurt the economy is a fantasy” noting “carbon taxes need to be hefty (“damaging” as bluntly stated by the University of Colorado economist Keith Maskus at a recent conference) to be effective,” “minor tinkering won’t have much impact but high taxes will produce negative net overall benefits.” Slamming “widely-cited but erroneous studies of B.C.’s experience with carbon taxes” which supported “proponents claim(s) that it led to a drop in fuel consumption in B.C. up to 2012, while pretending economic growth bettered the Canada average,” Cross reports that “gasoline consumption in B.C. soared 6% after 2012, overwhelming the 4.8% drop between 2008 and 2012” (see the chart to the right excerpted from the article).



Cross attacks attribution of “spectacular drops in gasoline demand to the carbon tax” noting “gasoline consumption is measured by gas sales in B.C., which misses filling up at pumps outside the province” reporting that “cross-border trips to the U.S. after B.C. introduced the carbon tax” increased “from 3.9 million in 2008 to 8.0 million in 2013” and that “this was unique to B.C., as Ontario and Quebec posted increases of only 17%.” Cross concludes his article with this advice, “**Politicians should be careful.**” He references warnings presented to Margaret Thatcher that “a political strategy based on economic theory is a house built on sand.” Cross warns, “Any government that bases its policy on an idea that seems too good to be true will inevitably find that the promise is illusory.”

Terence Corcoran bluntly asserts “B.C.’s carbon tax did not work, as economic theory or in curbing gasoline demand in the province,”<sup>122</sup> rhetorically asking, “How did a small tax produce a big shift in consumer behavior, in defiance of one of the bedrock supply and demand principles in economics?,”

parking meter rates in Vancouver); and the effective mothballing of BC Hydro’s Burrard Thermal gas-fired power plant, which prior to 2008 made a meaningful contribution to domestic electricity supply.”

<sup>118</sup> “The past five years have seen a doubling in the number of British Columbians visiting Washington state, most of whom fill their tanks while there (many B.C. truckers and commercial vehicle owners also buy fuel in the U.S. and in Alberta).”

<sup>119</sup> “. . . the carbon tax paid by all B.C. enterprises (about \$600 million per year) exceeds the revenues they save from slightly lower business tax rates. And with the provincial government’s recent decision to lift the corporate tax rate from 10 to 11 per cent, any economic benefits accruing to the business sector as a whole under the carbon tax regime will be further diminished.”

<sup>120</sup> Philip Cross is a Senior Fellow at the Macdonald-Laurier Institute. Prior to joining MLI, Mr. Cross spent 36 years at Statistics Canada specializing in macroeconomics. He was appointed Chief Economic Analyst in 2008 and was responsible for ensuring quality and coherency of all major economic statistics. During his career, he also wrote the “Current Economic Conditions” section of the Canadian Economic Observer, which provides Statistics Canada’s view of the economy. He is a frequent commentator on the economy and interpreter of Statistics Canada reports for the media and general public. He is also a member of the CD Howe Business Cycle Dating Committee;

<http://www.macdonaldlaurier.ca/about/who-is-involved/philip-cross/>

<sup>121</sup> Financial Post; Philip Cross: The carbon tax illogic; Special to Financial Post, January 13, 2015;

<http://business.financialpost.com/fp-comment/the-carbon-tax-illogic>

<sup>122</sup> Financial Post; January 13, 2015; Terence Corcoran: No B.C. carbon tax miracle on 120th St.;

<http://business.financialpost.com/fp-comment/terence-corcoran-no-b-c-carbon-tax-miracle-on-120th-st>

with the clear answer being that it did not. Corcoran notes, “The alleged gas tax payoff, if it ever existed, has disappeared. More problematic still, B.C.’s gas consumption per capita has risen more since 2008 than it has in Ontario, where no carbon tax exists.”

Jack Mintz advises that the carbon tax theory that “the advantage of a uniform carbon price over other kinds of climate policies is that the market is best suited to sort out the most efficient ways of curbing emissions” “only works if international co-operation leads to a similar carbon price,”<sup>123</sup> and there is “no point in Canada putting in a high carbon tax if the major emitting countries”<sup>124</sup> don’t. Mintz notes Canada’s “stricter policies will be a significant economic cost paid for through lost jobs and investment, while achieving no global environmental objectives.” Even B.C.’s cherished “revenue neutrality” has been attacked by those that support it saying “over time the current government has made a mockery of the concept of revenue neutrality and included all kinds of tax credits targeted to rewarding special interests” “using the revenue as a slush fund to give money to favoured groups.”<sup>125</sup>

I repeat Philip Cross’ advisory caution. Be careful. The B.C. experience does not quell the political risk. It may accentuate it.

### **Will PCPO supporters endorse a carbon tax veritably designed by Stéphane Dion?**

I understand it is 2016. I get and support the idea that “nobody has a monopoly on a good idea.”<sup>126</sup> That has always been so. But within conservative circles, the attacks against Stéphane Dion’s carbon tax during the 2008 federal election still rest within the medial temporal lobe of most conservative supporters. Even the **PCPO** leader, when an MP, vigorously attacked Dion’s carbon tax plans in the House of Commons on May 28th, 2008:

“... the Liberal leader repeatedly said he was against a federal carbon tax, but in true Liberal fashion he flip-flopped. He now thinks it is a good idea to punish Canadians through higher prices at the pumps, on their home heating bills, and even at the grocery store. My constituents have told me they are very worried about a carbon tax. Environmentalists are raising concerns, the manufacturing sector is worried about the devastating impact this could have on the price of exports and even some of the Liberal leader’s colleagues do not support his flawed idea.”

But, the Dion tax recommendations, set out rather clearly in “**Carbon Taxes: Can a Good Policy Become Good Politics?**”<sup>127</sup> mirror rather precisely both the B.C. model and as noted earlier in this discussion, at least the embryonic **PCPO** position. Let’s look at Dion’s suggestions.

Dion argues that “putting a price on carbon would be a critical step in reducing emissions and slowing, or hopefully halting, the human-made climate change that is altering our planet” and “in turn, the revenue generated by a carbon tax could be used to reduce taxes on household or business income, that is, to enable governments to tax what you burn, not what you earn” (p. 172). Dion suggests that “if carbon emissions were priced in our economy, consumers and businesses would have a powerful incentive to choose goods and services with lower carbon content, and to invest in proven or innovative energy-saving

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<sup>123</sup> Financial Post; Jack M. Mintz: Canada has created a jungle of costly carbon policies; March 8, 2016; <http://business.financialpost.com/fp-comment/jack-m-mintz-canada-has-created-a-jungle-of-costly-carbon-policies>

<sup>124</sup> China, U.S., India, the EU countries, and Japan

<sup>125</sup> Keep the carbon tax but make sure it’s revenue neutral; Vancouver Sun, March 2, 2016; Joel Wood, Associate Professor of Economics, Thompson Rivers University; <http://www.vancouversun.com/touch/opinion/op-ed/opinion+keep+carbon+ensure+revenue+neutral/11755621/story.html?rel=1515483>

<sup>126</sup> Patrick Brown, “No one has a monopoly on good ideas,” Steve Paikin’s Blog, Dec 01, 2015, <http://tvo.org/blog/current-affairs/whos-this-patrick-brown-anyway>; and Kevin O’Leary, “Nobody has a monopoly on good ideas,” June 29, 2015, <https://www.entrepreneur.com/article/247789>

<sup>127</sup> “Tax is Not a Four Letter Word; A Different Take on Taxes in Canada; Wilfred Laurier University Press, 2013, “Carbon Taxes: Can a Good Policy Become Good Politics?,” Stéphane Dion

and emission-reducing technologies” and “it would be in their own interest to curb their carbon emissions, thus reducing their tax burden.”

Dion slams cap and trade systems as “complicated structures, difficult to administer, subject to gaming, and involve offsetting credits that may take years to negotiate and implement” whereas “a carbon tax would be administratively simple and straightforward to implement” (p. 174), and “. . . create immediate revenue which . . . (could) offset higher energy costs through broad-based, progressive tax cuts” (p. 175).

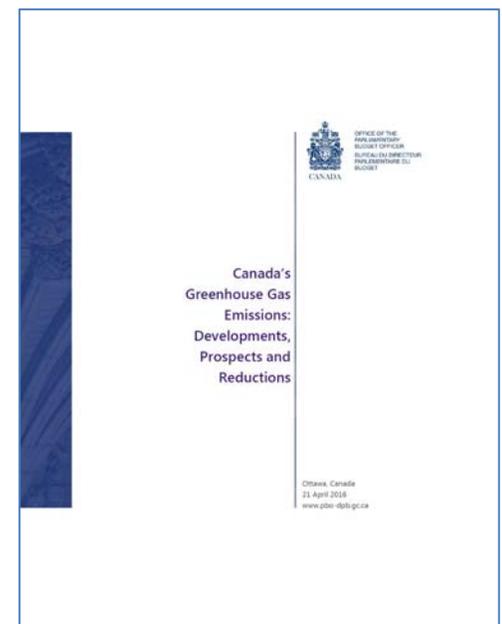
Dion also notes the political pitfalls of a carbon tax policy since “politicians who promote carbon taxes cannot credibly commit to deliver a substantial and rapid improvement of general climate conditions” . . . “because they are spread all over the planet and over time—decades if not centuries—the positive impacts of a carbon tax on the climate are imperceptible in the course of a four year elected mandate.” Recognizing that Canada “accounts for only 1.88% of global emissions,” “even if Canada took dramatic action and managed to cut its GHG emissions by half, such efforts would have no noticeable impact on the climate disturbances” (p. 182). Dion perhaps also foreshadows the expected Liberal response to the eventual **PCPO** policy when he notes, “Many politicians believe that cap-and-trade systems are more politically acceptable than carbon taxes” since “carbon taxes are highly visible; cap-and-trade systems are more opaque” (p. 182). He also, likely rightly and as shown in the B.C. experience quite certainly, notes that “the social activist community is likely to attack a policy that does so little to correct the inherent regressive impact of energy taxes” (p. 183). Dion suggests a remedial approach that so far, does not appear at the **PCPO** starting gate “to allocate (tax revenues) to popular government programs” but acknowledges that the revenue-neutral aspect is “designed to make a carbon tax more politically appealing” (p. 183).

Now, let me be clear. I do not oppose these sentiments because they come from Mr. Dion, who has been most thoughtful on the climate file. I have always subscribed to the “no monopoly on good ideas” concept, which from my observation, has also been the longstanding *modus vivendi* of the **PCPO**. No. I oppose these ideas because I think they are wrong, or to continue a theme commenced earlier, I have not been convinced of their correctness. A transference of ownership does not transform a bad idea into a good one. Ideas are made acceptable through reason. I have so far provided a plethora of arguments, often in the words of others, many of them experts, but I have every confidence that those ideas, if wrong-headed or ill-founded, can and will be surmounted. At this juncture, they have not been. The consideration of carbon taxes is a deductive not an intuitive exercise - the political dynamics included.

### **A comment on the recent federal report, “Canada’s Greenhouse Gas Emissions: Developments, Prospects and Reductions”**

On April 21, 2016 the Office of the Parliamentary Budget Officer released the timely, “**Canada’s Greenhouse Gas Emissions: Developments, Prospects and Reductions.**”<sup>128</sup> From the first page:

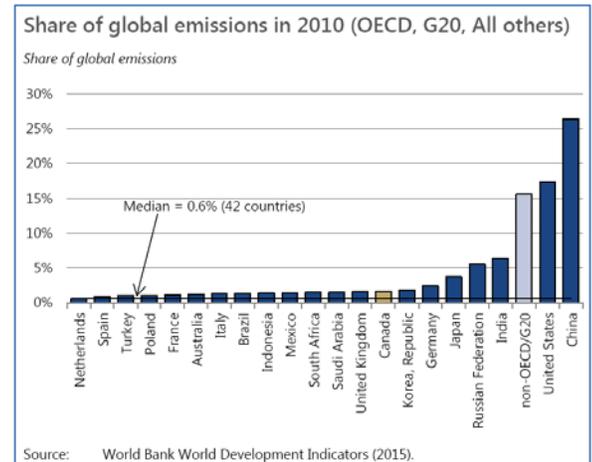
For its part, the Government of Canada announced plans in May 2015 to reduce the nation’s greenhouse gas emissions (GHGs) by 30 per cent below 2005 levels by 2030. This report outlines economic impacts and potential costs of reaching this target, as well as noting sources of downside cost risks. It does so by combining historical trends in intensity of emissions per GDP with the Parliamentary Budget Officer’s projection of the Canadian economy to 2030. The purpose is to determine the magnitude of reductions that will be necessary.



<sup>128</sup> “Canada’s Greenhouse Gas Emissions: Developments, Prospects and Reductions”, Ottawa, Canada, April 21, 2016 [www.pbo-dpg.gc.ca](http://www.pbo-dpg.gc.ca)

The 30 per cent target means removing more than the equivalent of all emissions from today's cars and trucks (p. 7), which would require a price for abating carbon dioxide emissions of about \$100 per tonne of CO<sub>2</sub> equivalent (p. 27), (which seems, based on the earlier discussion, to be a rather low, albeit still crippling, estimate) which translates to a cost of between 1 – 3 per cent of the Canadian GDP (p. 27) and for Ontario, about 2 per cent (p. 28). Applying the **April, 2016 Ontario Fact Sheet**,<sup>129</sup> based on a \$748 B GDP, the cost to Ontario will be \$15 B annually.

The report suggests “significant risks in a large-scale move to lower emissions” including “a patchwork of abatement programs” and “regional disparity in impacts” undermining a consensus (p. 29), and notes that as “the Canadian economy is dependent on trade – particularly with the United States – there would be some risk if Canadian efforts at emission reduction were to fall out of sync with those elsewhere” (p. 7). “Carbon dioxide pricing would cause economic costs that will be measurable in lower GDP” (p. 24). Appendix C of the report shows the global context for Canada (see the excerpted Figure C-1 at the right) (p. 76). Canada contributed less than 2 per cent of global CO<sub>2</sub> emissions in 2010, confirming what we know – Canada is a small-time carbon player. Ontario even less-so.



The report expresses concern with “carbon leakage,” “that is, if the cost of energy increased in Canada through carbon dioxide pricing, then economic production might move to other countries that were taking on less stringent reductions” (p. 81). The obvious is concluded, “for those industries, ensuring that Canada’s competitors are also part of an abatement regime is an important objective since there are countries close to Canada’s ranking and unilateral changes could have outsized effects” (p. 81). Except we know they won’t be. All in all, the report confirms that even if carbon taxes work, and as discussed earlier they won’t unless they are set at punishing levels, Canada’s (and Ontario’s) engagement may be for naught.

### Past PCPO carbon tax positions

Notwithstanding the capacity (and requirement) to move forward under new leadership, if the **PCPO** was known for one thing it was its anathema towards carbon taxes. So loud and continuous was this refrain, with much of it “on the record,” that the challenge becomes two-fold – to explain the change concurrently to party stalwarts and to non-PCPO-aligned Ontario voters in a manner that dispels criticism and avoids that often fatal political charge of flip-flopping.<sup>130</sup> I am certain that all of this is anticipated, and a stratagem to deflect the expected political assaults has been developed. I undertook some cursory research through Hansard, a few press releases and related media reports, and even though I only went back 18 months, I discovered a lot of material, which I share in a very abridged short chronological summary (attached at Appendix A). My point is simply to illustrate the depth of the problem of past baggage, some of it quite recent, and note that none of it, as yet, has been explained away through “principled reasoning.” The challenge is to show that the foundation of the **PCPO** is built on rock not sand.

<sup>129</sup> <http://www.fin.gov.on.ca/en/economy/ecupdates/factsheet.html>

<sup>130</sup> When Liberal leader Lyn McLeod withdrew support for a same sex benefits bill introduced by the Rae NDP government in 1994, even though 12 NDP MPPs voted against the bill, it was McLeod who got saddled with a reputation for “flip-flopping” and inconsistency during the 1995 election. While this may not have not been the deciding factor (the Mike Harris Tory win was a resounding victory – the PCs went from 20 to 82 seats, with the Liberals ending up with 20 and the NDP 17), the nightly news image of two giant “flip-flops” trailing behind her at Liberal events left an indelible image, and while her political career continued for several more years, her leadership was toasted after one election try.

## What would Reagan and Thatcher do? (Or Mulroney for that matter?)

On the heels of the convention, a video<sup>131</sup> was widely distributed suggesting, as I interpret it, that a **PCPO** carbon tax is simply continuing a conservative environmental tradition of which President Reagan and Prime Minister Thatcher were leading actors. Since my initial instinctual sense was that neither Reagan or Thatcher would have come close to endorsing a carbon tax, or anything resembling it, I thought that either my careful reading (and living) of this important period of recent history was so off-beam that my entire modern perspective honed over my lifetime was rendered suspect, or the proposition itself was “wide of the mark.” Of course, as neither did implement a carbon tax, I had at least that as a commencing vindication. But, that was clearly not enough. So, I investigated.

*First Reagan.* Evoking the name Ronald Reagan as political validation has, of late and especially during an American election cycle, been almost within the exclusive orbit of hard right Republican contenders and supporters, not the modern audience of the **PCPO**. And, Reagan, unlike a Lincoln or a Roosevelt, leaves what is still a contested legacy, mainly as he governed during, perhaps leading, a period of extended prosperity during which poverty increased and wages remained stagnant.<sup>132</sup> Unlike many of the “great” Presidents (of which there are few), a swath of the public continues to loathe anything Reagan.<sup>133</sup> But let’s just focus on the Reagan environmental record to assess the reputed policy sponsorship.

Some, perhaps too strongly, suggest that notwithstanding a strong environmental record as governor of California, “the minute he stepped foot in the White House, his record on the environment took a dramatic turn for the worse” and “had Reagan and his cabinet members gotten their way, wildlands around the U.S. would have been turned into highways, or worse.”<sup>134</sup> As commented in the New York Times, “many environmentalists insist that the Reagan environmental record will be remembered as one of the worst of any modern presidency.”<sup>135</sup> Reagan’s first Secretary of Energy, James B. Edwards (January 1981 – November 1982) not only denied that global warming was a problem,<sup>136</sup> but perhaps more problematic for **PCPO** positioning, was much later referenced in a 1997 Senate speech as an authority favouring cap and trade models over carbon taxes (but promoting neither, and preferring instead innovation and the American export of energy technologies to developing nations, particularly, China and India, a position paralleling an earlier **PCPO** stance).<sup>137</sup>

<sup>131</sup> <http://montemcnaughtonmpp.ca/2016/03/14/mpp-mcnaughton-speaks-on-the-environment-march-12-2016/>

<sup>132</sup> See for instance: <http://www.shmoop.com/reagan-era/economy.html>

<sup>133</sup> See for an example: Why did some people hate Ronald Reagan? <https://www.quora.com/Why-did-some-people-hate-Ronald-Reagan>, and: Ronald Reagan was the worst president in our history:

[http://www.democraticunderground.com/discuss/duboard.php?az=view\\_all&address=389x7611016](http://www.democraticunderground.com/discuss/duboard.php?az=view_all&address=389x7611016)

<sup>134</sup> A look back at Reagan’s environmental record; By Grist Staff on Jun 11, 2004: <http://grist.org/article/griscom-reagan/>

<sup>135</sup> Reagan and Environment: To Many, a Stalemate; by Philip Shabecoff; Published: January 2, 1989; New York Times

<sup>136</sup> Which earned him mention in a Wikipedia article on climate change deniers;

[https://en.wikipedia.org/wiki/Climate\\_change\\_denial](https://en.wikipedia.org/wiki/Climate_change_denial)

<sup>137</sup> Note the Congressional Record; 105th Congress (1997-1998); Global Climate Change (Senate - June 17, 1997); Speech of Senator Ernest Hollings, South Carolina: <http://thomas.loc.gov/cgi-bin/query/z?r105:S17JN7-1580>: “In closing, I submit for the Record the authoritative and expert opinion of Dr. James B. Edwards, the former Secretary of Energy, and encourage my colleagues to read his opinions on this matter. The material follows (truncated by author): “If a new climate treaty to include binding restrictions on the emission of greenhouse gases is a bad idea-- and it is--then the immediate consequence of such a move is even worse: that a tax is imposed on U.S. industries that burn oil, gas and coal. Efforts should be directed toward establishing a flexible route that could achieve the same long-term benefits but at far lower cost. For example, spreading the responsibility globally, possibly through an emissions trading system involving developing countries, would lower the cost substantially. Under an emissions trading system, any country exceeding its allotment of greenhouse emissions, pays a regulatory fine. The significant differences between this plan and a carbon tax are that technological innovation, market mechanisms and total global emissions are the defining characteristics of this alternative approach to reducing greenhouse emissions. It's

An **Environmental Protection Agency** (EPA) report in 1983 said global warming was "not a theoretical problem but a threat whose effects will be felt within a few years" with potentially "catastrophic" consequences.<sup>138</sup> The Reagan administration called the report "alarmist."<sup>139</sup> Then of course, there is the infamous tenure of James Watt as Secretary of the Interior (January, 1981 – November, 1983), which was, to understate, controversial and who was viewed as being quite hostile to environmentalism.

The "**What Would Reagan Do**" rumination received a strong boost from a 2015 Washington Post article by George P. Shultz, "**A Reagan approach to climate change**,"<sup>140</sup> who articulated a position pretty much on the **PCPO** mark suggesting "a carbon tax, starting small and escalating to a significant level on a legislated schedule, would do the trick. I would make it revenue-neutral, returning all net funds generated to the taxpayers so that no fiscal drag results and the revenue would not be available for politicians to spend on pet projects." Shultz suggested "Put a price out there, and let the marketplace adapt. You would be surprised at its creativity," concluding with "before you get mugged by reality, take out an insurance policy. It's the Reagan way."

**Game. Set. Match.** Well, not really. A prophesying endorsement on behalf of Reagan from George Shultz is pretty powerful requiring a retort from one of at least close to equal stature. There were several. One emerged in Forbes from Steven F. Hayward<sup>141</sup> in an article "**What Would Ronald Reagan Do About Climate Change?**"<sup>142</sup> who responded to the Shultz article directly.

But I think he's misread Reagan here. Let's leave aside the argument about whether Reagan would go along with the alarmist predictions for catastrophic climate change—though it should be pointed out about the Montreal Protocol that Reagan was convinced of the much simpler and more direct scientific evidence, and that substitutes passed a cost-benefit test, which GHG reduction schemes today emphatically do not. To the extent that climate change can be considered a global existential threat on par with the nuclear arms race that Reagan confronted upon becoming president in 1980, Reagan would think of measures a lot bolder than a carbon tax. And he would surely arouse the ferocious anger of the climate change establishment in doing so.

Hayward suggested that "a game-changing reorientation of the problem is exactly what is necessary today if you think climate change is a catastrophic threat." "We should candidly admit that we don't know how to replace fossil fuels affordably and at global scale right now. But that was much like the situation Reagan faced when he proposed SDI in 1983 as the remedy for the arms race." Hayward concluded with advice to Republicans that "if you seek a truly Reaganite approach to climate change,

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very simple: Before we hobble our economy and our society with costly new regulations and taxes we should ask ourselves whether the hoped-for benefits justify the cost to our economy and whether there is a better alternative. And environmentalists ought to keep another perspective in mind: For any global emissions reduction program to succeed, all nations must participate."

<sup>138</sup> Weart, Spencer R. (20090630). *The Discovery of Global Warming*. Harvard University Press. ISBN 9780674044975

<sup>139</sup> See: [www.aip.org/history/climate/public2.htm#L\\_0400](http://www.aip.org/history/climate/public2.htm#L_0400)

<sup>140</sup> The Washington Post; A Reagan approach to climate change: By George P. Shultz March 13, 2015; George P. Shultz was secretary of state from 1982 to 1989; [https://www.washingtonpost.com/opinions/a-reagan-model-on-climate-change/2015/03/13/4f4182e2-c6a8-11e4-b2a1-bed1aeea2816\\_story.html](https://www.washingtonpost.com/opinions/a-reagan-model-on-climate-change/2015/03/13/4f4182e2-c6a8-11e4-b2a1-bed1aeea2816_story.html)

<sup>141</sup> The Ronald Reagan Distinguished Visiting Professor at Pepperdine University's Graduate School of Public Policy. From 2002 to 2012 the F.K Weyerhaeuser Fellow in Law and Economics at the American Enterprise Institute in Washington DC, and senior fellow at the Pacific Research Institute in San Francisco. Taught at Ashland University in Ohio, and the University of Colorado, Boulder. Author of a two-volume narrative history of Ronald Reagan and his effect on American political life, *The Age of Reagan: The Fall of the Old Liberal Order, 1964-1980*, and *The Age of Reagan: The Conservative Counter-Revolution, 1980-1989*, and also the *Index of Leading Environmental Indicators*, published in 14 editions from 1994 – 2009, and its successor, the *Almanac of Environmental Trends*.

<sup>142</sup> *What Would Ronald Reagan Do About Climate Change?*; Forbes; Steven F. Hayward <http://www.forbes.com/sites/stevenhayward/2015/05/26/what-would-ronald-reagan-do-about-climate-change/#67d20cba2246>

start by writing an SDI-style speech about the problem with the object of making fossil fuels obsolete not by making them artificially more expensive through a tax, but by coming up with new energy sources that are just as cheap and scalable to the whole planet.”

And referencing a direct engagement he had with George Shultz, Hayward added this footnote to his piece, “I once heard Shultz tell the story that when oil prices fell sharply in the mid-1980s, and hence gasoline prices went down to something like 79 cents a gallon, he proposed to Reagan that it was a perfect time to embrace a 50-cent-a-gallon gas tax that would promote conservation and reduce the federal budget deficit. Reagan, he recalled, smiled in a way that made clear to Shultz that Reagan wasn’t about to consider the idea for a second. And neither would Reagan come anywhere near a carbon tax.” While I am unconvinced that a purported posthumous Reagan endorsement aids an argument, I do know that once put out there, a disavowal is at least wounding.

*And now Thatcher:* With Thatcher on this subject, one is able to commence at the true beginning of world awareness, her 1989 speech to the United Nations General Assembly,<sup>143</sup> much of which I reproduce below.

### **Vast Increase In Carbon Dioxide**

We are seeing a vast increase in the amount of carbon dioxide reaching the atmosphere.

At the same time as this is happening, we are seeing the destruction on a vast scale of tropical forests which are uniquely able to remove carbon dioxide from the air.

It is of course true that none of us would be here but for the greenhouse effect. It gives us the moist atmosphere which sustains life on earth. We need the greenhouse effect—but only in the right proportions.

Put in its bluntest form: the main threat to our environment is more and more people, and their activities: The land they cultivate ever more intensively; The forests they cut down and burn; The mountain sides they lay bare; The fossil fuels they burn; The rivers and the seas they pollute.

### **The Scope For International Action**

Mr. President, the evidence is there. The damage is being done. What do we, the International Community, do about it?

In some areas, the action required is primarily for individual nations or groups of nations to take. I am thinking for example of action to deal with pollution of rivers—and many of us now see the fish back in rivers from which they had disappeared.

But the problem of global climate change is one that affects us all and action will only be effective if it is taken at the international level.

### **Convention On Global Climate**

The negotiation of some of these protocols will undoubtedly be difficult. And no issue will be more contentious than the need to control emissions of carbon dioxide, the major contributor—apart from water vapour—to the greenhouse effect.

We can then agree to targets to reduce the greenhouse gases, and how much individual countries should contribute to their achievement. We think it important that this should be done in a way which enables all our economies to continue to grow and develop.

### **Britain's Contribution**

We are encouraging British industry to develop new technologies to clean up the environment and minimise the amount of waste it produces—and we aim to recycle 50 per cent of our household waste by the end of the century.

On transport, we shall look for ways to strengthen controls over vehicle emissions and to develop the lean-burn engine, which offers a far better long-term solution than the three-way catalyst, in terms of carbon dioxide and the greenhouse effect.

We have already reduced the tax on lead-free petrol to encourage its use. That is an example of using market-based incentives to promote good environmental practice and we shall see whether there are other areas where this same principle can be applied.

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<sup>143</sup> 1989 Nov 8; Margaret Thatcher; Speech to United Nations General Assembly (Global Environment) <http://www.margaretthatcher.org/document/107817>, or as mentioned earlier, her 1988 speech to the Royal Society.

Third, we are increasing our investment in research into global environmental problems. I have already mentioned the climate change centre that we are establishing.

In *The Downing Street Years*<sup>144</sup> Thatcher writes that she drew a distinction between land/water pollution and atmospheric pollution for which, she explained, “the proper starting point in formulating policy towards . . . was science,”<sup>145</sup> with “global warming” requiring the “application of hard-headed scientific principles.”<sup>146</sup> In her last book, *Statecraft*,<sup>147</sup> she indicates that by 1990, she recognized the Trojan horse approach by anti-capitalist forces<sup>148</sup> and took pains in her 1990 speech to present a clearer message. I partially excerpt the clearer and potent message from her 1990 speech at the 2nd World Climate Conference:<sup>149</sup>

#### **The Importance Of Research**

Of course, much more research is needed. We don't yet know all the answers. Some major uncertainties and doubts remain. No-one can yet say with certainty that it is human activities which have caused the apparent increase in global average temperatures. The IPCC report is very careful on this point. For instance, the total amount of carbon dioxide reaching the atmosphere each year from natural sources is some 600 billion tonnes, while the figure resulting from human activities is only 26 billion tonnes. In relative terms that is not very significant. Equally we know that the increases of carbon dioxide in the atmosphere date from the start of the industrial revolution. And we know that those concentrations will continue to rise if we fail to act.

Global climate change within limits need not by itself pose serious problems—our globe has after all seen a great deal of climate change over the centuries.

#### **The Need For Precautionary Action**

Many of the precautionary actions that we need to take would be sensible in any event. It is sensible to improve energy efficiency and use energy prudently; it's sensible to develop alternative and sustainable and sensible ... it's sensible to improve energy efficiency and to develop alternative and sustainable sources of supply; it's sensible to replant the forests which we consume; it's sensible to re-examine industrial processes; it's sensible to tackle the problem of waste. I understand that the latest vogue is to call them ‘no regrets’ policies. Certainly we should have none in putting them into effect.

And our uncertainties about climate change are not all in one direction. The IPCC report is very honest about the margins of error. Climate change may be less than predicted. But equally it may occur more quickly than the present computer models suggest. Should this happen it would be doubly disastrous were we to shirk the challenge now. I see the adoption of these policies as a sort of premium on insurance against fire, flood or other disaster. It may be cheaper or more cost-effective to take action now than to wait and find we have to pay much more later.

#### **The Need For Environmental Diplomacy**

We are all aware of the immense challenge. The enormity of the task is not a matter for pessimism. The problems which science has created science can solve, provided we heed its lessons.

#### **The Need For A Global Convention**

It would be absurd to adopt policies which would bankrupt the industrial nations.

If there was any doubt as to her fully developed views, *Statecraft* clarified them (at. pp. 449-50):

The doomsters' favorite subject today is climate change. This has a number of attractions for them. First, the science is extremely obscure so they cannot easily be proved wrong. Second, we all have ideas about the weather: traditionally, the English on first acquaintance talk of little else.

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<sup>144</sup> Thatcher, M. (1993). *The Downing Street Years*. London: HarperCollins.

<sup>145</sup> *Ibid.*, at p. 639.

<sup>146</sup> *Ibid.*, at p. 640.

<sup>147</sup> Thatcher, M (2003). *Statecraft : strategies for a changing world*. New York, NY : HarperCollins

<sup>148</sup> See the commentary set out in: Margaret Thatcher: A Free Market Environmentalist; Thatcher's Environmental Views From A New Perspective. Perc Report: Volume 22, No.4, Winter 2004; <http://www.perc.org/articles/margaret-thatcher-free-market-environmentalist>

<sup>149</sup> 1990 Nov 6; Margaret Thatcher; Speech at 2nd World Climate Conference <http://www.margareththatcher.org/document/108237>

Third, since clearly no plan to alter climate could be considered on anything but a global scale, it provides a marvelous excuse for worldwide, supra-national socialism. All this suggests a degree of calculation. Yet perhaps that is to miss half the point. Rather, as it was said of Hamlet that there was method in his madness, so one feels that in the case of some of the gloomier alarmists there is a large amount of madness in their method.

Indeed, the lack of any sense of proportion is what characterizes many pronouncements on the matter by otherwise sensible people. Thus President Clinton on a visit to China, which poses a serious strategic challenge to the US, confided to his host, President Jiang Zemin, that his greatest concern was the prospect that “your people may get rich like our people, and instead of riding bicycles, they will drive automobiles, and the increase in greenhouse gases will make the planet more dangerous for all.”

It would, though, be difficult to beat for apocalyptic hyperbole former Vice President Gore. Mr. Gore believes: ‘The cleavage in the modern world between mind and body, man and nature, has created a new kind of addiction: I believe that our civilisation is, in effect, addicted to the consumption of the earth itself.’ And he warns: “Unless we find a way to dramatically change our civilisation and our way of thinking about the relationship between humankind and the earth, our children will inherit a wasteland.”

But why pick on the Americans? Britain’s then Foreign Secretary, Robin Cook, has observed: “There is no greater national duty than the defense of our shoreline. But the most immediate threat to it today is the encroaching sea.” Britain has found, it seems, a worthy successor to King Canute.

The fact that seasoned politicians can say such ridiculous things – and get away with it – illustrates the degree to which the new dogma about climate change has swept through the left-of-centre governing classes....

So clear were her later writings that some asked “Was Margaret Thatcher the first climate sceptic?”<sup>150</sup> Overall, it seems clear that Prime Minister Thatcher’s views, like Reagan’s, demanded a lead by a coordinated international effort before individual nation action, with a focus on scientific innovation. As with Reagan, invoking Thatcher does not aid an argument promoting carbon taxes.

*And, what about Mulroney?* Prime Minister Brian Mulroney rightly stands out for extraordinary praise for engineering the already mentioned 1991 U.S./ Canada Air Quality Agreement, a remarkable environmental treaty. However, while similar, acid rain, being a more localized problem, is quite different from the aptly named global warming. In his words, here is how Prime Minister Mulroney addressed acid rain:<sup>151</sup>

*Mulroney:* It was largely a regionally-based problem in eastern Canada, so I determined we could move to a different formula in terms of dealing with it. I felt that we should try bilateral negotiations and see how they went. We also heard early on in the process that the Americans who didn’t want progress were accusing Canadians of complaining too much, as if they themselves were not part of the acid rain problem. I said to my cabinet: We’re going to resolve this by devising a “clean hands” strategy, so when we come to the table the Americans will not be able to say the acid rain problem is because of us, because we will have implemented a program to clean up the problem. This enabled us to work closely with the provinces, and ultimately we legislated on it in 1985.

The Mulroney approach towards acid rain brings many political lessons, from the need to develop and rely on personal relationships to the need for “clean-hands.”<sup>152</sup> I certainly see the latter’s influence in

<sup>150</sup> The Telegraph; Was Margaret Thatcher the first climate sceptic? By Christopher Booker; 12 Jun 2010; <http://www.telegraph.co.uk/comment/columnists/christopherbooker/7823477/Was-Margaret-Thatcher-the-first-climate-sceptic.html>

<sup>151</sup> From: True grit; By Jeremy Runnalls; Corporate Knights – The Magazine for Clean Capitalism; Posted April 17, 2011; Spring 2011 Issue; Former prime minister Brian Mulroney talks true Canadian leadership with Green Party Leader Elizabeth May. <http://www.corporateknights.com/channels/leadership/true-grit-13030475/>

<sup>152</sup> Mulroney: We went from 'yelling at the rain,' to talking common ground; Brian Mulroney; Published Wednesday, March 14th, 2012; <http://ipolitics.ca/2012/03/14/bian-mulroney-we-went-from-yelling-at-the-rain-to-talking-common-ground-acid-rain-treaty/>; “But while we were talking to the Americans, we were taking action with the provinces and industry, implementing a “Clean Hands Policy” of leading from the front. There are three elements to Canada playing an important role on the environment: First, leading by example, claiming the high ground. Second, engaging the Americans at the highest level of government. Third, involving industry in solutions”.

the development of the new **PCPO** positioning. But, would Mulroney have implemented a carbon tax? Mark Jaccard, a professor of sustainable energy in the School of Resource and Environmental Management (REM) at Simon Fraser University, advises that he “helped with Canada’s initial assessment of carbon pricing for Brian Mulroney’s government” and “as soon as we calculated the required increase in the price of gasoline, he balked.”<sup>153</sup> So, I would take that as a “no.” But, let me end this with Mr. Mulroney’s own and quite recent words:<sup>154</sup>

Despite all that you may have heard or read, the age of fossil fuels is not about to end any time soon. In fact, the International Energy Agency estimates that demand for oil, coal and gas will increase steadily into 2040. Heavily subsidized “renewables” will also increase but will still be a small part of the total. That is the reality of the world we are in.

We need sensible environmental policies, of course, because Canadians are justifiably proud of our pristine environment. My government earned plaudits for our action on the environment, which was an important priority for us in all of our initiatives. I was greatly honoured to have been voted Canada’s Greenest Prime Minister in history, by leading environmental groups. But we were always conscious of the need for balance between sustainability and growth. . . . while Canada should do more, we are a very small part of the global problem.

### **Some concluding words and a suggested focus going forward**

I hope this assists. Carbon taxes, of course, are not a climate change panacea, nor do I believe that the **PCPO** is about to suggest otherwise. But, they may promote a sense of false engagement, which may prove distracting from efforts that have real long-term potential.

The world *should* look towards conservatives for solutions. The conservative movement and the goal of protecting the environment are in lockstep. If one is to evoke the images of Reagan and Thatcher, do so for the inspiration to reach higher, to be bolder, and to find ideas that deliver results, not those which while well-meaning and formed for the right intentions, have little chance of any overall effect. Tackle taxes if you must, but in a way that more directly instigates scientific advancement, in precisely the same manner Prime Minister Thatcher openly suggested.

Be mindful of perspective. Ontario did not create this problem. Ontario’s contribution is negligible. It is not the flea on the elephant – it is the mite on the flea. Frankly, the *only* way this province can have any global effect is through the development and exportation of new technologies.

As explained, I am not at all insensitive to the contemporary political conundrum. It is one that perhaps exceeds even “Hellerian” expectancies. There are no easy answers because . . . well . . . this isn’t an easy problem. This may well prove to be a watershed moment. But, it will be seen so only if the new policy course does in fact change the flow of history.

**All of which is respectfully submitted,**



**L.A. Liversidge**  
**July 1, 2016**

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<sup>153</sup> Want an effective climate policy? Heed the evidence; Policy Options; Mark Jaccard; February 2, 2016; <http://policyoptions.irpp.org/magazines/february-2016/want-an-effective-climatepolicy-heed-the-evidence/>

<sup>154</sup> Brian Mulroney: Canada needs leaders, not Luddites, to realize our resource-based future; Special to Financial Post | April 19, 2016; <http://business.financialpost.com/fp-comment/brian-mulroney-canada-needs-leaders-not-luddites-to-realize-our-resource-based-future>

**Appendix A: A truncated review of past PCPO positions as shown in Hansard, PCPO press releases and selected media reports**

**Hansard: November 24, 2014: Mr. Jim Wilson:** Minister, there was no mention of a carbon tax or a cap and trade system in your last election or the Liberal platform . . . apologize to the people of Ontario for even thinking of this and, secondly, tell us today that you're not going to do it.



It was around this time that the PCPO commenced several **Stop the Carbon Tax** petitions, like the one at the right, with some adopting the previous “Stop the HST” type template (left).

**Hansard: December 2, 2014: Ms. Lisa M. Thompson:** We need to make sure we separate emotion from science.

**January 16, 2015: Ottawa Citizen:** He’s (Patrick Brown) against putting a price on carbon emissions to fight climate change, but “I would be a contributor to any environmental policy that had an achievable goal.”

**January 21, 2015: Sudbury.com:** Tories say 'No way' to carbon tax, launch petition; Wilson told reporters. “A carbon tax will raise the cost of almost everything” Wilson said if the Liberals follow B.C.'s example and impose one worth seven cents a litre, it would cost \$1.3 billion. “Carbon taxes in other jurisdictions have not resulted in any significant reduction in emissions . . . It just drives up the price of everything.”

**January 21, 2015: Press Release: Now Is Not the Time for Another Gasoline Tax: Jim Wilson:** The practical result of a carbon tax is that the cost to produce and transport every product in Ontario will increase, particularly impacting rural areas where people don't have an option to stop driving. In British Columbia, the only province in Canada to have a significant carbon tax, industry complains of the impact. For example, cement mixers claim the tax has resulted in the loss of a third of their market share to countries like China, grain producers estimate the average farmer pays an extra \$4,300 in tax, and the price of gasoline has increased by an extra seven cents per litre. In BC, the government employs a revenue neutral commitment with their carbon tax, which ensures any money generated from the tax cannot be used to increase provincial revenues, thus creating tax breaks. This still isn't optimal and it certainly won't be the case in Ontario no matter what the Liberals say. Practical solutions to reduce emissions can range from conserving energy to investing in public transit and preserving green space in both urban and rural areas, not a tax that Ontario families and businesses can't afford.

**January 21, 2015: MPP Scott Launches Petition to Stop the Carbon Tax:** “A carbon tax will raise the price of almost everything, not just gas and home heating,” explained Scott.

**February 25, 2015: Press Release: Are Liberals Climate Change Consultations Disingenuous? | Lisa Thompson MPP;** Thompson warned “a tax on carbon, is a tax on everything and that will be represented by increasing costs to all consumer products”.

**Hansard: March 12, 2015: Ms. Lisa M. Thompson:** There is no doubt that the earth’s climate is changing. Though carbon dioxide is the main cause of human-induced climate change, it’s far too simplistic to suggest that greenhouse gases are solely responsible for climate change. Climate change is a complex issue, and it’s not just one factor that contributes to it. The real issues with climate change go beyond our partisan politics. I consider protecting our environment an important part of government’s responsibilities. But I have to be clear in stating that implementing a carbon tax does not achieve this. We can help our environment without hurting our economy and industry here in Ontario, and there are ways to accomplish this. Let me be clear: I am not against cutting greenhouse gases. What I am against is irresponsible taxation. We don’t have to raise the cost of everything, shut down certain industries and kill thousands of jobs in the manufacturing sector in order to be good environmental stewards.

**Hansard: March 30, 2015: Ms. Lisa M. Thompson:** Speaker, my question is for the Premier. A price on carbon will increase the cost of everything from gas to groceries. Premier, we already have received over 13,000

**PETITION**

TO The Legislative Assembly of Ontario: -

WHEREAS the Liberal government has indicated they plan on introducing a new carbon tax in 2015; and

WHEREAS Ontario taxpayers have already been burdened with a health tax of \$300 to \$900 per person that doesn't necessarily go into health care, a \$2-billion smart meter program that failed to conserve energy, and households are paying almost \$700 more annually for unaffordable subsidies under the Green Energy Act; and

WHEREAS a carbon tax scheme would increase the cost of everyday goods including gasoline and home heating; and

WHEREAS the government continues to run unaffordable deficits without a plan to reduce spending while collecting \$30 billion more annually in tax revenues than 11 years ago; and

WHEREAS the aforementioned points lead to the conclusion that the government is seeking justification to raise taxes to pay for their excessive spending, without accomplishing any concrete targets;

WE the undersigned petition the Legislative Assembly of Ontario as follows: -

To abandon the idea of introducing yet another unaffordable and ineffective tax on Ontario families and businesses

Name (printed)	Address (printed)	Signature

Please return ORIGINALS to Randy Pettapiece, MPP Perth-Wellington:  
55 Lorne Avenue East, Stratford, ON N5A 6S4  
[www.pettapiece.ca](http://www.pettapiece.ca)

signatures on the PC “Stop the Carbon Tax” petition. Premier, Will you listen to the people of Ontario and say no to a carbon tax?

**Hansard: March 30, 2015: Mr. Steve Clark:** I have a petition to the Legislative Assembly of Ontario “To abandon the idea of introducing yet another unaffordable and ineffective tax on Ontario families and businesses.”

**March 31, 2015: News Release: Ontario Cannot Afford a Carbon Tax: Lisa Thompson MPP;** “In B.C. the carbon tax is costing farmers an extra \$4,300 a year. A carbon tax is simply a cost Ontario’s residents and businesses cannot afford. Ontarians already pay some of the highest energy costs in North America and a carbon tax will only further drive jobs out of this province.”

**Hansard: April 13, 2015: ENERGY POLICIES;** Mr. Jim Wilson: Cap and trade is a carbon tax by any other name. It’s a tax on everything. Australia’s carbon tax scheme cost the average family \$550 per year before common sense prevailed and the program was cancelled.

**Hansard: April 13, 2015: ENERGY POLICIES Ms. Lisa M. Thompson:** My question is to the Acting Premier. Your carbon tax will make it more expensive to buy anything made in Ontario, more expensive to drive your car, buy your groceries, and more expensive to heat your home. The most vulnerable of Ontarians will be hurt by this tax.

**April 14, 2015: Cap and Trade: 1460 CJOY:** Wynne says cap-and trade is a more flexible way to battle climate change than a carbon tax like British Columbia introduced. Wellington-Halton Hills Conservative MPP, Ted Arnott thinks there needs to more analysis and discussion done before proceeding with any new legislation. Arnott says the PC’s see this liberal proposal more as a carbon TAX which will lead to increased costs for businesses and a higher cost of living for Ontarians.

**Hansard: April 16, 2015:** Ms. Laurie Scott: “Stop the Carbon Tax” petition introduced.

**April 16, 2015: News Release:** Thompson Continues to Press the Liberals on their “Pay to Pollute” Scheme | Lisa Thompson MPP:

**Hansard: April 22, 2015: ONTARIO BUDGET Mr. Jim Wilson:** Cancel the pay-to-pollute carbon tax that will increase the price of everything in the province.

**Hansard: April 22, 2015: OPPOSITION DAY ONTARIO BUDGET Mr. Jim Wilson:** I move that, the 2015 budget should include a commitment that a carbon tax, or its close cousin, a cap-and-trade process, not be adopted, as it is a cost that Ontario residents and businesses cannot afford;

**Hansard: April 22, 2015: Ms. Lisa M. Thompson:** Last March, I requested that this Liberal government not adopt a carbon tax. The announcement of the cap-and-trade program does not change this. It’s just a tax by a different name. Instead of taxing all Ontarians, there are a number of other options that we could take a look at to deal with climate change without hurting businesses and families. We can take a closer look at the role of conservation, expanding forests, green spaces and wetlands. These are all natural and cost-effective solutions. We can also look at the role of innovation. We all know that the private sector drives innovation as long as the government stays out of its way and does not further burden them with red tape.

**July, 2015: Fideli, Focus on Finance: Page 37:** Another new tax that threatens the manufacturing and business sector is the Carbon Tax. Many groups have raised concerns with the carbon tax implementation, including the Canadian Manufacturers & Exporters who expressed: “It will also be critical that Ontario not act unilaterally. Failure to act in parallel on a North American basis would put Ontario manufacturers at a significant competitive disadvantage.” Ontario cannot afford to drive investment elsewhere. If the province implements a carbon tax we will lose high paying jobs and manufacturing investment.

**Hansard: July 10, 2015: STATEMENT FROM ONTARIO PC LEADER PATRICK BROWN ON JUNE JOB NUMBERS:** Nothing has been more damaging to Ontario’s economy than its soaring energy prices. Now, the Liberals are trying to introduce a new carbon tax. Coupled with our province’s skyrocketing energy rates, not only will this tax shutter the windows of our largest manufacturers and drive businesses away, but will increase the cost of living for Ontarians. The last thing families need right now is another tax.

**Hansard: November 19, 2015: Mr. Norm Miller:** Of course, we have the cap and trade system that’s being proposed right now. I must admit that I met with an interested citizens group wanting to educate me on different measures to try to reduce carbon use, and they were basically proposing some sort of carbon fee that was fully refundable to the citizens, more or less along the lines of what BC has done in the last number of years.

**February 25, 2016: Lisa Thompson, News Release; Cap-and-trade a new tax on home-heating, gasoline; QUEEN’S PARK –** The Liberals’ cap-and-trade scheme puts a new tax on gasoline and home-heating that will

make life more unaffordable for families across Ontario, Huron-Bruce MPP and PC Environment and Cap-and-Trade Critic Lisa Thompson said today. “Ontarians expect their government to tackle climate change and effectively reduce emissions in a way that keeps home-heating and gasoline affordable.”

**Fedeli Focus on Finance; Will Cap-and-Trade leave us Cap in Hand?; Volume 3: No. 3 | March, 2016:**

Will the government give cap-and-trade money back to taxpayers if this scheme fails to reduce carbon emissions to its promised 2020 targets?

**Hansard: March 2, 2016 CLIMATE CHANGE MITIGATION AND LOW-CARBON ECONOMY ACT, 2016; Ms. Lisa M. Thompson:**

Let’s talk about what really matters here. In the spirit of protecting the environment, we must look at innovation. To effectively reduce emissions, the PC Party of Ontario understands that we must advance innovation. . . With the PC Party of Ontario, technological advancement has always been our party’s approach. Ontario produces 23.5% of Canada’s total emissions. Now, let’s not forget that Canada’s total share of global emissions is only 1.6%, and Ontario produces 23.5% of that small percentage. So what does that mean? It means that Ontario’s global share of greenhouse gas emissions is about 0.38%. That’s right, Speaker—less than half a percentage point, and look at what it’s going to cost Ontarians and Ontario businesses. I gave a great deal of thought to the emission reduction targets of 37% below 1990 levels by 2030, and 80% below 1990 levels by 2050. The question in my mind is this: Are these realistic goals, and what would be the cost, both economic and social, to achieve them? Mr. Paul Boothe, a member of the Eco-fiscal Commission, recently stated that in order for Canada to meet the greenhouse gas reduction targets that it agreed to at the Paris summit, a carbon tax of \$150 to \$200 would be needed.

**Mar 07, 2016; Opinion | Editorial; Toronto Star's View:** Ontario Tories see the light on climate change: It would be truly ironic if the party of former leader Mike “Tax-Fighter” Harris reversed course and pledged outright support for a carbon tax. Even the Liberals haven’t gone that far, opting instead for the more politically palatable cap-and-trade system.

**March 07, 2016; OPINION;** PCs’ Brown swallows the carbon Kool-Aid; Jerry Agar; Toronto Sun

**March 14, 2016: Toronto Star, Robert Benzie, Ontario Tories embracing the green side as progressive conservationists;** Wynne scoffed at the evolution of her main political rivals. “I think we’re going to see epiphanies on a whole bunch of subjects,” she said last Monday.

L.A. Liversidge is a lifelong PCPO supporter and an active member of the PCPO for over 25 years, serving serially on the boards of two riding associations. LAL has been an active member of the PCPO Finance PAC and regularly provides advice to the PCPO and elected members on issues within his range of expertise, which does not include climate change. On that issue, LAL admits his neophyte status, and is content to focus on the common-sense and logic of the issue, relying on the research of experts, and offering what hopefully is recognized as a lucid and fair analysis. The opinions expressed in this paper are that of the author alone.