Committee Report # 46-19(2)
Date: March 2, 2023

Standing Committee on
Government Operations

Northwest Territories
Legislative Assembly

Report on Bill 67: *An Act to Amend the Fire Prevention Act*

19th Northwest Territories Legislative Assembly

Chair: Mr. Rylund Johnson

MEMBERS OF THE STANDING COMMITTEE ON GOVERNMENT OPERATIONS

Rylund Johnson
MLA Yellowknife North
Chair

Frieda Martselos
MLA Thebacha
Deputy Chair

Caitlin Cleveland
MLA Kam Lake

Richard Edjericon
MLA Tu Nedhé-Wıìlıìdeh

Lesa Semmler
MLA Inuvik Twin Lakes

Alternates:

Jackie Jacobson
MLA Nunakput

Kevin O’Reilly
MLA Frame Lake

March 3, 2023

SPEAKER OF THE LEGISLATIVE ASSEMBLY

Mr. Speaker:

Your Standing Committee on Government Operations is pleased to provide its *Report on Bill 67: An Act to Amend the Fire Prevention Act* and commends it to the House.

Mr. Rylund Johnson
Chair, Standing Committee on Government Operations

STANDING COMMITTEE ON
GOVERNMENT OPERATIONS

Report on Bill 67:

An Act to Amend the Fire Prevention Act

TABLE OF CONTENTS

STANDING COMMITTEE ON GOVERNMENT OPERATIONS

REPORT ON BILL 67: *AN ACT TO AMEND THE FIRE PREVENTION ACT*

INTRODUCTION

Bill 67: *An Act to Amend the Fire Prevention Act*[1] (Bill 67) received second reading on November 3, 2022 and was referred to the Standing Committee on Government Operations (Committee) for review.

Bill 67 makes changes to the *Fire Prevention* (*Act*) that has not been comprehensively reviewed since it was first passed in 1988. Bill 67 is intended to improve regulatory functions of the *Act*, create an authoritative plan review process, and a formal avenue of appeal for plan reviews, as well as provide protection against personal liability that is comparable to other jurisdictions.

The new *Act* specifically changes the following:

- adds a liability exclusion for fire officials
- authorizes the Fire Marshall to delegate duties
- requirements made in a plan review report are binding
- establishes a Plan Review Appeal Board
- modernizes language[2]

COMMITTEE CONSIDERED PUBLIC INPUT

Committee sought public feedback on Bill 67 with a public notice and targeted engagement letters. Committee received written submissions from the Northwest Territories Association for Communities (NWTAC) which is included as an Appendix to this report.

On January 12, 2023, Committee held a public hearing to review Bill 67[3] At that meeting, Committee heard remarks from Minister of MACA, asked questions to departmental officials, and received oral comments from the NWTAC. Committee thanks the NWTAC for their engagement.

One area that NWTAC identified was the need to provide clarity and certainty with respect to the timelines of the Appeal Board process. Committee agreed with this concern.

Committee also held concern regarding the composition of the Board and wanted to ensure the Appeal Board would consist of industry professionals from across the NWT, and not be filled with public servants.

Committee was initially concerned about the exclusion of liability clause for the Minister or others carrying out a power or duty by the Act, but Committee recognizes this is necessary to provide protection against personal liability for those performing statutory functions and that the clause is consistent with other jurisdictions across Canada.

Committee recognizes the NWT lacks stand-alone building standards legislation, as most other jurisdictions across Canada have. Committee has expressed concern that without building standards legislation the Fire Marshal is becoming the authority for both fire and buildings. The NWT is currently the only Canadian jurisdiction that has not adopted a building standards framework to support the National Building Code and the National Fire Code[4]. The GNWT has identified this legislation needs to be developed and is targeting for the 20th assembly.

COMMITTEE AMENDED THREE CLAUSES

Timeline for Appeal Board Process

While Committee welcomes the establishment of an appeal board to deal with appeals on decisions of the Fire Marshal, Committee was concerned the legislation did not provide enough clarity on timelines for the process. The NWTAC also requested the timeline for appeal board processes be clarified in legislation.

A motion was drafted to ensure a clear timeline was established for the appeal board to make a decision on the appeal board hearing. Clause 14 of Bill 67 is amended to establish a 30-day period for the board to '*affirm, modify or revoke the order*'.

Committee is satisfied this motion provides a clear timeline for the appeal board process to be carried out and the motion to amend clause 14.1(3) was passed at the clause-by-clause review.

Appeal Board Composition

While Committee supports the establishment of an Appeal Board there was concern about the composition of the Board. Committee specifically wanted to ensure that the GNWT would not create another board that is filled by public servants. Committee refers specifically to the composition of the Northwest Territories Power Corporation board held by Deputy Ministers and views this as highly inefficient and ineffective. Committee also wanted to ensure that clear provisions were in place to ensure industry professionals from across the NWT fill the composition of the appeal board.

A motion was drafted to ensure the "*Minister shall make reasonable efforts to appoint members who are representative of the industries and communities of the Northwest Territories*".

This motion was passed at the clause-by-clause review.

A motion was drafted to ensure public servants refrain from participation in the Appeal Board. The motion provided certainty that *"the Minister shall not appoint a member of the public service to the Board."*

This motion was passed at the clause-by-clause review.

CONCLUSION

On February 13, 2023, Committee held a clause-by-clause review[5]. Committee passed the motions to report Bill 67, as amended, to the Legislative Assembly as ready for consideration in Committee of the Whole.

This concludes the Standing Committee on Government Operations' review of Bill 67.

APPENDIX: Submissions

A. NWT Association of Communities

NOTES:

[1] Bill 67 is available at: https://www.ntassembly.ca/sites/assembly/files/reprint_-_bill_67_-_fire_prevention_a.pdf

[2] A plain language summary for Bill 67 is available at: https://www.ntassembly.ca/sites/assembly/files/tabled_document_798-192_-_ece_-_plain_language_summary_of_bill_68_an_act_the_fire_prevention_act.pdf

[3] Northwest Territories Legislative Assembly, you tube channel, Standing Committee on Government Operations, Public Hearing, https://www.youtube.com/watch?v=c3sHTeAXnAg&t=55s

[4] GNWT, Fire Prevention Act Discussion Paper, Review of the Fire Prevention Act and Consideration of Building Standards Framework

[5] Northwest Territories Legislative Assembly, you tube channel, Standing Committee on Government Operations, Clause by Clause review of Bill 67, https://www.youtube.com/watch?v=c3sHTeAXnAg

APPENDIX A

Proposed Carbon Pricing

Starting April 1, 2023

November 2022

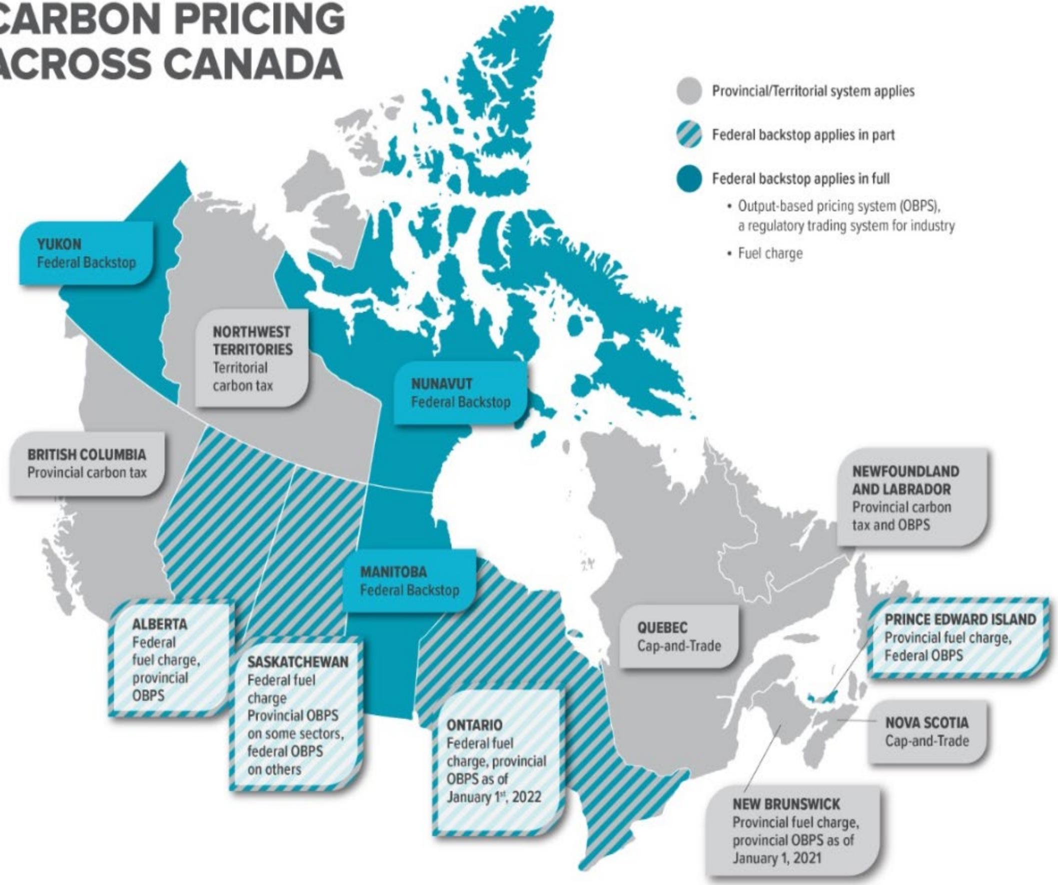
Government of
Northwest Territories

Background

Changes to federal carbon pricing

- In 2018, the federal government passed the Greenhouse Gas Pollution Pricing Act ("GGPPA") that applies in jurisdictions where the carbon pricing does not meet the federal benchmarks.
- Canada revised the national carbon pricing benchmarks for 2023 to 2030:
  - Carbon price will increase annually by $15 a tonne of GHG (greenhouse gas) equivalent emissions starting at $65 a tonne April 1, 2023 rising to $170 per tonne by 2030.
  - Jurisdictions may keep own systems but must have same coverage as the federal system, and revenue recycling cannot negate the carbon price signal.

CARBON PRICING ACROSS CANADA



Carbon tax rate schedule

Carbon price increases $15 a tonne of GHG emissions on April 1 of each year, starting at $65 a tonne April 1, 2023.

Fuel	Unit	2023	2024	2025	2026	2027	2028	2029	2030
Aviation fuels	$/litre	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Butane	$/litre	0.1157	0.1424	0.1691	0.1958	0.2225	0.2492	0.2759	0.3026
Diesel	$/litre	0.1738	0.2139	0.2540	0.2941	0.3342	0.3743	0.4144	0.4545
Gasoline	$/litre	0.1431	0.1761	0.2091	0.2422	0.2752	0.3082	0.3412	0.3743
Naptha	$/litre	0.1465	0.1803	0.2142	0.2480	0.2818	0.3156	0.3494	0.3832
Natural gas	$/m^3	0.1239	0.1525	0.1811	0.2097	0.2383	0.2669	0.2954	0.3240
Propane	$/litre	0.1006	0.1238	0.1470	0.1703	0.1935	0.2167	0.2399	0.2631

Carbon Tax Effectiveness Reducing Emissions

The annually increasing carbon tax will provide incentives to reduce carbon-based fuel use by encouraging:

Conservation:

- Building renovations, lowering thermostats, driving less

Substitution:

- Wind/solar/hydro electricity for space and water heating
- Electric vehicles where recharging infrastructure exists
- Untaxed biomass such as wood pellets (may marginally reduce emissions but increase other pollutants)

GNWT response

- On April 1, 2022 the GNWT advised ECCC that it was keeping the NWT carbon tax system to provide more flexibility in carbon recycling programs.
- To meet the 2023-2030 benchmarks while retaining the NWT system, the GNWT must:
  - Amend the *Petroleum Products and Carbon Tax Act* to add the new tax rates
  - Amend regulations and policy to:
    - Eliminate rebates on heating fuel and for Large Emitters
    - Eliminate or revise the Large Emitter Grant Program
- On September 1, 2022 the GNWT provided ECCC with proposed carbon revenue recycling programs that do not negate the carbon pricing signal.

Proposed changes

In order to meet the new federal benchmarks, the GNWT has proposed:

1. Replacing the at-source carbon tax rebate on heating fuel with increased Cost of Living Offset (COLO) payments
2. Eliminating the Large Emitter Grant Program
3. Replacing the 72% Large Emitter Rebate (previously measured against emissions) with a rebate measured against a baseline average of three consecutive years' fuel consumption

Proposal #1

Replacing the carbon tax rebate for heating fuel

Current NWT system

The current NWT Carbon Tax rebate for heating fuel recognizes:

- that an economically-viable alternative is currently unavailable;
- that high fuel prices already provide residents with an incentive to reduce;
- that a large proportion of people in public housing do not incur heating costs; and
- a desire to also mitigate the carbon tax cost for business and municipal governments.

Proposed change

The GNWT's proposed carbon revenue recycling program will replace the existing heating fuel rebate with an increase in COLO payments equal to the average annual heating cost increase due to the carbon tax, starting April 2023.

- Carbon tax rate of $65 a tonne is expected to cost NWT households an extra $400 for heating, per year
- Increased COLO amounts per resident will increase $135
- Business, municipal governments and other organizations will pay full carbon tax

Advantages and drawbacks

Advantages

- complies with original COLO objectives to return carbon tax to residents without negating the price signal
- will not create additional administrative costs; the Canada Revenue Agency administers COLO
- increases to annual COLO payments are done through regulations

Drawbacks

- Does not distinguish between residents who are incurring the carbon tax for heat and those who do not
- Does not distinguish between households with high heating cost due to family size, region, house type and/or heating fuel source, and households with low or no heating costs
- Does not address additional heating costs for businesses, local governments and other organizations

Proposed COLO payments

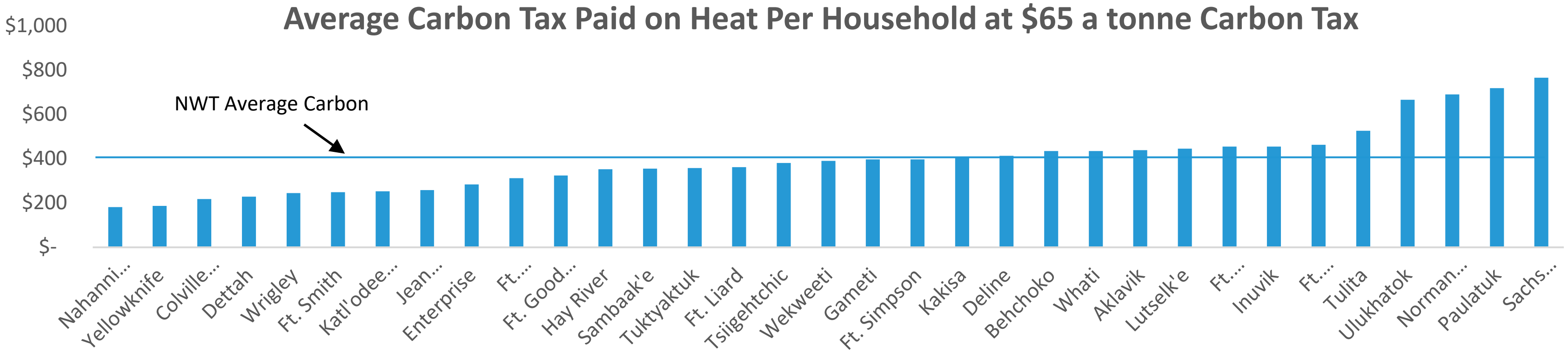
A family of 2 adults and 2 children would receive quarterly payments of $499 from July 2023 to June 2024 ($1,996 total)

- COLO payments made quarterly starting July 1 of each year
- COLO amounts increase as carbon tax rates increase
- the proposal adds an amount for heating fuel to the already established adult and dependent COLO amounts

COLO rates with Tax Rate Increases ($/person)

	COLO Rates	2022 - 2023	2023 - 2024	2024 - 2025	2025 - 2026	2026 - 2027	2027 - 2028	2028 - 2029	2029 - 2030	2030 - 2031
With heating fuel rebate (ends March 2023)	**Adult**	260	338	416	494	572	650	728	806	884
	Person under 18 years	300	390	480	570	660	750	840	930	1,020
Without heating fuel rebate (starts April 2023)	**COLO Heating fuel increase**	-	135	166	197	228	260	291	322	353
	Total COLO Adult	260	473	582	691	800	910	1,019	1,128	1,237
	Total COLO	300	525	646	767	888	1,010	1,131	1,252	1,373

Home heating costs vary across the NWT



- The effect of the carbon tax on average 2023-24 home heating bills will range from less than $200 per household in Nahanni Butte to over $750 in Sachs Harbour.
- Increased COLO payments by $135 per resident may over-offset carbon tax paid on heat by some households and under-offset other households.

Impact on households

- 7,990 households[1] with owned homes will pay the carbon tax on heat; these household will have an incentive to reduce emissions through reduced heating fuel use (as much as feasible, given lack of alternatives);
- 4,000 households in market rentals. These household will pay the carbon tax on heat if landlords will pass on the carbon tax through higher rents, resulting in no direct link between heating fuel use and carbon tax paid.
- 4,000 households in social and affordable housing. These households will not pay the carbon tax on heat; these households will not have an incentive to reduce emissions.

[1] Estimated numbers of households (owned, rented, social) from NWT Bureau of Statistics

Impact on households

(cont)

Households living in owned homes and market rentals will be disproportionately affected by the removal of the at-source carbon tax rebate on heating fuel.

- Increasing COLO payments will not target households disproportionately affected

Impact on businesses

- Operating costs for NWT businesses increase after the carbon tax rebate on heating fuel is removed.
- Whether the increased heating costs are passed to consumers depends on factors such as business size, community, industry competition, market demand and government support to offset the carbon tax paid.
- Some pass through of higher heating costs by businesses is expected.

Proposal #2

Eliminating large emitter grants

Current NWT System

The current Large Emitters Grant Program is tied to a facility's emissions and does not meet Canada's new carbon pricing benchmarks. To comply with federal benchmarks, the Large Emitter Grant program would need to:

- be based on a non-emissions metric such as output, assets, or floor space;
- guarantee that the grants would not be paid out largely based on emissions; and
- add administration burden with minimal value in meeting emission reduction.

Proposed change

Discontinue the Large Emitter Grant after March 31, 2023.

- Revenue already accrued in each mine's fund to March 31, 2023 will remain available for five years (until March 31, 2028), after which any unused funds will flow back to the GNWT.

Advantages and drawbacks

Advantages

- Satisfies the ECCC criteria of not negating the carbon price signal
- Allows the existing large emitters to retain access to the funds for another five years

Drawbacks

- Elimination of a program that returned tax revenue as an incentive to reduce GHG emissions

Proposal #3

Replacing large emitter rebates

Current NWT System

The current 72% Large Emitter Rebate is tied to a facility's actual emissions and does not meet Canada's new carbon pricing benchmarks.

Proposed change

Rebate 72% of carbon tax to a pre-determined, facility-specific fixed baseline (measured in litres) for each mine.

- The 72% rebate is set to help mitigate the risk that a mine could receive more in rebates than paid in carbon tax
- The 72% rebate will be reviewed when a mine is closing to ensure that mine does not receive a higher rebate than carbon tax paid

Advantages and drawbacks

Advantages

- Helps mitigate the penalty for being under the NWT carbon tax instead of the federal OBPS
- Keeps the system simple by using fuel volume data already collected in tax system
- Allows same treatment regardless of mine size (OBPS has an opt-in provision for emitters with greater than 10 kt of emissions but new NWT mines may emit less than 10 kt)
- Allows flexibility for special treatment during mine construction and closure (not covered under OBPS)
- Ensures that the large emitters share a similar tax burden to Northwest Territories residents

Drawbacks

- Risk that large emitter can reduce consumption so far below the baseline that the rebate is greater than the carbon tax paid. This risk is mitigated by only rebating a percentage of carbon tax below the baseline.

Facility-specific baselines

Facility-specific baselines would be set as the average fuel consumption for three years of operation:

Existing Mines

average fuel consumption is measured from 2018-19 to 2021-22 or any 3 consecutive years if there were production disruptions (shutdowns) at mine between 2018-19 and 2021-22

New Mines

will receive 72% rebate of carbon tax paid for 36 months of operation until a baseline is established

Mine Construction

A special intensity baseline for mine construction is under review

Modified large emitter rebate (example)

Tax rate (cents/litre)	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
Tax Rate (cents/litre)	17.38	21.39	25.40	29.41	33.42	37.43	41.44	45.45
Rebate rate (%)	72%	72%	72%	72%	72%	72%	72%	72%
Fuel consumption (millions of litres)	59.2	62.1	55.9	65.1	59.2	53.3	26.6	0
Fixed baseline (millions of litres)	48.5	48.5	48.5	48.5	48.5	48.5	48.5	48.5
Carbon tax paid ($ millions)	10.3	13.3	14.2	19.1	19.8	19.9	11.0	-
Rebate under current system ($ millions)	7.4	9.6	10.2	13.8	14.2	14.4	7.9	-
Rebate with fixed baseline ($ millions)	6.1	7.5	8.9	10.3	11.7	13.1	10.0	-
Net carbon tax paid ($ millions)	4.2	5.8	5.3	8.9	8.1	6.9	1.0	-
Effective tax rate (%)	41%	44%	38%	46%	41%	34%	9%	-

Notes:

- Fixed baseline of GHG emissions derived from the average volumes from 2019-20 to 2021-22
- Mine closes in 2029-30
- Effective tax rate changes as actual consumption changes

Carbon tax revenues and expenditures

- Rebates will decline over time due to existing mines closing
- Total carbon tax offset program budget will also decline
- Net carbon tax revenue remaining will go into general revenues but can be applied notionally to specific GHG reducing investments to mitigate the effects of the carbon tax on business and community governments

Carbon tax revenues and expenditures

Carbon tax per tonne of emissions	$50	$65	$80	$95	$110	$125	$140	$155	$170
	2023-24		2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	Budget	Actual	($ millions)						
Total carbon tax revenue	48.9	62.7	68.5	71.0	82.3	93.6	93.0	81.3	77.2
Carbon tax offsets									
Cost of Living Offset (COLO)	11.5	14.1	17.5	21.0	24.4	27.9	31.3	34.8	38.2
COLO heating fuel enhancements	-	5.8	7.0	8.3	9.8	11.1	12.4	13.6	15.1
Rebate on community electricity generation	3.4	3.2	3.9	4.6	5.4	6.1	6.8	7.5	8.3
Heating fuel rebate	9.3	-	-	-	-	-	-	-	-
Large emitter rebate (72%)	12.5	24.1	23.4	20.3	23.5	26.7	21.3	7.9	-
Large emitter grant program (12%)		-	-	-	-	-	-	-	-
Total carbon tax offsets	40.9	47.2	51.8	54.2	63.1	71.7	71.8	63.8	61.6
Remaining carbon tax revenue	8.0	15.5	16.7	16.8	19.2	21.8	21.2	17.5	15.7

Next steps

Approval Process for Changing Carbon Pricing Rates and Coverage:

- Bill 60 introduced to amend carbon tax rates– completed in October 2022 Session
- Pass the Bill in the Legislative Assembly – February 2023 Session
- Bill comes into Force – April 1st, 2023

Approval Process for Changing Carbon Tax Expenditures

- Continue to refine carbon expenditure proposals to reflect public concerns and confirm with ECCC that revisions still meet federal benchmarks
- Change Regulations for carbon expenditures after 2023-24 Budget approval (Mar 2023)

Government of
Northwest Territories

December 21, 2022

RYLUND JOHNSON
CHAIRPERSON
STANDING COMMITTEE ON
GOVERNMENT OPERATIONS

THE CONTENT OF THIS DOCUMENT IS NOT CONFIDENTIAL

Bill 60: An Act to Amend the Petroleum Products and Carbon Tax Act

Thank you for the opportunity for the Department of Finance (the Department) to provide the November 25, 2022 briefing to Standing Committee on Government Operations' regarding its review of Bill 60: An Act to Amend the Petroleum Products and Carbon Tax Act*.* The presentation from this briefing is posted on the Department's website at:

https://www.fin.gov.nt.ca/en/resources/carbon-tax-proposal.

Further to Committee's questions from the November 25, 2022 briefing, the Department has provided more information in the Annex attached to this letter. I appreciate Committee's efforts to expedite its review on this important piece of legislation. Please contact my office if Committee has further questions.

R.J. Simpson
Government House Leader

Attachment

c. Premier
Ministers
Principal Secretary
Secretary to Cabinet/Deputy Minister, Executive and Indigenous Affairs
Secretary to the Financial Management Board/Deputy Minister, Finance
Deputy Minister, Environment and Natural Resources
Deputy Minister, Infrastructure
Clerk, Legislative Assembly
Deputy Clerk, House Procedures and Committees
Legislative Coordinator
Director, Research Services

ANNEX

What happens if Bill 60 does not pass?

The federal government requires the increased carbon tax rates and coverage in all provinces and territories. The GNWT chose to keep the Northwest Territories carbon tax regime instead of requesting the federal backstop to maximize its flexibility in designing a system that reflects Northern priorities and circumstances.

If Bill 60 is not passed, the Northwest Territories will not be able to meet the new federal benchmarks on April 1, 2023 and it is expected that the federal government will impose the federal backstop system in its entirety on the Northwest Territories. Under federal legislation, carbon pricing revenues raised under the federal backstop must be returned to the jurisdiction where they were generated, but it is unknown if Canada would return these revenues to the GNWT or directly to individuals through the income tax system.

The most likely scenario based on observations of what occurs in other provinces is that Canada would return those revenues directly to individuals (as is the case in Ontario, Alberta, Manitoba, and Saskatchewan) through federal Climate Action Incentive Payments (CAIP). These CAIP amounts would be calculated based on total estimated carbon tax proceeds and would be delivered on a quarterly basis by the Canada Revenue Agency (CRA) to households that file a tax return. The per-household CAIP amounts would vary based on family size but likely would be uniform across communities. Remaining proceeds not returned through CAIP would be used to provide support other Federal funding within the NWT, although the details are not known and would be outside of the GNWT's control or even influence.

Implementing the federal backstop and CAIP for NWT residents also removes the flexibility currently enjoyed by administering the NWT carbon tax regime. For example, the GNWT is currently looking at adjusting regional Cost of Living Offset (COLO) payment depending where resident live. This flexibility would not be available under CAIP.

Carbon tax on home heating implications by community

NWT households will spend, on average, $400 in direct carbon tax on heat in 2023-2024. Heating fuel needs vary widely across the territory though, and the amount of carbon tax paid on heat will be significantly higher than $400 for households in some communities and significantly lower for households in other communities.

We also estimate that NWT households will see increases to other costs as a result of the impacts of the carbon tax on businesses and municipalities. This "indirect" carbon tax is calculated using our internal input-output model.

The average household carbon tax burden by community is provided in the following table.

Community	Carbon Tax at $65 a tonne Direct Carbon Tax on Heat	Indirect Carbon Tax	Total Household Carbon Tax Burden
Nahanni Butte	$181	$272	$453
Yellowknife	$186	$272	$458
Colville Lake	$218	$272	$490
Dettah	$228	$272	$500
Wrigley	$245	$272	$517
Ft. Smith	$248	$272	$520
Katl'odeeche	$253	$272	$525
Jean Marie River	$258	$272	$530
Enterprise	$283	$272	$555
Ft. Resolution	$312	$272	$584
Ft. Good Hope	$324	$272	$596
Hay River	$352	$272	$624
Sambaak'e	$355	$272	$627
Tuktyaktuk	$358	$272	$630
Ft. Liard	$362	$272	$634
Tsiigehtchic	$381	$272	$653
Wekweeti	$390	$272	$662
Gameti	$397	$272	$669
Ft. Simpson	$397	$272	$669
Kakisa	$408	$272	$680
Deline	$413	$272	$685
Behchoko	$434	$272	$706
Whati	$434	$272	$706
Aklavik	$439	$272	$711
Lutselk'e	$445	$272	$717
Ft. Providence	$454	$272	$726
Inuvik	$454	$272	$726
Ft. McPherson	$463	$272	$735
Tulita	$526	$272	$798
Ulukhatok	$666	$272	$938
Norman Wells	$690	$272	$962
Paulatuk	$719	$272	$991
Sachs Harbour	$766	$272	$1,038

Regionalized COLO Option

The Canada Revenue Agency (CRA) administers the existing COLO program on behalf of the GNWT for an annual cost of $200,000. The current COLO provides set amounts for individuals and children on a territory-wide basis and is designed to address the burden of the carbon tax on residents. The GNWT is currently discussing the feasibility of a regional COLO with the CRA.

A regional COLO would address the fact that heating fuel needs vary across the NWT. A regional COLO would separate communities into three geographic zone based on households' average annual heating fuel use as shown in the following table.

Zone A – *Low Fuel Use*	**Zone B – *Moderate Fuel Use***	**Zone C – *High Fuel Use***
Colville Lake	Aklavik	Norman Wells
Dettah	Behchokǫ̀	Paulatuk
Enterprise	Deline	Sachs Harbour
Fort Good Hope	Fort Liard	Tulita
Fort Resolution	Fort McPherson	Ulukhaktok
Fort Smith	Fort Providence	
Hay River	Fort Simpson	
Jean Marie River	Gameti	
Kátł’odeeche	Inuvik	
Nahannie Butte	Kakisa	
Ndilǫ	Łutselk’e	
Wrigley	Somba K’e	
Yellowknife	Tsiigehtchic	
	Tuktoyaktuk	
	Wekweètì	
	Whatì	

Using each zone's population and household heating fuel use, the regional COLO amounts for each individual are estimated in the following table. Similar to the current COLO, these payments would increase with carbon tax rate increases.

	$65 2023-24	$80 2024-25	$95 2025-26	$110 2026-27	$125 2027-28	$140 2028-29	$155 2029-30	$170 2030-31
Zone A	$103	$127	$151	$175	$199	$223	$246	$ 270
Zone B	$145	$177	$210	$243	$277	$310	$343	$ 377
Zone C	$220	$270	$322	$372	$422	$473	$523	$ 575

The following table shows the projected total cost of regional COLO payments to the GNWT from 2023-34 to 2030-31.

	$65 2023-24	$80 2024-25	$95 2025-26	$110 2026-27	$125 2027-28	$140 2028-29	$155 2029-30	$170 2030-31
Zone A	$ 3,179,843	$ 3,913,440	$ 4,647,038	$ 5,381,288	$ 6,114,886	$ 6,848,484	$ 7,582,082	$ 8,315,679
Zone B	$ 1,808,440	$ 2,203,387	$ 2,619,120	$ 3,034,853	$ 3,450,587	$ 3,866,320	$ 4,282,053	$ 4,697,787
Zone C	$ 481,800	$ 591,300	$ 704,450	$ 813,950	$ 923,450	$ 1,036,600	$ 1,146,100	$ 1,259,250
Total	**$ 5,470,083**	**$ 6,708,127**	**$ 7,970,608**	**$ 9,230,092**	**$ 10,488,923**	**$ 11,751,404**	**$ 13,010,235**	**$ 14,272,716**

The projected net carbon tax revenues to the GNWT from 2023-34 to 2030-31 is provided in the following table.

Carbon Tax / tonne of emissions Effective date	$50 July 1, 2022	$65 April 1, 2023	$80 April 1, 2024	$95 April 1, 2025	$100 April 1, 2026	$125 April 1, 2027	$140 April 1, 2028	$155 April 1, 2029	$170 April 1, 2030
					($ millions)				
Total Carbon Tax Revenue	48.9	62.7	68.5	71.0	82.3	93.6	93.0	81.3	77.2
Carbon Tax Offsets									
COLO (Cost of Living Offset)	11.5	14.1	17.5	21.0	24.4	27.9	31.3	34.8	38.2
Regional COLO Enhancement for heating fuel		5.5	6.8	8.1	9.3	10.5	11.7	13.0	14.3
Tax rebate on community electricity generation fuel	3.4	3.2	3.9	4.6	5.4	6.1	6.8	7.5	8.3
Heating fuel carbon tax rebate (non-large emitters)	9.3	-	-	-	-	-	-	-	-
Large emitter 72% carbon tax rebate	12.5	24.1	23.4	20.3	23.5	26.7	21.3	7.9	-
Large emitter 12% grant program	4.2	-	-	-	-	-	-	-	-
Total Carbon Offsets	40.9	46.9	51.6	54	62.6	71.2	71.1	63.2	60.8
Carbon tax revenue remaining	**8.0**	**15.8**	**16.9**	**17.0**	**19.7**	**22.4**	**21.9**	**18.1**	**16.4**

Homeowner Heating Option

An alternative option to a uniform increase in COLO payments is to create a regional homeowner heating allowance (HOHA). This type of offset would address the fact that not all NWT residents will pay an equal amount of carbon tax on heat. Carbon tax on heat depends on geographic location (because heating fuel needs vary across communities) and housing tenure (because homeowners will pay the carbon tax on heat while renters in public or subsidized housing will not). Unlike COLO payments, HOHA would be paid to households not individual residents. Households would need to apply to the program to receive HOHA, and only one payment per household would be given. To be eligible for HOHA, households would need to prove they pay for heat; this will primarily be homeowners and some households in market rentals, but it will exclude households in public or subsidized housing.

A regional HOHA would separate communities into the same three geographic zones used for the regionalized COLO Option. Within each zone the average amount of carbon tax paid on heat by households would be paid to eligible households that apply for HOHA. Per household HOHA payments would increase in step with the carbon tax as shown in the following table.

	$65 2023-24	$80 2024-25	$95 2025-26	$110 2026-27	$125 2027-28	$140 2028-29	$155 2029-30	$170 2030-31
Zone A	$310	$380	$450	$525	$595	$665	$740	$810
Zone B	$435	$530	$630	$730	$830	$930	$1,030	$1,130
Zone C	$660	$810	$965	$1,115	$1,265	$1,420	$1,570	$1,725

How many households will be eligible for HOHA or how many eligible households will apply is unknown. Assuming all households in owned homes and the majority of households in market rentals are eligible and apply, an upper-bound estimate can be calculated. Using this upper-bound estimate, the projected total cost of HOHA payments to the GNWT from 2023-34 to 2030-31 is show in the following table.

	$65 2023-24	$80 2024-25	$95 2025-26	$110 2026-27	$125 2027-28	$140 2028-29	$155 2029-30	$170 2030-31
Zone A	$ 3,178,478	$ 3,896,198	$ 4,613,919	$ 5,382,906	$ 6,100,627	$ 6,818,347	$ 7,587,334	$ 8,305,055
Zone B	$ 1,693,187	$ 2,062,963	$ 2,452,202	$ 2,841,440	$ 3,230,678	$ 3,619,917	$ 4,009,155	$ 4,398,393
Zone C	$ 466,620	$ 572,670	$ 682,255	$ 788,305	$ 894,355	$ 1,003,940	$ 1,109,990	$ 1,219,575
Total	**$ 5,338,284**	**$ 6,531,832**	**$ 7,748,376**	**$ 9,012,651**	**$ 10,225,660**	**$ 11,442,204**	**$ 12,706,479**	**$ 13,923,023**

The projected net carbon tax revenues to the GNWT from 2023-34 to 2030-31 is:

Carbon Tax / tonne of emissions Effective date	$50 July 1, 2022	$65 April 1, 2023	$80 April 1, 2024	$95 April 1, 2025	$100 April 1, 2026	$125 April 1, 2027	$140 April 1, 2028	$155 April 1, 2029	$170 April 1, 2030
					($ millions)				
Total Carbon Tax Revenue	48.9	62.7	68.5	71.0	82.3	93.6	93.0	81.3	77.2
Carbon Tax Offsets									
COLO (Cost of Living Offset)	11.5	14.1	17.5	21.0	24.4	27.9	31.3	34.8	38.2
HOHA (Homeowners Heating Allowance)		5.3	6.5	7.8	9.0	10.2	11.4	12.7	13.9
Tax rebate on community electricity generation fuel	3.4	3.2	3.9	4.6	5.4	6.1	6.8	7.5	8.3
Heating fuel carbon tax rebate (non-large emitters)	9.3	-	-	-	-	-	-	-	-
Large emitter 72% carbon tax rebate	12.5	24.1	23.4	20.3	23.5	26.7	21.3	7.9	-
Large emitter 12% grant program	4.2	-	-	-	-	-	-	-	-
Total Carbon Offsets	40.9	46.7	51.3	53.7	62.3	70.9	70.8	62.9	60.4
Carbon tax revenue remaining	**8.0**	**16.0**	**17.2**	**17.3**	**20.0**	**22.7**	**22.2**	**18.4**	**16.8**

While HOHA is equitable as it targets only those households that will pay carbon tax on heat, there are notable downsides. First, it is more costly and reduces the carbon tax revenue. The HOHA would have to be administered by the GNWT and may exceed the administrative capacity of the GNWT. Last, it would provide no relief to residents living in subsidized or public housing from the estimated added costs of indirect carbon taxes.

Implications of the carbon tax on the GNWT's finances

The carbon tax will increase prices, which will increase the cost of some government programs and services. These increased costs will vary by department, but the cost effect will be similar to other price increases due to inflationary pressures or market forces unrelated to carbon tax. Departments typically address cost increases through the business planning process and forced growth, which is realized increased costs outside of a department's ability to address within its existing budget.

Changes in the Northwest Territories Greenhouse Gas emission profile since the introduction of the carbon tax September 1, 2019

Conclusions about the direct contribution of the carbon tax on Northwest Territories emissions are not possible because the few years of data make it impossible to separate the effect of the carbon tax on emissions from the effect of other factors that influence fuel consumption on a year-to-year basis. Fuel use changes annually due to interconnected factors including weather, changes in economic activity, interest rates, and the availability of new technology. Most recently, the COVID-19 pandemic led to unforeseen changes in fuel demand that are unlikely to be repeated.

Although the carbon emission data needed to measure the effect of the carbon tax on reducing carbon emissions in the Northwest Territories will not be available for many years, the *Annual NWT Carbon Tax Reports* provide further information on fuel volumes subject to the carbon tax.

Public Communication

The Department is actively developing communication materials to raise awareness and understanding of pending changes to the carbon tax system.

Starting in January 2023 and before Bill 60 is passed, the GNWT will issue communication materials that remind audiences that starting April 1, 2023:

- the carbon tax will increase to $65 a tonne; and
- the current point of sale rebate on heating fuel and rebates for large industrial emitters will be discontinued.

These measures will be imposed by the federal government and will take effect regardless of any action by the GNWT. The Department believes that this communication during the Committee Stage is necessary for residents, businesses, and industry to prepare for this significant change.

Assuming assent of Bill 60, the GNWT will engage in further communications on proposed measures that depend on the Bill's passing, including COLO and the new large emitter rebate. These communication materials are being developed in cooperation with the departments of Environment and Natural Resources and Infrastructure.

Government of
Northwest Territories

INFORMATION OR COMMUNICATIONS PUBLIC

January 30, 2023

RYLUND JOHNSON
CHAIRPERSON
STANDING COMMITTEE ON GOVERNMENT OPERATIONS

Committee Review of Bill 60: An Act to Amend the *Petroleum Products and Carbon Tax Act*

Thank you for your letter dated January 19, 2023 requesting more information about Bill 60: An Act to Amend the *Petroleum Products and Carbon Tax Act*. As members know, Bill 60 purposes to change the carbon tax rates by $15 a tonne of greenhouse gas emissions annually starting April 1, 2023. This change is necessary to comply with the federal government's updated benchmarks for the national carbon pricing system. In response to Committee's questions, please refer to the sections below.

What is the difference in tax burden between Bill 60 and the federal backstop?
There is no difference between the territorial carbon tax and federal carbon tax for residents, businesses and community governments: the same carbon tax rates are being applied to the same carbon-based fuels.

The only difference is that large emitters are subject to the carbon tax in the Northwest Territories and under the federal system would be subject to the Output Based Pricing System (OBPS). Under the OBPS, only export intensive and trade exposed entities that emit more than 10 kilotonnes of greenhouse gas emissions annually are allowed to participate. Under the federal system, smaller mines in the NWT would not be able to participate in the OBPS and would be subject to the full carbon tax, further increasing their competitive disadvantage with lower-cost jurisdictions.

Why is the GNWT's carbon tax regime preferred over the federal system?
The GNWT's carbon tax regime is currently in place and the GNWT has proven capable of collecting the carbon tax with minimum administrative costs. As a responsible government, we should administer our own tax system that is controlled by the people of the NWT. There is no reason to cede this revenue-raising authority to Canada.

From the GNWT's perspective, there are three reasons to continue with the territorial carbon tax:

1. Continued ability to tailor carbon tax revenue recycling programs to meet the GNWT priority to mitigate the effects of the carbon tax for individuals and on the economy. Under the NWT carbon tax, the GNWT is able to modify the COLO to respond to the circumstances such as offering a zoned COLO that addresses necessary higher fuel consumption in remote communities.

.../2

2. Flexibility. The NWT carbon tax provides the GNWT will flexibility that is not available to either the Yukon or Nunavut because the federal government administers the carbon pricing (tax and OBPS) in those territories. The only flexibility Yukon and Nunavut has left in the updated benchmark from 2023 to 2030 is how to spend the carbon tax revenues that Canada raises in their respective territories provided the carbon price signal is not negated.

3. Ability to provide more targeted treatment to existing mines at different stages of development. Even with the federal condition that the carbon price signal cannot be negated, the GNWT will have flexibility under its approach to carbon tax to give the existing mines greater certainty in the amount of carbon tax paid during both operational and shut down phases that is not possible under the federal OBPS for large emitters. Further, under the federal system new mines on the NWT horizon may be too small to qualify for the federal OBPS and will be subject to the full carbon price. However, under the NWT system the GNWT has the continued flexibility to designate new mining operations as large emitters even if they would not qualify under the federal system.

What are the differences in carbon price revenue recycling between the federal and NWT systems?

We cannot offer a comparison between the carbon price revenue expenditures under the territorial and federal systems because we do not know what the federal government will do with the carbon price revenues under the federal system. We are led to understand that if Bill 60 does not pass, the federal government may consider the Northwest Territories as non-compliant with the national carbon pricing and will impose a tax on the territory and will distribute the revenues generated in the territory directly to individuals.

Retaining the NWT system allows flexibility on where the revenues are spent, such as a flexible Cost of Living Offset (COLO) Program and for green energy investments, subject to Legislative Assembly approval through the budget process.

Can changes be made to the GNWT proposed carbon price revenue recycling if Bill 60 is passed?

To mitigate the effects the increased carbon tax has on the cost of living, the GNWT implemented COLO. COLO increases in 'step' as the federal government increases the carbon tax; but there is a risk that some people and some regions will not be totally offset and some may get more than they pay in carbon tax. As such, enhancements to the COLO program are being implemented.

The GNWT has proposed to increase COLO to mitigate the effect of the carbon tax on the cost of living for residents, including increases to address the general effects of the higher tax rates and an additional increase to offset the average carbon tax on heating fuel that will occur because the at-source rebate must be eliminated.

We heard members' concerns in November 2022 that there is a risk that people in some regions will not be compensated enough for the carbon tax using a territorial average approach. We agreed that it is possible to devise a regional COLO to address the differing carbon tax paid on heating fuel. The Canada Revenue Agency administers the existing COLO program on behalf of the GNWT and confirmed that it can administer a regional COLO.

As such, the Department of Finance is proposing to design a regional COLO that would separate communities into three geographic zone based on households' average annual heating fuel use as shown in the following table.

Zone A – *Low Fuel Use*	**Zone B – *Moderate Fuel Use***	**Zone3 – *High Fuel Use***
Colville Lake	Aklavik	Norman Wells
Dettah	Behchokǫ̀	Paulatuk
Enterprise	Deline	Sachs Harbour
Fort Good Hope	Fort Liard	Tulita
Fort Resolution	Fort McPherson	Ulukhaktok
Fort Smith	Fort Providence	
Hay River	Fort Simpson	
Jean Marie River	Gameti	
Kátł'odeeche	Inuvik	
Nahannie Butte	Kakisa	
Ndilǫ	Łutselk'e	
Wrigley	Somba K'e	
Yellowknife	Tsiigehtchic	
	Tuktoyaktuk	
	Wekweètì	
	Whatì	

Using each zone's population and household heating fuel use, the regional COLO heating fuel offset amounts for each individual are estimated in the following table. Like the current COLO, these payments would increase with future carbon tax rate increases.

Tax Rate	$65 2023-24	$80 2024-25	$95 2025-26	$110 2026-27	$125 2027-28	$140 2028-29	$155 2029-30	$170 2030-31
Zone A	$103	$127	$151	$175	$199	$223	$246	$ 270
Zone B	$145	$177	$210	$243	$277	$310	$343	$ 377
Zone C	$220	$270	$322	$372	$422	$473	$523	$ 575

We also recognize that the carbon tax will raise business operating costs but we believe many of the actions under the Energy Strategy that lower overall energy costs for businesses may be more effective support for business than general grants or tax credits. Retail businesses are supported by returning carbon tax revenues to residents through the COLO so their purchasing power remains unchanged.

We recognize communities will have increased expenses because of the carbon tax and are prepared to work with community governments to better understand how the carbon tax is impacting their operations.

The amount of carbon tax paid by non-government organizations varies depending on their activities and support to offset the carbon tax would be better addressed through other grant and contribution programs that recognize their overall needs and are not tied to the carbon tax.

Can the GNWT ask Canada to reconsider the carbon price on heating fuel?
The Department of Finance has provided the Standing Committee with the ministerial letters sent to the various Ministers of Environment and Climate Change Canada since the updated carbon pricing benchmarks were announced. These letters produced no positive results, however the Department will continue to advocate for a better carbon tax outcome for the NWT where possible.

Will the GNWT withdraw Bill 60 for more discussion with Regular Members?
The Government is not prepared to withdraw Bill 60 as the concerns raised about revenue recycling can be addressed through the budget process (i.e. Bill 60 only proposes to change the carbon tax rates in line with the federal government benchmarks).

What is the GNWT's Contingency Plan with Bill 60 does not pass?
If Bill 60 does not pass, it is expected that the federal government will impose the federal carbon pricing system in the NWT effective April 1, 2023. Immediately if that happens and depending how the federal government treats the tax revenue, the GNWT will need to amend the *Petroleum Products and Carbon Tax Act* to eliminate the NWT carbon tax and likely remove the COLO and other current carbon tax rebates from the 2023-24 budget.

Finally, Appendix A of Committee's letter had incorrect information within. I have attached to this letter a 'track' version of Appendix A highlighting those corrections.

R.J. Simpson
Government House Leader

Attachment

c. Distribution List

Distribution List

Premier
Ministers
Principal Secretary
Secretary to Cabinet/Deputy Minister, Executive and Indigenous Affairs
Secretary to the Financial Management Board/Deputy Minister, Finance
Deputy Minister, Environment and Natural Resources
Deputy Minister, Infrastructure
Clerk of the Legislative Assembly
Deputy Clerk, House Procedures and Committees
Legislative Coordinator
Director, Research Services

	Yukon	NWT	Nunavut
General approach	Federal backstop	Made-in-NWT tax	Federal backstop
Tax rates	\$65/ton CO2e (2023) \$170/ton CO2e (2030)	\$65/ton CO2e (2023) \$170/ton CO2e (2030)	\$65/ton CO2e (2023) \$170/ton CO2e (2030)
Tax collection	Canada collects the tax, returns all net proceeds to YG.	~~Canada collects the tax on GNWT behalf.~~ GNWT collects the tax and distributes the carbon tax revenues	Canada collects the tax, returns all net proceeds to GN.
Revenue recycling	Rebates roughly match the tax paid by each sector. 45.0% Individuals 36.0% General business 12.0% Mining businesses 3.5% Municipal gvmts. 3.5% Indigenous gvmts.	For 2023-24: \$14M (22%) COLO \$6M (9%) COLO heating \$3M (5%) Hydro rebate \$24M (38%) Large emitters \$16M (25%) Not allocated	The Nunavut Carbon Rebate currently returns 50% of the tax paid on all fuel sold by the Petroleum Products Division. In 2019, Nunavut also reduced the income tax and small business tax rates. The Carbon rebate will not meet updated federal mandates and has to be revised so does not negate the price signal
	Approach based on public consultation in 2017-19.	The GNWT "continues to refine" revenue recycling proposals to reflect new public concerns.	It's unclear whether the GN has recycled new revenues from higher rates since 2019.
Distributional analysis	**Sectors**: The household sector receives rebates on tax paid by tourists and YG. Taxes and rebates roughly equal for other sectors. more rebates.	**Sectors**: ~~The h~~Households ~~sector likely~~ receive~~s~~ more in rebates than ~~it~~ pay~~s~~ in tax on average. ~~The reverse likely true for every other sector.~~ ~~.~~	**Sectors**: Unclear, except that GN likely receives more tax revenue than it recycles.
	Geography: Rural Yukoners receive 10% more in rebate amounts compared to Whitehorse.	**Geography**: No distinction.	**Geography**: Implicitly higher rebates to regions that use more fuel.
	Age: Individuals 19 and over only.	Age: Few distinctions.	Age: Implicitly higher rebates to adults who buy fuel + working-age people who pay income tax.
	Green-ness: Rebates for business and mines are 2x to 10x more for certain "super green" assets.	Green-ness: No distinction.	Green-ness: More rebates for higher fuel use.

Legislation: Revenues	Handled by Canada.	Petroleum Products and Carbon Tax Act.	Handled by Canada.
Legislation: Rebates	The Yukon Government Carbon Price Rebate Act: - Sets up a Rebate Revolving Fund - Sets up rebates and rates. The Yukon Income Tax Act also sets up rebates and rates.	All rebates approved through the Main Estimates process. Certain rebates, like COLO, are defined in the Income Tax Act but the amounts are set in Income Tax regulations following approval of the amounts in the Main Estimates.	Mostly handled in the Main Estimates process. Key changes made to income tax legislation to lower 2019 income tax rates.
Emissions target	Reduce 45% by 2030. (2010 baseline)	Reduce 30% by 2030. (2005 baseline)	~~Unclear~~ Emission targets not explicitly stated in public documents
Climate reporting	Our Clean Future annual report State of the Environment report Yukon climate change indicators and key findings (2015, 2022) Government GHG emissions report + Online hub of "Yukon climate change information"	Carbon tax annual report Climate change action plan summary report Energy Initiatives Report	Unclear

Government of
Northwest Territories

INFORMATION OR COMMUNICATIONS PUBLIC

February 27, 2023

RYLUND JOHNSON
CHAIRPERSON
STANDING COMMITTEE ON GOVERNMENT OPERATIONS

Bill 60: *An Act to Amend the Petroleum Products and Carbon Tax Act*

Thank you for the opportunity for the Department of Finance to appear before the Standing Committee on Government Operations' on the February 14, 2023 public hearing for Bill 60: *An Act to Amend the Petroleum Products and Carbon Tax Act.*

In response to Committee's decision that Bill 60 is not ready for consideration in Committee of the Whole, please be advised that it is still the Government's plan to have Bill 60 reviewed in Committee of the Whole. For Members' information, attached is a summary of the planned actions that the GNWT is proposing to mitigate the effects of the federally imposed carbon tax on Northwest Territories residents, if Bill 60 is passed.

Please contact my office if Committee has further questions.

R.J. Simpson
Government House Leader

Attachment

c. Members of the Legislative Assembly
Principal Secretary
Secretary to Cabinet/Deputy Minister, Executive and Indigenous Affairs
Secretary to the Financial Management Board/Deputy Minister, Finance
Deputy Minister, Environment and Natural Resources
Deputy Minister, Infrastructure
Clerk of the Legislative Assembly
Deputy Clerk, House Procedures and Committees
Legislative Coordinator
Director, Research Services

Carbon Pricing in the Northwest Territories

Why Introduce Bill 60: *An Act to Amend the Petroleum Products and Carbon Tax Act*?

As of April 1, 2023, the federal government requires increased carbon pricing and coverage in all provinces and territories. There was little advantage for the GNWT to repeal the Northwest Territories carbon tax legislation and relinquish control of its carbon pricing system to the federal government. The GNWT chose to modify the Northwest Territories carbon tax regime instead of requesting the federal system for the following reasons:

- The carbon tax is a major tax revenue source and to cede this revenue-raising authority to the federal government contravenes the territorial government's goal to control its taxation legislation.

- Relinquishing control over a source of revenue disadvantages the GNWT in terms of government cash management and associated fiscal planning.

- The GNWT retains flexibility to design a 'made in the north' solution that reflects Northern priorities and circumstances. That flexibility allows the GNWT to continue to adapt its rebate programs in response to feedback from the public and from discussions within the Legislative Assembly.

- The federal system would generate less revenue for the GNWT because large emitters would not pay as much under the federal Output-Based Pricing System (OBPS) as they do under the territorial carbon tax.

- The federal OBPS was not designed to suit the circumstances of the NWT's mineral resource-based economy.

- The federal government has shown little willingness or interest to engage with the GNWT about alternative approaches to the current federal carbon tax system. The GNWT expects that this level of responsiveness will continue and therefore we are better placed to maintain as much control over the generation and distribution of NWT carbon tax revenues as possible.

Proposals to Mitigate the Carbon Tax

Based on discussions with the Standing Committee on Government Operations, the GNWT proposes to offset the effect of the carbon tax as follows:

1. Introduce a regional Cost of Living Offset (COLO) to offset the carbon tax burden on residents. Under this system, residents who live in higher cost of living areas would receive a higher COLO payment.

2. Provide an annual revenue-sharing grant to community governments in an amount calculated annually at 5 per cent of projected net carbon tax revenues. The grants will require stated efforts to adapt to climate change, reduce reliance on fossil fuel and/or support overall reduction of GHG emissions.

3. Establish NWT specific criteria for large emitters. This has several advantages when compared to the federal OBPS system:

    - Provides mining operations with a rebate equal to 72 per cent of the carbon tax paid to a mine-specific baseline. Above the baseline, the mine pays 100 per cent of the carbon tax.

    - This baseline will decline as mines close or enter the reclamation phase of operations which gives these entities more certainty on future expenditures during a period when they have low revenue raising abilities.

    - Allows future mining operations to be classified as a "large emitter" under the NWT system even if they don't meet the federal governments 50 kilotonnes criteria. This promotes new business to the north, diversifies our economy and gives new mines a potential competitive advantage of operating in the NWT.

4. Continue with existing programs funded by GNWT revenues to help residents and businesses reduce carbon-based fuel consumption.

The following table compares the current system projected for 2023-24 with the system that is proposed to be put in place April 1, 2023 if Bill 60 receives Assent. Despite carbon tax rates increasing annually, total carbon tax revenues will decrease as diamond mines close.

Net Projected Carbon Tax Revenues to GNWT

Carbon Tax / tonne of emissions Effective date as of April 1	$50 (current)	$65 2023	$80 2024	$95 2025	$100 2026	$125 2027	$140 2028	$155 2029	$170 2030
					($ millions)				
Estimated Total Carbon Tax Revenue	48.9	62.7	68.5	71.0	82.3	93.6	93.0	81.3	77.2
Carbon Tax Offsets									
COLO (Cost of Living Offset)	11.5	14.1	17.5	21.0	24.4	27.9	31.3	34.8	38.2
COLO Increase for Heating Fuel		5.5	6.8	8.1	9.3	10.5	11.7	13.0	14.3
Tax rebate on community electricity generation fuel	3.4	3.2	3.9	4.6	5.4	6.1	6.8	7.5	8.3
Heating fuel carbon tax rebate (non-large emitters)	9.3	-	-	-	-	-	-	-	-
Large emitter 72% carbon tax rebate	12.5	24.1	23.4	20.3	23.5	26.7	21.3	7.9	-
Large emitter 12% grant program	4.2	-	-	-	-	-	-	-	-
Total Carbon Offsets	40.9	46.9	51.6	54.0	62.6	71.2	71.1	63.2	60.8
Community Revenue-sharing Grants	-	0.9	0.8	0.85	1.0	1.1	1.1	0.9	0.8
Carbon Tax Revenue Remaining	**8.0**	**14.9**	**16.1**	**16.2**	**18.7**	**21.3**	**20.8**	**17.2**	**15.6**

Regional Cost of Living Offset (COLO)

Under Bill 60, the proposed COLO will have two parts:

1. Baseline COLO to reflect direct and indirect carbon tax excluding carbon tax on heating fuel. At $65 a tonne carbon tax rate, the baseline COLO will be $338 for each adult and $390 for each resident under 18 years of age. The indirect carbon tax measures the amount of carbon tax that businesses pass to consumers through increased prices. The indirect amount uses Statistics Canada supply-use tables to measure the interdependencies of industries in the economy. For example, the grocery business pays carbon tax to heat its store and pays the carbon tax that the trucker includes in its freight prices. This carbon tax is included in the grocery price that the consumer pays.

2. Additional COLO for carbon tax paid on heating fuel based on zones. At $65 a tonne carbon tax rate each individual receives in Zone A: $103; for Zone B: $145; and for Zone C: $220.

The COLO is paid quarterly by the Canada Revenue Agency. Individuals will automatically receive the COLO provided they file an annual tax return.

The communities are separated into three zones based on heating oil fuel use as follows:

Cost Of Living Offset by Zone at $65 a tonne		
Zone A – *Low Fuel Use*	**Zone B – *Moderate Fuel Use***	**Zone C – *High Fuel Use***
COLO Benefit Adult: $441 Under 18 years: $493	COLO Benefit Adult: $483 Under 18 years: $535	COLO Benefit Adult: $558 Under 18 years: $610
Communities		
Colville Lake Dettah Enterprise Fort Good Hope Fort Resolution Fort Smith Hay River Kakisa Kátł'odeeche Ndilǫ Wrigley Yellowknife	Aklavik Behchokǫ̀ Deline Fort Liard Fort McPherson Fort Providence Fort Simpson Gameti Inuvik Jean Marie River Łutselk'e Nahanni Butte Sambaak'e Tsiigehtchic Tuktoyaktuk Wekweètì Whatì	Norman Wells Paulatuk Sachs Harbour Tulita Ulukhaktok

The following table shows the amount a household with two adults and two children are estimated to pay in carbon tax compared to the amount that they would receive in COLO in each community. For the average NWT family (comprised of two adults and two children), a Regional COLO will *more* than offset their direct and indirect costs of the carbon tax on heat.

Comparison of Carbon Tax Burden to COLO Payments

$65 a tonne		
	Average Household Carbon Tax Burden	Two-Parents + Two-Children Total COLO Payments
Nahanni Butte	$453	$1,868
Yellowknife	$458	$1,868
Colville Lake	$490	$1,868
Dettah	$500	$1,868
Wrigley	$517	$1,868
Ft. Smith	$520	$1,868
Kátł'odeeche	$525	$1,868
Jean Marie River	$530	$2,036
Enterprise	$555	$1,868
Ft. Resolution	$584	$1,868
Ft. Good Hope	$624	$1,868
Hay River	$627	$1,868
Sambaak'e	$630	$2,036
Tuktyaktuk	$634	$2,036
Ft. Liard	$653	$2,036
Tsiigehtchic	$662	$2,036
Wekweètì	$669	$2,036
Gametì	$669	$2,036
Ft. Simpson	$680	$2,036
Kakisa	$706	$1,868
Délı̨nę	$706	$2,036
Behchokǫ̀	$711	$2,036
Whati	$712	$2,036
Aklavik	$725	$2,036
Łutselk'e	$726	$2,036
Ft. Providence	$735	$2,036
Inuvik	$752	$2,036
Ft. McPherson	$773	$2,036
Tulita	$798	$2,336
Ulukhatok	$938	$2,336
Norman Wells	$962	$2,336
Paulatuk	$991	$2,336
Sachs Harbour	$1,038	$2,336

Community Offset Grant

The GNWT will offer all community governments revenue-sharing agreements equal to 5 per cent of the annual net carbon tax revenue remaining after all other carbon tax offsets are removed from gross carbon tax revenues. These grants will require communities to detail their efforts to adapt to climate change, reduce reliance on fossil fuel and/or support overall reduction of GHG emissions.

Carbon Tax Offsets for Large Emitters and New Mining Entrants

Canada views the current NWT carbon tax treatment of large emitters as negating the carbon price signal even though it puts a higher price on carbon for the current large emitters (diamond mines) than the federal Output Based Pricing System (OBPS). The GNWT objectives in replacing the current rebate are to:

- Not negate the carbon price signal,
- Help mitigate the "penalty" for being under the NWT carbon tax instead of the federal OBPS,
- Keep the system simple by using fuel volumes rather than carbon intensity measures as a proxy for baseline emissions, and
- Ensure that the large emitters share a similar tax burden as Northwest Territories residents.

Starting April 1, 2023 the GNWT proposes to introduce a facility-specific program where each large emitter has a baseline level of fuel consumption (as a proxy for emissions) and receives a 72 per cent rebate of carbon tax paid on fuel to the baseline. Although the rebate amount must not link to the facility's actual fuel use, the GNWT maintains the flexibility to change the per cent rebate amount.

Each facility's baseline is set as the average fuel consumption from three consecutive years of operations for existing large emitters and the average fuel consumption for the first three years of operations for new mines. The current 72 per cent rebate will continue for new mines until its mine-specific baseline is set.

The GNWT system has the flexibility to adjust based on the life cycle of mining projects such as changing the rebate amount under the baseline when a mine goes into its closure phase and carbon fuel consumption declines. The GNWT system allows carbon tax mitigation for new mines that would be required to pay the full carbon tax under the federal system because they are too small to opt into the OBPS.

Businesses and Other Organizations

The amount of carbon tax paid by businesses and other organizations varies depending on their activities. Options to support non-large emitter businesses were limited by the condition that the supports could not be tied to emissions. Instead, support for business was tied to supporting consumers by returning carbon tax revenues to residents through the COLO and anticipating that businesses have some ability to pass the carbon tax to their customers. There are also existing GNWT grant programs to help businesses reduce carbon-based fuel consumption.

Similarly, non-government organizations also pay varying amounts of carbon tax depending on their activities and support to offset the carbon tax would be better addressed through other grant and contribution programs that recognise their overall needs and are not tied to the carbon tax. For example, the 2023-24 Budget includes $738,000 to address expenditure pressures faced by non-government organisations that deliver programs and services on behalf of the GNWT.

What Would Carbon Pricing Look Like Under the Federal System

If Bill 60 is not passed the federal government will impose the federal backstop system in its entirety on the Northwest Territories. Under federal legislation, carbon pricing revenues raised under the federal backstop must be returned to the jurisdiction where they were generated, but there is no guarantee the GNWT itself would receive any of the funds since the federal system would be imposed rather than requested.

The most likely scenario is that Canada will treat the Northwest Territories as “non-compliant” with federal carbon pricing requirements and would return carbon price revenues in two streams:

- Directly to individuals (as currently the case in Ontario, Alberta, Manitoba, and Saskatchewan and starting in 2023 will expand to Newfoundland and Labrador, Nova Scotia, Prince Edward Island and New Brunswick) through federal Climate Action Incentive Payments (CAIP). These CAIP amounts would be calculated based on total estimated carbon tax proceeds and would be delivered on a quarterly basis by the Canada Revenue Agency (CRA) to households that file a tax return. Each household’s CAIP amounts would vary based on family size but likely would be uniform across communities. Canada would decide how to use the remaining revenues after CAIP amounts are dispersed for other supports. These decisions would likely be outside of the GNWT’s ability to direct because the federal system would be imposed on the Northwest Territories, rather than being requested as was the case in the Yukon and Nunavut.

- Mines with GHG emissions greater than 50 kilotonnes would be subject to the federal Output-Based Pricing System (OBPS). Revenues raised under the OBPS would be likely be returned to the Northwest Territories through the Future Electricity Fund and the Decarbonization Incentive Program. The OBPS sets an annual emissions efficiency standard for each industry. If a facility is more efficient than the standard, they receive surplus credits to sell to other firms or save for later. If they are less efficient, they are required to pay a carbon price on their emissions over the standard. When paying the carbon price, a minimum of 25 per cent above the standard must be paid to the federal government and the remainder is eligible for reduction through credits.

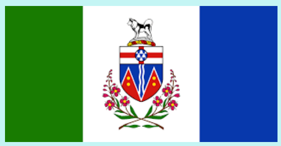
While the federal system may reduce the carbon price paid for large emitters while in full production, it does not offer flexibility during closure or during any post-closure monitoring or reclamation. At the other end of the mineral resource cycle, new territorial mines are likely to be too small to participate in the OBPS and would therefore be exposed to the full impacts of the federal system which would create additional cost barriers to their development.

Edzanèk'e Gots'ǫ
Ek'ètehtsodǫ
Łegehdì Kǫ̀

Briefing note

Carbon Tax in the North

Comparing tax and rebate approaches in the NWT, Yukon, and Nunavut

	 **Yukon**	 **NWT**	 **Nunavut**
General approach	Federal backstop	Made-in-NWT tax	Federal backstop
Tax rates	\$65/ton CO_2e (2023) \$170/ton CO_2e (2030)	\$65/ton CO_2e (2023) \$170/ton CO_2e (2030)	\$65/ton CO_2e (2023) \$170/ton CO_2e (2030)
Tax collection	Canada collects the tax, returns all net proceeds to YG.	GNWT collects the tax and distributes carbon tax rebates.	Canada collects the tax, returns all net proceeds to GN.
Revenue recycling	Rebates roughly match the tax paid by each sector. 45.0% Individuals 36.0% General business 12.0% Mining businesses 3.5% Municipal gvmts. 3.5% Indigenous gvmts. Approach based on public consultation in 2017-19.	For 2023-24: \$14M (22%) COLO \$6M (9%) COLO heating \$3M (5%) Hydro rebate \$24M (38%) Large emitters \$16M (25%) Not allocated The GNWT “continues to refine” revenue recycling proposals to reflect public concerns.	The Nunavut Carbon Rebate returns 50% of the tax paid on all fuel sold by the Petroleum Products Division. From In 2019, Nunavut also reduced the income tax and small business tax rates. The Carbon Rebate will need to be revised as it does not meet federal requirements.
Distributional analysis	**Sectors**: The household sector receives rebates on tax paid by tourists and YG. Taxes and rebates roughly equal for other sectors.	**Sectors**: Households likely receive more in rebates than they pay in tax, on average. General business, community governments, Indigenous Governments, NGOs don’t receive anything.	**Sectors**: Unclear, except that GN likely receives more tax revenue than it recycles.

	 **Yukon**	 **NWT**	 **Nunavut**
	Geography: Rural Yukoners receive 10% more rebates compared with Whitehorse. **Age**: Individuals 19 and over only. **Green-ness**: Rebates for business and mines are 2x to 10x more for certain "super green" assets.	**Geography**: Five communities with highest heating costs receive more in COLO heating. **Age**: Few distinctions. **Green-ness**: No distinction.	**Geography**: Implicitly higher rebates to regions that use more fuel. **Age**: Implicitly higher rebates to adults who buy fuel + working-age people who pay income tax. **Green-ness**: More rebates for higher fuel use.
Legislation: Revenues	Handled by Canada.	Petroleum Products and Carbon Tax Act.	Handled by Canada.
Legislation: Rebates	The Yukon Government Carbon Price Rebate Act: - Sets up a Rebate Revolving Fund - Sets up rebates and rates. The Yukon Income Tax Act also sets up rebates and rates.	Mostly handled in the Main Estimates process. Certain rebates, like COLO, are defined in the Income Tax Act.	Mostly handled in the Main Estimates process. Key changes made to income tax legislation, too.
Emissions target	Reduce 45% by 2030. (2010 baseline)	Reduce 30% by 2030. (2005 baseline)	Unclear
Climate reporting	Our Clean Future annual report State of the Environment report Yukon climate change indicators and key findings (2015, 2022) Government GHG emissions report + Online hub of "Yukon climate change information"	Carbon tax annual report Climate change action plan summary report Energy Initiatives Report	Unclear

EMAIL from Mr. James Christie (Fort Providence, NT)
RE : Bill 60 : An Act to Amend the Property Assessment and Taxation Act

Hi,

I am retired living in a small community. I am concerned that my independence may become unaffordable if it becomes too expensive to heat my home. I am on fixed income and cannot afford to make my house more efficient. I think that money presently going towards subsidized housing would be better spent invested in private homes. I recently upgraded to a newer oil furnace but I had big concerns going to a more fuel efficient one. They are more complicated with more potential to require repairs. In my community we pay in excess of a thousand dollars travel costs for a furnace technician just to show up before even looking at the furnace. I resort to using an unqualified local handyman that would be very challenged to repair a technically advanced fuel efficient furnace going. Others in my community face this problem. I hope that this related issue is not lost in the debate on the cost of heating with oil.
Thank you

James Christie

Bill 60 – Carbon Tax (Amendments to the Petroleum Products Tax Act)

NWT Association of Communities

Comments to the

Standing Committee on Government Operations

January 16, 2023

Bill 60 – Carbon Tax (Amendments to the Petroleum Products Tax Act)
Comments to the
Standing Committee on Government Operations
January 16, 2023

The NWT Association of Communities, would like to thank the Standing Committee on Government Operations for providing us with the opportunity to comment on Bill 60 as it relates to Carbon Tax.

The NWT Association of Communities

The NWTAC is a non-profit, non-governmental organization that represents the interests of 100% of NWT communities.

The NWT Association of Communities was formed in 1966 to represent the interests of municipal governments in the Northwest Territories. It provides a forum and unified voice for the aspirations of its members.

Our Vision:
"Working together to achieve all that our communities want to be"

Our Mission:
"To work together to serve our communities by addressing common issues, delivering programs and exchanging information. We are the unified voice for communities on municipal goals determined by our members."

At the inception of discussions around the creation of the Territorial Carbon Tax, communities were assured that it would be revenue neutral for Community Governments.

As we understand the proposed amendments GNWT Carbon Tax on local governments is as follows:

- **Heating Fuel Rebate: heating fuel will no longer be 100% rebated at the point of purchase**
- **There is no community government equivalent of the Cost of Living Offset (COLO) being made available to individuals in the NWT. In reply to this concern being flagged to the Department of Finance, they replied that communities will just have to *increase their property taxes***

Community Governments in the Northwest Territories are significantly underfunded (as much as 37%) already. This gap was quantified by work completed by Municipal and Community Affairs and supported by the NWT Association of Communities.

Carbon Tax

- As per NWTAC Resolution 2019-06 as found in the Appendix of this document, the Carbon Tax amendments must be designed in such a way to ensure a reduction in the reliance of non-renewable fuels without increasing the cost of living.
- Given that this increase in cost to service delivery will be passed on to local residents (increased property taxes or user fees or reduced level of service) means that it won't be "revenue neutral" to residents either.

Based on the GNWT's announcement on October 31, 2022, as of April 1, 2023, the carbon tax will increase and community governments will no longer receive any carbon tax rebates on heating fuel. The carbon tax will increase annually until 2030, but the initial increase indications for the next three years are:

	2023 Increase	**2024 Increase**	**2025 Increase**
Gasoline	4.45%	23.07%	18.74%
Diesel	48.55%	23.07%	18.74%

We appreciate that the GNWT is increasing the Cost of Living Offset for residents, but we were disappointed to see that there is no support for community governments – who then have to pass the cost on to residents or cut services.

In order to reduce the impact, the NWTAC would like to recommend two approaches to offset the Carbon Tax impacts on Community Governments:

1. Embrace the Yukon Model where Community Governments receive rebates in proportion to the carbon taxes they are levied

   OR

2. In the 2023-24 and future budgets include an increase in O&M and Environmental funding to community governments to cover the cost of the carbon tax. Essentially to add the carbon tax amount to Forced Growth calculations.

In closing, we want to once again reiterate that we appreciate the opportunity to provide these comments to the Standing Committee on Government Operations on Bill 60 – An Act to Amend the Petroleum Products and Carbon Tax.

APPENDIX

NWT Association of Communities
2019 RESOLUTION regarding CARBON PRICING

2019-06 <u>**Carbon Pricing**</u>

WHEREAS fossil fuel use contributes to climate change inducing greenhouse gas emissions;

AND WHEREAS the Government of the Northwest Territories is a signatory to the Pan-Canadian Framework for Clean Growth and Climate Change and is committed to meeting Federal benchmark for carbon pricing by 2019;

AND WHEREAS the Government of the Northwest Territories has implemented Pan-Canadian Carbon Pricing in the Northwest Territories;

AND WHEREAS the Government of the Northwest Territories has adopted a Carbon Tax as the preferred option for carbon pricing;

AND WHEREAS communities in the NWT and their residents will see a direct increase in costs as a result of the carbon tax;

NOW THEREFORE BE IT RESOLVED THAT the Northwest Territories Association of Communities lobby the Government of the Northwest Territories to ensure:

- That 100% of the carbon tax revenue be recycled into the economy through transfers to households, business, industry and municipalities;
- That support regarding the implementation of the carbon tax is addressed to the satisfaction of the communities;
- That communities are proportionally funded to offset increased cost of municipal operations as a result of the carbon tax implementation;
- That it commits to the advancement of sustainable initiatives to reduce the reliance on non-renewable fuels; and
- That the implementation and reporting processes related to the carbon tax initiative are presented in a transparent manner.

Submitted by the City of Yellowknife

CATEGORY A CONCURRENCE

MY COMMUNITY MATTERS

NWT CHAMBER OF Commerce
One voice for business since 1973

PO Box 1093
Yellowknife, NT
X1A 0C1
(867) 445-7680
admin@nwtchamber.com
nwtchamber.com

Attn: Rylund Johnson, Chair
Standing Committee on Government Operations

Written submission re: Bill 60: An Act to Amend the Petroleum Products and Carbon Tax Act – Proposed Changes

The NWT Chamber of Commerce has significant concerns proposed changes to the carbon tax regime, expected to be implemented this spring, will gravely impact the private business sector and the overall territorial economy.

These tax increases, on top of already rising costs of doing business due to existing significant hikes in shipping, transportation, labour, property taxes, sourcing of goods and overall inflation, will cause a major burden to businesses of all sizes across the NWT — business that are still trying to recover from a two-year global pandemic.

The NWT Chamber of Commerce and its members don't understand why both the federal and territorial governments are looking to implement Bill 60 as presented at a time that is very much in economic recovery mode. In the Chamber's opinion, especially when factoring the government's own opinion, will have zero economic benefit to both residents and businesses of the North, who are already exposed to one of the highest costs of living and of doing business in Canada with no short, medium or long-term alternative solution really being presented to businesses to offset these costs, other than passing them to clients.

The reality is, in our current make-up, we are all dependent in the North on fuel consumption. We don't have alternatives currently ready to go to that are reasonable to implement. Electricity in the NWT is already more than double, or triple, the cost found in southern Canada. There is no infrastructure in place for 100% of electric vehicles — even if they were available, which they are not — to commute across the NWT successfully. Heating is still primarily via fossil fuel due to logistics and costs. The GNWT's response to this is to "renovate, lower your thermostats and drive less." How is this acceptable?

With this in mind, aren't we supposed to be trying to diversify our economy? Are we not trying to attract more people to the North? Are we not trying to compete with other jurisdictions to remain competitive? What kind of message is this sending to national and international investors, new residents or even existing businesses and residents? How is this helping us with any kind of competitive advantage?

This is not to say the NWT Chamber and its members aren't concerned over climate change. Businesses and people of the North are the most affected. Greenhouse gas emissions (GHGs) are dropping thanks to anti-pollution initiatives and in 2020, we contributed 1.4 megatonnes of carbon dioxide equivalent towards Canada's total of 672 megatonnes. Our impact is extremely minimal, especially when you consider we are an area the size of Texas and California combined. It is also important to note, Canada is in the minor leagues of global polluters when compared to China, the United States and India. The reality still is, our per-capita consumption will not reduce because of this tax because we do not have alternative options in the short and medium terms in place.

It is also important to note, due to our already significant cost of living and of doing business in the North, there is already a natural desire for businesses and residents to conserve fuel and minimize consumption. We do not need further price shocks to closely monitor fuel use and reduce GHG emissions.

In 2018, the federal government passed the Greenhouse Gas Pollution Pricing Act to act as a backstop in jurisdictions if their carbon pricing did not meet the federal benchmarks aligned with international accords. The GNWT boasted in 2019 its Cost of Living (COLO) rebate program could see some residents receiving more than they spent on increased energy prices. However, the feds have now moved the goalposts, hiking national carbon pricing targets for 2023 to 2030. And Ottawa has closed the loophole and will prohibit carbon tax rebates that directly offset, reduce, or negate the impact of the carbon tax.

/cont'd next page

With operating costs for NWT businesses increasing after the carbon tax rebate on heating fuel is removed, logic dictates some or all of those costs will be passed to consumers. Yellowknife's Consumer Price Index rose 7.8% from November 2021 to the same period in 2022. While not seasonally adjusted, that was still a full percentage point above the Canadian average. It is also important to remember, since our base cost is already higher than the Canadian average, this is actually more of an impact in the North. A business/homeowner in Vancouver that spends $100 a month in heating and one in Yellowknife that spends $400 a month and both went up 8%, the increase is $8 vs $32. Although they are the same percentage, one is four times higher than the other.

The NWT Chamber appreciates the GNWT is not in an enviable position as it looks to amend the Petroleum Products and Carbon Tax Act to accommodate the new federal policy. The NWT Chamber, though, believes this is a key opportunity for it to provide leadership and protection from the senseless and ideologically driven policy decision from the federal government.

The GNWT's 2030 Energy Strategy sets out its long-term approach, "of supporting secure, affordable and sustainable energy supply and use in the NWT." Linked to the Pan-Canadian Framework on Clean Growth and Climate Change, the GNWT has already made strides towards reducing air pollution in the North as we transition to a lower carbon economy. Federal funding is a crucial requirement for that transition, but even if an unlimited amount of money was available, it would take years and years to develop and implement the technology to replace all of the carbon-based fuel usage in the territory.

Does the federal government not understand there are no economically viable energy alternatives currently available here? Does it not understand the damage that will be caused to the private business sector and the overall economy if the NWT can't be exempt from the proposed changes from the bill? The NWT Chamber of commerce is therefore questioning what has the GNWT done to help ensure it understands these impacts? The NWT Chamber asks the Standing Committee on Government Operations not to support Bill 60 and for the GNWT to consider other options. The NWT is asking for the GNWT to push back against the Federal government and ask it to give the GNWT time and assistance in creating alternative solutions then those that are being presented.

In 2017, then-Premier Bob McLeod had reached his boiling point with the federal government and garnered international notice with declaration of a "red alert" for the NWT's future and that, "decisions about the North should be made in the North."

"For too long now policies have been imposed on us from Ottawa and southern Canada that, despite good intentions sometimes, and ignorance other times, are threatening our economic potential and the decades long work that we as a government have taken on Indigenous reconciliation. Whether it be ill-conceived ways of funding social programs, or new and perplexing restrictions on our economic development, our spirit and energy are being sapped. Everything we have built is in jeopardy."

It is obvious, in our opinion, decisions for the North are again being made for us. The NWT Chamber of Commerce is calling on Premier Caroline Cochrane, Cabinet, the Legislative Assembly and the rest of the GNWT to reject the federal government's plan and demand the federal government to let the GNWT and its Indigenous government partners to have the power to determine the fate of this great territory. As Premier McLeod stated in 2017: "The practice of decisions being made by bureaucrats and governments in Ottawa must come to an end."

The 19th Legislative Assembly should seize this opportunity to leave a lasting legacy of defending the NWT private sector businesses, their employees and the territory's economy in its entirety.

Yanik D'Aigle
President

James O'Connor
Executive Director

CC: Premier Caroline Cochrane; Finance, Industry, Investment Minister Caroline Wawzonek; NWT MP Michael McLeod; Yellowknife Chamber of Commerce, Hay River Chamber of Commerce, Norman Wells Chamber of Commerce, NWT and Nunavut Construction Association, NWT and Nunavut Chamber of Mines and regional media.

Northwest Territory Métis Nation

January 13, 2023

Attention: Rylund Johnson, Chair
By email: committees@ntassembly.ca

Dear Standing Committee on Government Operations:

RE: *Bill 60: An Act to Amend the Petroleum Products and Carbon Tax Act – Proposed Changes*

The Northwest Territory Métis Nation appreciates the opportunity to comment on the Government of the Northwest Territories' proposed amendments to the *Petroleum Products and Carbon Tax Act* (Bill 60). The changes to the Act are required in order to comply with the federal government's requirements for a minimum carbon pollution price in the NWT.

The NWTMN recognizes that there is a cost greenhouse gas pollution on the environment and large emitters must be deterred from causing environmental damage. The NWTMN supports the GNWT creating incentives for companies to pollute less and investing in cleaner energy sources such as the Taltson Hydro Electric Project.

Household Carbon Tax Credits

The NWTMN often hears concerns from Indigenous Métis resident in the NWT about the high cost of living. The NWTMN supports increasing the expense for the highest polluters, but does not support any additional expense for households due to the extremely high cost of living in the NWT and global inflation. Given the cold climate, residents of the NWT must use more energy to heat their homes and electric vehicles are not an option.

The details of the plan that we have been provided with state that there will be a series of carbon tax rebates for residents to counter the implications of the carbon tax on the cost of living. While the NWTMN supports the Cost of Living Offset payments, the NWTMN is also concerned about the indirect increase in the cost of goods and services.

BOX 720 ● FORT SMITH, NT CANADA ● X0E 0P0
PHONE: (867) 872-2770 ● FAX: (867) 872-2772
TOLL-FREE PHONE: 1 866 872 6866
WEBSITE: NWTMETISNATION.CA

Increased Cost for Heat

The NWTMN is opposed to eliminating the carbon tax rebate on heating fuel. Residents of the NWT will be required to pay more to heat their homes which is already extremely high. Most residents have already undertaken measures to reduce their heating costs.

Potential Damage to the Economy of the NWT

The NWTMN is concerned about the impact this may have on the economy in the NWT. If the carbon tax rates on developers such as mines is set too high, the cost for operation will become too high and projects will not be economically viable.

Revenue from Carbon Tax

The NWTMN requests the GNWT use the funds that are generated by the Carbon Tax to offset the cost of living for low and middle income people in the NWT and pay for clean energy projects and programs that will improve the environment.

Rebate for Fuel Utilized for Traditional Activities

An increase in the cost of living in the NWT has created financial hardship for many Indigenous Métis in the NWT. This will make it difficult for Indigenous Métis to incur increased expense related to traditional activities as a result of the increase of the carbon tax.

The NWTMN recommends the GNWT implement a carbon tax rebate for fuel that is utilized for traditional activities to reduce the adverse impact that the carbon tax will have on the aboriginal rights of Indigenous Métis.

Fast-Tracked and Lack of Consultation

The NWTMN is concerned about the lack of government-to-government engagement to co-develop the proposed amendments to the *Petroleum Products and Carbon Tax Act.* The GNWT should have met with the NWTMN leadership to review the amendments to the *Petroleum Products and Carbon Tax Act*.

We would appreciate an opportunity to meet with you to discuss this matter further. Please contact Ursula Vogt, Executive Director at 867-621-0577 to schedule a virtual or in-person meeting.

Yours truly,

Garry Bailey, President

c.c. Arthur Beck, President, Fort Resolution Métis Government
Allan Heron, President, Fort Smith Métis Council
Trevor Beck, President, Hay River Métis Government Council

PivotStrategic

Canada Clean Energy

CANADA CLEAN FUELS

Renewable Diesel

One Step Closer to Net Zero by 2050

Agenda

01
What is Renewable Diesel?

02
Arctic Grade Renewable Diesel

03
Benefits of Renewable Diesel

04
Industries using Renewable Diesel

05
Our Plan for the NWT

06
Challenges & Solutions

01

What is Renewable Diesel?

What it is & Key Properties

Renewable diesel (RD) is a biomass-derived / hydrotreated transportation fuel that is made from 100% sustainable renewable materials, such as; used cooking oil, animal fats, vegetable oils and grease.

Understanding Renewable Diesel

Other important pieces of information about Renewable Diesel:

- RD has a similar chemical composition to regular fossil diesel.
- Is considered to be a drop-in replacement.
- Can also be blended at any ratio with biodiesel or conventional fossil fuel
- Comes in “Arctic Grade” form.

Key Properties of Renewable Diesel

Composition

RD is made from 100% raw material.

Meets ASTM D975, EN590 & CGSB specification requirements.

Emissions

RD can help reduce:
Greenhouse gas (GHG) by up to 85%

Up to 40% for particulate matter.

Approximately 15% for Nitrogen Oxides (NOx).

Suitability

RD is suitable for all diesel engines.

Improves their fuel stability (high cetane) & fuel deposits.

Do not require any modifications to its existing infrastructure.

What is the main difference between Diesel & RD?

Biodiesel

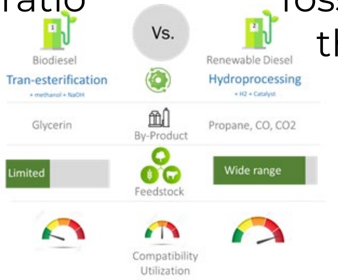
Biodiesel is a fatty acid methyl ester product.

Recommended to be blended with RD or fossil diesel at a ratio of 20% or less.

Renewable Diesel

Renewable diesel is considered to be a hydrocarbon diesel fuel.

Similar to your conventional fossil diesel (drop-in solution that can be used without blending).



02

What is Arctic Grade - Renewable Diesel?

A better understanding!

Arctic Grade Renewable Diesel

Arctic Grade Renewable Diesel is your conventional Renewable Diesel that is made from feedstock that can withstand the cold temperatures of the **Arctic North**.

Typically, we have seen the cloud points of renewable diesel that can range between **-22 to -32** degrees Celsius.

Depending on the feedstock; most renewable diesel in that grade will not contain FAME, which will allow waxing to occur at a much **colder temperature** (-32 degrees Celsius).

Additives can also be used to push the properties of RD and allow waxing to occur at **colder temperatures**.

(Please verify compatibility between the additive and the RD specs.)

03

Benefits of Adopting Renewbale Diesel

Three Reasons Why you should consider RD!

Why You Should Consider the Switch!

#1 **Climate**

Carbon Dioxide (CO_2) is captured by using existing feedstocks → Reduce GHG emissions!

#2 **Compatibility**

RD minimizes any possible compatibility issues for your fleet!

#3 **Financial**

No conversion and/or transition costs & fewer maintenance costs!

04

Industries Using Renewable Diesel

They have already made the jump!

1. Heating & Electrical Generation

Using Renewable Diesel as heating fuel **could reduce** the GHG emissions from municipal buildings by as much of 85%.

Presently, there are **no known technical concerns/issues** with replacing diesel oil with Renewable Diesel as the heating fuel for buildings as long as the product abides by its limits with the geography's temperature.

*Ex: NYC transitions to **RD heating** in government buildings.*

2. Public/Government Fleets

*Ex: Portland and California reducing up to **10,000 metric tons of CO_2** by using RD in 650 trucks.*

Renewable Diesel allows government entities to **build trust** with their constituents by contributing to cost and environmentally conscious decision making.

By using Renewable Diesel, you are not only **offsetting your carbon footprint**, but you are also contributing to the **long term financial, social and economic well-being**.

3. Freight/Transportation Companies

Renewable Diesel allows freight operators to **reduce** their maintenance/logistical costs and to alleviate the pressure of reducing their GHG emissions without compromising engine performance.

4. General Transportation

Renewable Diesel helps create a certain **awareness** around the largest hard-to abate sector; transportation, by **helping offset GHG** emissions to reach net-zero emissions by 2050.

This further supports operators under **rising pressure** to address the environmental impacts of historical reliance on fossil fuels.

5. Construction

Renewable Diesel allows construction companies to **successfully** deliver on their project under budget by decreasing their GHG emissions.

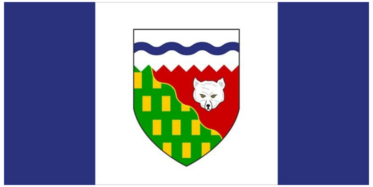
This also **reduces** particulates that can benefit both their crews and their balance sheets in an economically friendly way.

05

Our Plan for the Northwest Territories

Making the change to Renewable Diesel a possibility!

Step-By-Step



Evaluation

Where can supply come from to NWT?

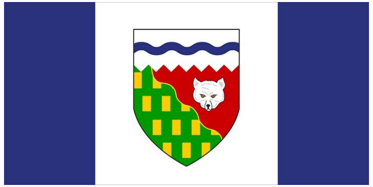
Sourcing

Most RD will be sourced from the USA.

Shipping

Shipment method?
Transportation to Terminals?

Step-By-Step



Locations

Focusing on Edmonton, Alberta.

Scalability

How can we grow this project?

Analyzing

Future investments in the NWT?

06

Challenges & Solutions

How can we be overcome obstacles?

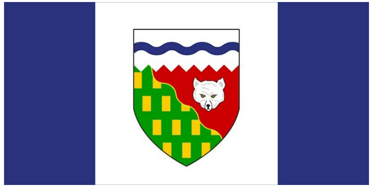
Challenges

Volatile Pricing

The price of RD changes on a weekly basis seen that feedstock prices and various indexes are very volatile (3.00 - 3.50$/ litre of RD).

Delivery Pricing

Pricing is subject to delivery or FOB costs.



Solutions

Government Support

Governments must implement various subsidies to help counter that price. (ex: The US offers generous support for RD and other biofuels, but this support is not matched in Canada (RINs, LCFS credits and Blenders Tax Credit)- up to 1.00$/litre).

The Canadian government support should focus on reducing the price for the end user to make it accessible for northern communities.

NWT should formally request that the federal government bring in a tax measure in Budget 2023 to bring the cost of RD down.

Thank you for listening!

We truly appreciate you taking the time to listen to our proposal!

Please feel free to ask any pertinent questions you may have!

Here is our contact information:

Email:

Phone:

The Standing Committee on Government Operations
Legislative Assembly,
Yellowknife, NT

January 13, 2023

Re: Public meeting on proposed amendment to Bill 60.

The NWT Seniors' and the Yellowknife Seniors' Societies represent the seniors in the NWT. The current NWT senior population (60+) represents about 16% of the total NWT population (source, NWT Bureau of Statistics). The senior population is the fastest growing sector in our population and it is estimated that by 2035 Seniors will comprise approximately 24 % of the total NWT population. We bring this to your attention as we are a sector of the NWT population who will be greatly impacted and challenged by any changes to the existing application of the federal carbon tax payments.

It has come to our attention there will be a significant change to how the federal legislation on carbon tax is applied to residents in the NWT. We are unfortunately not well versed in what these changes are and the proposed "solution" put forward by the GNWT raises many concerns and questions.

To understand this more fully and to provide meaningful input to this process we have several questions we would like answered:

1. FEDERAL BACKSTOP
   - What is the Federal Backstop?
   - How does it work (ie how does this affect the individuals who are taxed for fuel)

2. MADE IN THE NWT
   - We note our neighbours, the Yukon and Nunavut, opted to adopt the federal backstop. Why did the GNWT decide to develop a "made in the NWT" approach?
   - We would like this explained to us in simple, straight forward terms that lists the Pros and Cons and also demonstrates how the new proposed GNWT solution would be of better benefit to residents.
3. CONSULTATION
   - Lastly, we would like to know why this is only coming to light now. As far as we can tell this issue was not raised publicly until Oct 31, 2022.
   - Was there consultation with the public prior to GNWT making the decision on how to best apply the federal carbon tax?

Thank you for your speedy response to our concerns.

Karen Willy

Executive Director,
Karen Patterson- Willy
NWT Seniors' Society

Executive Director,
Kim Doyle
Yellowknife Seniors' Society