



Government of the Northwest Territories Response to Committee

Report 45-19(2): Report on Bill 60: An Act to Amend the Petroleum Products and Carbon Tax Act

Background

The Standing Committee on Government Operations (Committee) presented their Committee Report “*Report on Bill 60: An Act to Amend the Petroleum Products*” on March 1, 2023. This report outlined a number of concerns and included five (5) recommendations. The Government of the Northwest Territories have prepared responses to the recommendations as noted below.

Recommendation 1

That this Assembly call on the federal government to better recognize the specific needs and circumstances of the Northwest Territories in its climate change approach.

These specific needs include significantly more funding to make renewable energy options accessible and affordable for all Northerners.

Further, Committee recommends that the Premier of the Northwest Territories convey this motion without delay to the Prime Minister of Canada with a letter requesting a reply.

GNWT Response

The Department of Finance has been lobbying the federal government for the unique northern situation, especially for the continued at-source exemption for carbon tax on heating fuel for everyone in the territory except the large emitters. The Committee was provided with the strongly worded letters that were sent to the federal Minister of Environment and Climate Change Canada. On many occasions GNWT ministers have raised the implications of the carbon tax in a jurisdiction with no reasonably affordable or available alternatives.

The GNWT will continue to try to secure federal funding to support energy alternatives.

Recommendation 2

That the Northwest Territories Power Corporation (NTPC) increase the cap on intermittent renewable energy generation that residents and communities can install to offset their power use, and develop a plan to support projects above the current cap.

Committee further recommends that NTPC and the Department of Infrastructure provide their response to the May 2021 *Net Metering and Community Self-Generation Policy Review*. For each

recommendation, NTPC and the Department should indicate whether it agreed, its workplan for implementation, and its progress towards implementation.

GNWT Response

The GNWT acknowledges that a solution is needed to remove the barrier to more alternative energy generation created by the NTPC cap on intermittent renewable energy generation. Although providing incentives for more alternative energy generation is a GNWT objective, it is not part of the carbon tax system because fossil fuels used for electrical generation are exempt under the federal government's carbon pricing benchmarks. As such, this recommendation is outside the scope of the proposed changes to the *Petroleum Products and Carbon Tax Act*.

NTPC and Department of Infrastructure have been made aware of the Committee's recommendation for a response to the May 2021 Net Metering and Community Self-Generation Policy Review.

Recommendation 3

That the Government of the Northwest Territories provide funding to community governments to compensate for their increased carbon tax payments. Committee specifically recommends providing an additional \$2.2 million in the 2023-24 fiscal year, with subsequent funding increasing proportionally to any future increases in carbon tax rates.

GNWT Response

The GNWT shared a proposal with Committee in advance of receiving Committee's report that identified community-based grants equal to 5 per cent of net carbon tax revenues. This amount was calculated based on existing community data that identifies the total carbon tax paid on utilities for the 33 communities at less than \$1 million in 2023-24. However, utility costs are based on total fuel prices and not the portion that is the carbon tax. Total community utility costs may or may not increase greater than \$1 million over the 2023-24 fiscal year. In discussions in Committee of the Whole on March 8, 2023 the Minister of Finance committed to doubling this amount to 10 per cent.

Funding to communities in this area needs to be objective/principle based. There is no evidence or data to support Committee's request \$2.2 million.

Therefore, Committee's proposal to create new carbon tax legislation for carbon revenue recycling is unnecessary and adds a cumbersome layer of processes which will reduce the speed and flexibility with which the Assembly can respond to more information on the effects of the carbon tax as rates increase.

Recommendation 4

That the Government of the Northwest Territories create a law that requires all carbon tax revenues to be rebated to households, businesses, community governments, Indigenous Governments, and non-governmental organizations.

In creating this law, the government should consider how rebates to each group will work and whether the carbon tax system should be revenue neutral. This law should also require separate accounting and annual reporting.

GNWT Response

Legislation requiring all carbon tax revenues be returned to households, businesses, community governments, Indigenous Governments, and non-governmental organizations is not part of Bill 60. The purpose of Bill 60 is to change the tax rates to comply with the federal requirements.

The expending of government revenues is determined through the main estimates process. Additional legislation to recycle carbon tax revenues as recommended by Committee adds a layer of inflexibility to effectively manage the implications of the increasing carbon tax rates.

The GNWT has listened to concerns of regular members to the changing carbon tax requirements and based on those concerns have revised the original proposals to mitigate the carbon tax provided in November 2022 to propose:

- a regional Cost of Living Offset that reflects additional fuel cost requirements in different communities, and,
- an annual revenue-sharing grant to community governments.

There are not enough sitting days remaining in the February-March 2023 Session to enact new legislation on carbon tax revenue recycling. If most procedural steps were waived, including Committee review, this legislation may be possible to enact in the May-June Session. However, the Assembly has the ability to approve carbon tax revenue recycling through amendments to the 2023-24 Main Estimates by way of a supplementary appropriation or, if required, through amendments to regulations. Therefore, Committee's proposal to create new carbon tax legislation for carbon revenue recycling is unnecessary and adds a cumbersome layer of processes which will reduce the speed and flexibility with which the Assembly can respond to more information on the effects of the carbon tax as rates increase.