

From: Don Drummond  
To: Climate Change Watchers  
Date: January 21, 2025  
Re: **SOME CARBON-TAX CANCELLATION QUESTIONS**

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The writing on the wall clearly spells imminent cancellation of the carbon tax on households. “Axe the Tax” is at the centre of the Conservative Party's platform. The NDP has withdrawn its support. Chrystia Freeland, announcing her Liberal leadership run, said she would scrap the tax. To date Mark Carney has neither supported the tax nor called for its demise. By avoiding discussion of the consequences of cancelling the carbon tax these politicians are being given a free ride. It is time Canadians ask some pointed questions.

**1) What if anything would replace the household carbon tax?**

No proponent of cancelling the carbon tax applied to households has yet said what, if anything, would replace it. Insignificant from a fiscal policy perspective (the revenue raised by the tax is being returned to households in rebates) it is an important question for the environment. Climate Change Canada estimates policies in place and being developed, even if implemented strictly, will leave Canada well short of its targeted emissions reduction by [2030](#). The household carbon tax is estimated to contribute 8-14 percent of emissions reduction toward that target, a contribution likely to rise in later years. Either an even larger shortfall in emissions reduction, with the inherent rise in climate change damage, must be accepted, or alternative policies must replace the household carbon tax.

**2) If no alternatives are proposed, will worse failure to meet Canada's emissions targets be accepted and acknowledged?**

Politicians with no proposed alternatives should be asked what their new emissions targets are. Canada is not on track to achieve the targets in the Canadian Net-Zero Emissions Accountability Act even with the carbon tax. How much higher emissions does the politician find acceptable?

**3) If emissions reductions are to decline significantly over time, what policies are proposed to replace the household carbon tax?**

The simplest replacement would be a switch to a cap-and-trade program as has operated in Quebec since 2013. It has similarities to a carbon tax but is less visible to consumers; something politicians seem to be seeking. More emphasis could be placed on the industrial carbon price, on various regulations, or subsidies. What will it be? And how would these alternatives leave the economy and households better off?

The combination of the household carbon tax with rebates has smaller negative effects on the economy than economy-wide regulations with subsidies or industry-focused regulations with subsidies, [according](#) to the EcoFiscal Commission. Further, even if a tax is levied in the first instance on corporations, the ultimate cost will be borne by households as the tax is passed on to consumers.

**4) How does the politician see alternatives to the household carbon tax making households better off?**

The Parliamentary Budget Office (PBO) [estimated](#) that, on average, households are better off in the eight provinces affected by the carbon tax when considering the fiscal effects only. It did, however, estimate household income losses on average when layering in the estimated decline in output caused by the tax. That result should be viewed with scepticism, however. The PBO created an asymmetry in its analysis by including the economic costs of the carbon tax but ignoring the economic benefits of reduced emissions and less climate change attributable to the tax. Further, the PBO estimated that households in the bottom 40 percent of the income distribution would lose their net income gain from the combination of the carbon tax and associated rebates. Finally, as noted above, the income and output losses associated with all alternatives to the carbon tax would likely be more severe.

**5) How would an alternative to the household carbon tax fit with other climate policies?**

How will any alternative climate change initiative fit with the multitude of policies in place, including but not limited to subsidies for electric vehicles, clean electricity regulations, oil and gas emissions caps and the industrial carbon tax? Would the politician just deal with the household carbon tax or evaluate the whole approach to reducing emissions? That would mean new approaches would need to replace the foregone emissions reduction from the household carbon tax plus fill the gap left from the suite of existing policies.

**6) Will politicians acknowledge that the root of this issue is to make environmental policy less transparent?**

Dislike of the household carbon tax is rooted in its transparent effects on household budgets despite that many households are net winners with the associated rebates. The carbon tax can be cancelled or replaced, and this transparency can be buried. But either the risks from climate change will rise if there are no alternatives or any economic and income losses to households will be larger, albeit less visible.

If Canadians prefer a less transparent approach to climate change, then so be it. But we should first force politicians to be transparent about their strategy of non-transparency.

Answers please!

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