

## Additional Information for Return to Written Question 54-19(2) Carbon Tax and the Cost of Living

The following is in response to the question on the carbon tax, impacts on residents in small communities, and efforts to mitigate those impacts.

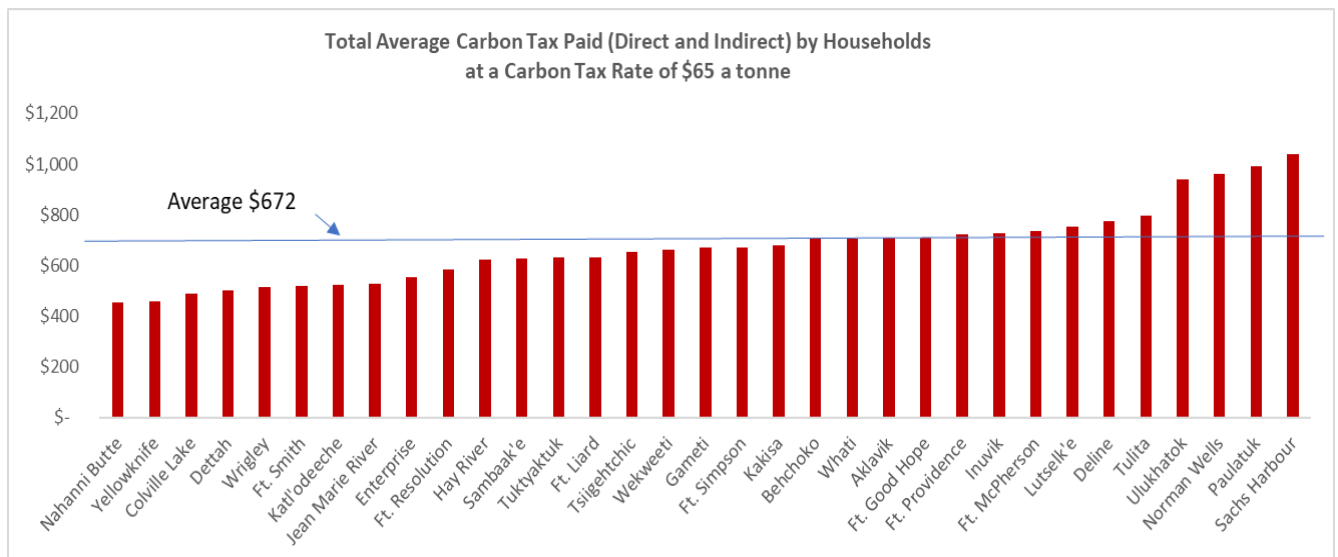
*Can the Minister provide cost estimates on how much home heating bills are anticipated to go up for the average households in the Nunakput riding?*

1. *Can the Minister provide further cost estimates on the anticipated average increase per household for all NWT communities;*

**Response:**

It is estimated that households in the Northwest Territories (NWT) 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 because of the impacts of the carbon tax on businesses and municipalities. Based on this, NWT households are estimated to spend, on average, \$272 in indirect carbon tax in 2023-24. This is an average total cost of \$672 across the territory, with an average of \$899 for the Nunakput communities.

The total average household carbon tax burden (direct carbon tax on heat + indirect carbon tax) by community at \$65 a tonne is provided in the following graph:



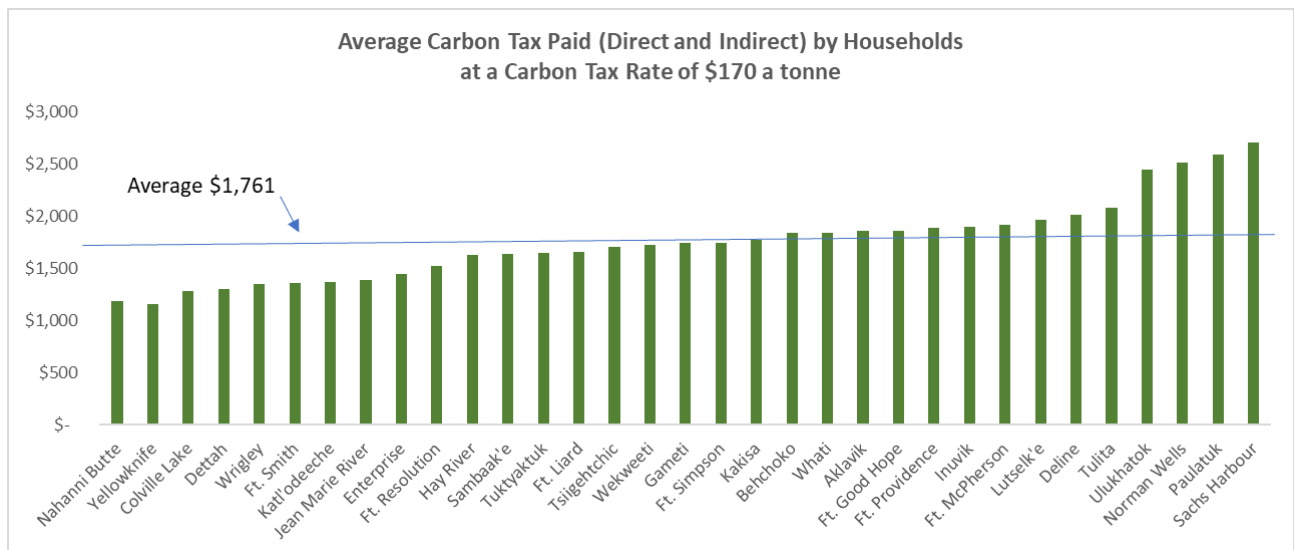
2. Can the Minister provide information on how the government's proposed carbon tax rates will affect households in each community, for each year between 2023 and 2030;

**Response:**

It is difficult to project over time the exact cost per household per community of the carbon tax with any accuracy. This is because we do not know how households and businesses will respond to increases in the carbon tax rate. The extent to which businesses pass on the carbon tax to their customers, and the extent to which households change their spending patterns and reduce their heating fuel use (through conservation efforts, switching to alternative heating sources, or by heavily insulating their existing homes) is unknown. It is likely, however, that the cost to households will increase largely in step with annual increases to the carbon tax rate.

If we assume that between 2023 and 2030 the patterns of household spending and fuel usage remain unchanged, and that the response of businesses and municipalities to carbon tax remains unchanged, then we estimate the following: NWT households will spend, on average, \$1,050 in direct carbon tax on heat by 2030-31, and will spend, on average, \$711 in indirect carbon tax by 2030-31. These costs will vary by community. Again, these estimates assume households and businesses do not significantly change their expenditure patterns.

The total average household carbon tax burden (direct and indirect) by community at \$170 a tonne is provided in the following graph:



3. *In providing the above information, can the Minister breakdown the cost impacts on higher home heating costs and higher prices for goods and services;*

**Response:**

Based on internal calculations, the impact of higher home heating costs on NWT households will be heating bills that are, on average, \$400 higher in 2023, and \$1,050 higher in 2030 than they were in 2022. This is the direct impact of the carbon tax on heat.

<b>Direct Impact of a Carbon Tax on Heat on NWT Households</b>		
<b>Dollar Increase per Household</b>	<b>\$65/tonne Average</b>	<b>\$170/tonne Average</b>
Total Direct Carbon Tax	\$400	\$1,050

The impact of higher prices for goods and services resulting from businesses and municipalities passing on the carbon tax to households is estimated to be, on average, an additional \$272 in 2023, and \$711 in 2030. This is the “indirect” impact of the carbon tax.

<b>Indirect Impact of a Carbon Tax on NWT Households by Carbon Product</b>		
<b>Dollar Increase per Household, 2013 dollars</b>	<b>\$65/tonne Average</b>	<b>\$170/tonne Average</b>
Total Indirect Carbon Tax	\$272	\$711
<b>By Spending Category</b>		
Transportation	\$79	\$207
Housing, water, electricity, gas and other fuels	\$48	\$126
Food, beverage and accommodation services	\$32	\$83
Food and non-alcoholic beverages	\$38	\$99
Recreation and culture	\$19	\$49
Other goods and services	\$56	\$147

4. *The Minister stated in the house on November 1, 2022, “unfortunately the communities in the riding of Nunakput are likely to be facing some of the highest impacts from the change to the federal carbon tax rate”. Can the Minister provide detail on how the GNWT carbon tax will recognize and alleviate the extra financial pressure facing Nunakput residents from carbon tax, please include any GNWT analysis to establish tiered cost of living offset payment systems.*

**Response:**

Consistent with the information provided to Standing Committee, a regional Cost of Living Offset (COLO) would address the fact that heating fuel needs vary across the NWT, and would recognize and alleviate the extra financial pressure facing some Nunakput communities. A regional COLO would separate communities into three geographic zone based on households’ average annual heating fuel use as shown in the following table.

<b>Zone A – Low Fuel Use</b>	<b>Zone B – Moderate Fuel Use</b>	<b>Zone C – High Fuel Use</b>
Colville Lake	Aklavik	Norman Wells
Dettah	Behchokò	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	
Kát’odeeche	Inuvik	
Nahannie Butte	Kakisa	
Ndilò	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.

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	\$65	\$80	\$95	\$110	\$125	\$140	\$155	\$170
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	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	\$80	\$95	\$110	\$125	\$140	\$155	\$170
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	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
<b>Total</b>	<b>\$ 5,470,083</b>	<b>\$ 6,708,127</b>	<b>\$ 7,970,608</b>	<b>\$ 9,230,092</b>	<b>\$ 10,488,923</b>	<b>\$ 11,751,404</b>	<b>\$ 13,010,235</b>	<b>\$ 14,272,716</b>