

FAQ

General

Q: How does a carbon price reduce emissions?

A. Carbon pricing places a price on pollution by increasing the cost of carbon-intensive fuels and makes low carbon alternatives more cost-competitive. This price signal encourages reduction in the use of carbon-intensive fuels and ultimately results in changes in behavior.

Q. How is carbon pricing regulated?

A. The [Pan-Canadian Approach to Pricing Carbon Pollution](#) is the federal benchmark for pricing carbon pollution in Canada. The benchmark outlines the criteria that carbon pricing systems implemented by provinces and territories need to meet.

Q. What is the federal backstop?

The federal backstop outlines the minimum requirements to meet the federal benchmark. Yukon and Nunavut opted-in to the federal backstop, which will come into effect on July 1, 2019.

In provinces or territories with a carbon pricing system already in place, the backstop may be enforced in order to supplement (or “top-up”) systems that do not fully meet the benchmark. Ontario, New Brunswick, Manitoba and Saskatchewan will be subject to the federal backstop in whole or in part from April 1, 2019¹.

Q. When will the federal backstop apply in Yukon?

A. The federal backstop will apply in Yukon starting July 1, 2019. It is composed of two parts.

- A carbon levy applied to fossil fuels.
- An output-based pricing system (OBPS) for industrial facilities that emit above a certain threshold, with an opt-in capability for smaller facilities with emissions below the threshold.

Q. Who will have to pay the carbon levy?

A. The federal carbon levy is the price applied to fossil fuels (usually to fuel distributors) and this increase in costs will be passed on to consumers in Yukon from July 1, 2019.

Q. How is the carbon levy calculated?

A. The federal government calculates the carbon levy for different fuel types using carbon dioxide equivalent (CO₂e) units. By converting greenhouse gas emissions to CO₂e, a price can be placed on the relative amount of pollution that each fuel type generates.

Q. What will fuel cost when the carbon levy is applied?

A. The federal government has published a [list of fuel charge rates](#) for different fuel types. These rates begin with a carbon pollution price of \$20 per tonne starting on July 1, 2019. The rates will increase by \$10 per tonne annually on April 1 until 2022 when it will reach \$50 per tonne.

Fuel type	April 1, 2019	April 1, 2020	April 1, 2021	April 1, 2022 onwards
Gasoline	4.42¢	6.63¢	8.84¢	11.05¢
Light fuel oil	5.37¢	8.05¢	10.73¢	13.41¢
Propane	3.10¢	4.64¢	6.19¢	7.74¢

In Yukon and Nunavut aviation fuel and light fuel oil (diesel) for electricity generation to the public in remote communities have been exempted to reflect our unique circumstances in the Northⁱⁱ.

Rebate

Q: Who is eligible for a rebate in Yukon?

A. Rebates will be provided to Yukon individuals, businesses, First Nations governments, municipalities and placer and quartz mining operations.

Q: How will the Yukon Government Carbon Price Rebate work?

A. Revenues from the carbon levy will be collected by Government of Canada and returned to Yukon in the form of a transfer. This transfer will be deposited into a discrete fund that will then be used to rebate Yukoners.

Q: When will eligible group receive their rebate?

A. The first payments for individuals will be made in October, 2019 with a second payment in April, 2020. Yukon businesses will receive a refundable income tax credit with their tax return. First Nations governments will receive annual transfers beginning on 31 March, 2020. Municipal governments will receive annual transfers beginning on April 1, 2020. Placer and quartz mining operations can apply to the Government of Yukon for a rebate from January 1, 2020 for the previous fiscal year.

Q: The carbon levy will reach \$50 per tonne in 2022. Why does the framework include estimates for 2022–23 and 2023–24?

A. While the federal carbon levy will be charged at \$50 per tonne from April 1, 2022, full implementation of the Yukon Government Carbon Price Rebate will conclude in 2023–24. This accounts for increases to the levy falling outside of the fiscal year during implementation, as well as the time-lag between payment of the levy and distribution of a rebate. Provided that federal carbon levy remains static at \$50 per tonne, rebates from 2023–24 are expected to remain stable.

Q. How is the rebate divided among eligible groups in Yukon?

A. The Government of Yukon has committed to return all revenue generated from a federal carbon levy to Yukoners. Since some groups including tourists, the federal government and the Yukon government will not receive a rebate, eligible groups will receive proportionally more, on average, than they pay in carbon pricing levies.

For a comparison of levies and rebates for eligible groups, refer to table on page 6 of *Proposed Yukon Government Carbon Rebate Framework*.

Q: Will the rebate have any impact on the government's books?

A. Initially, there will be a small positive impact on government surplus. This is because some of the carbon pricing revenue will be returned to the territory just prior to some of the rebates being dispersed.

The Government of Yukon has reached an agreement with CRA to rebate Yukon individuals before the federal government returns carbon pricing revenues to the territory. Following the temporary implementation phase, there will be no impact on government surplus as the rebates will be revenue neutral.

Q. Will the rebate mean increasing the size of government?

A. No.

Yukoners provided feedback in 2017 that carbon pricing revenues should be returned in a way that results in the lowest administration costsⁱⁱⁱ.

The Government of Yukon is committed to finding efficiencies and minimizing administration costs. By making use of existing processes within government, we have succeeded in meeting our commitments under the [Pan-Canadian Framework on Clean Growth and Climate Change](#) without hiring new staff or increasing the size of Government.

Q. The Northwest Territories has already released its carbon tax plan. Why is Yukon not doing something similar?

A. The Government of Yukon was clear at the outset of its planning that it wanted any carbon price in Yukon to be as non-intrusive to Yukoners as possible. The rebate is designed to use existing systems and processes where possible and minimize the administrative burden on rebate groups.

Q. Are any groups in Yukon exempt from carbon pricing?

A. The Government of Yukon has been in negotiations with Canada since 2016 to recognize the unique circumstances we face in the North^{iv}. These negotiations have been incorporated into the federal [Greenhouse Gas Pollution Pricing Act](#) and include exemptions for aviation fuel in the territories, and light fuel oil for electricity generation in remote communities.

When certain conditions are met, farmers and commercial fishers may access upfront relief through the use of exemption certificates^v issued by the federal government.

Q. Are any groups in Yukon not eligible for a rebate?

A. Groups that are not eligible for a rebate include tourists, the federal government, the Yukon government. Estimates of fuel consumption from previous years show that these groups contribute approximately 20.9%^{vi} of the total revenue that will be generated from a federal carbon levy. Revenue collected from these groups will be redistributed in response to feedback received from Yukoners since 2017 and in accordance with Yukon's commitments under the [Pan-Canadian Framework on Clean Growth and Climate Change](#).

Q. How will the government monitor the impact of carbon pricing and the effectiveness of a Yukon carbon rebate, especially for vulnerable groups in Yukon?

A. Federal, provincial and territorial governments are mandated to work together on an interim report on carbon pollution pricing in 2020 and a five-year review in 2022 to confirm the path forward^{vii}. The federal review will account for progress and for the actions of other countries in response to carbon pricing, consider increases in stringency, as well as recognition of permits or credits imported from other countries.

Q. Given that carbon pricing is new, what level of uncertainty is involved in estimating rebates?

A. In order to provide a rebate to eligible groups as swiftly as possible, the Government of Yukon used existing processes and data to calculate estimates for 2019. As more data become available, the accuracy of rebate estimates will increase.

Q. How will the government change the rebate mechanism if initial estimates are inaccurate?

A. The rebate system is designed to be revenue neutral. As such, it will be responsive to changes over time. If the estimates in the first year prove to be inaccurate, future rebates will be automatically adjusted to ensure that all carbon pollution revenues are returned to Yukoners.

Rebates for eligible groups:

INDIVIDUALS

Q. What will the carbon levy cost individuals in 2019?

A. From July 1, 2019 to June 30, 2020, individuals in Yukon are estimated to pay an extra \$84, on average, as a result of the federal carbon levy.

Q. How will the carbon rebate work for individuals?

A. The first payments for individuals will be made in October, 2019 with a second payment in April, 2020. These first payments will equal \$43.00 each. From July, 2020, rebates will be issued as quarterly payments and include a remote supplement for individuals living in remote areas.

Rebates will be issued by Canada Revenue Agency using the same payment method as an individual's tax return – by cheque or direct deposit.

Q. Why is there a supplement for rural Yukoners?

A. The Government of Yukon is committed to meeting its commitments under the [Pan-Canadian Framework on Clean Growth and Climate Change](#), and ensuring that carbon pricing policies include revenue recycling to avoid a disproportionate burden on vulnerable groups and Indigenous Peoples.

Remote communities in Yukon have proportionately higher energy needs and limited access to alternative transportation options. A remote supplement will reduce the risk of a disproportionate burden on vulnerable groups within Yukon by increasing the amount that eligible individuals receive in their payments by 10 per cent. For comparison, the Government of Canada has also committed to provide a 10 per cent supplement to individuals in remote communities in four provinces that do not meet the federal backstop and do not opt-in to the backstop^{viii}.

Q. Who is eligible for a remote supplement?

A. For the purposes of the Yukon carbon rebate, remote Yukoners are defined as living outside of Whitehorse city boundaries.

Q. I have kids, will I receive a rebate for each of them? How?

A. Yes. All Yukoners are entitled to a carbon pricing rebate, including children.

Carbon pricing payments for children will be paid to one parent/guardian in a similar way to the Yukon Child Benefit.

Q. Do I have to do anything to ensure I get a rebate?

A. Yes. Simply file a tax return in Yukon and Canada Revenue Agency will forward your rebate using the same payment method as your tax return – by cheque or direct deposit.

BUSINESSES

Q. How will the carbon rebate work for businesses?

A. Yukon businesses other than placer and quartz mining operations will receive their rebate as a refundable income tax credit with their tax assessment for the previous fiscal year.

The tax credit will be based on a weighting of assets that either consume fossil fuels or displace the consumption of fossil fuels. This method will result in tax credits that best align with the average levy paid by Yukon businesses and provide an efficient process for Yukon businesses to receive their carbon rebate.

The tax credit will also include a Super Green Credit to support Yukon businesses as we transition to a cleaner economy. This will encourage future investments in clean energy generation and energy conservation equipment^{ix} as listed under classes 43.1 and 43.2 of the [Capital Cost Allowance](#) (CCA).

Q. How did the government come up with rebate formula for Yukon businesses?

A. The formula used to calculate carbon revenues for Yukon businesses meets our commitments under the [Pan-Canadian Framework on Clean Growth and Climate Change](#)^x. The PCF stipulates that carbon pricing policies should minimize economic and competitiveness impacts, as well as the potential for “carbon leakage”.

The formula also addresses feedback received from Yukoners since 2017^{xi}, including targeting the rebate to meet environmental goals, rewarding Yukon businesses for taking “green” actions and minimizing administration costs to government^{xii}.

Q. How much can I claim under the Super Green Credit?

A. For a comparison of rebates for green assets, refer to table on page 8 of *Proposed Yukon Government Carbon Rebate Framework*. Asset classes are listed under 43.1 and 43.2 of the [Capital Cost Allowance](#) (CCA).

Q. Why is my business not exempt from the federal levy?

A. Exemptions to the carbon levy are determined by the Government of Canada to provide targeted relief for specific industries. Exemptions are governed by the *Greenhouse Gas Pollution Pricing Act* (GGPPA). Information on industries that are under consideration for exemptions can be found online at the Department of Finance Canada website^{xiii}.

FIRST NATIONS AND MUNICIPAL GOVERNMENTS

Q. How will the carbon rebate work for First Nations governments and municipal governments?

A. From July 1, 2019, Yukon First Nations and municipal governments will be subject to the federal carbon levy. Yukon First Nations governments are estimated to pay about 0.5% of the total levy, but will receive 1% of the revenues. Municipal governments are estimated to pay about 2.5% of the total levy, but will receive 3% of the revenues.

The first rebate to First Nations governments will be transferred on March 31, 2020 and cover the period of July 1, 2019 to March 31, 2020. This will be followed by annual payments. The first

rebate to municipal governments will be transferred on April 1, 2020 and cover the period of July 1, 2019 to March 31, 2020. This will be followed by annual payments.

Q. Why do First Nations governments and municipal governments have different rebate dates?

A. First Nations governments and municipal governments have different fiscal years. Rebating First Nations Governments on March 31 keeps the payment whole in their fiscal year. Rebating municipal governments on April 1 means that it can accompany the Comprehensive Municipal Grant payment.

Q. How will rebates be allocated to different governments?

A. Rebates to Yukon First Nations governments and municipal governments will be developed in 2019, following further discussions with them.

Q. Do I have to do anything to ensure my government gets a rebate?

A. No. Rebates will be transferred automatically to First Nations and municipal governments at the start of each fiscal year. No application will be required by governments and the full-value of the previous year will be transferred in one lump sum.

PLACER AND QUARTZ MINING OPERATIONS

Q. Are placer and quartz mining operations exempt from the levy?

A. No. Placer and quartz mining operations that are not part of the output-based pricing system (OBPS) are still required to pay the federal carbon levy.

Q. How will the carbon rebate work for placer and quartz mining operations?

A. Placer mining operations will receive a rebate for 100 per cent carbon levies paid. Quartz mining operations will receive a rebate for 100 per cent on the first 6 kilotonnes (kt) and 50 per cent on all emissions between 6–10 kt.

Owners of placer and quartz mining operations are asked to keep all receipts for purchases where the federal carbon price was applied. Operators can then apply to the Government of Yukon any time after January 1 in order to claim expenses for the previous year. Detailed information on how to apply for a rebate will be released in 2019.

Q. Why is the government providing a rebate directly to placer and quartz mining operations?

A. Placer and quartz mining operations are emissions-intensive, trade-exposed industries and trade in commodities that have prices set by international markets. Both the Yukon and federal government recognize the competitive concerns of industries that compete in international markets and this has been addressed with the federal output-based pricing system (OBPS).

Since developing and smaller operators in Yukon will not qualify for the OBPS, the Government of Yukon committed to return levies paid by these groups in recognition of the additional competitive challenges facing northern industries.

PROPOSED CARBON REBATE FRAMEWORK

Q. Where can I get more information?

A. Yukoners are encouraged to review the framework by visiting engageyukon.ca. Those with further comments or feedback can contact carbonrebate@gov.yk.ca before February 4, 2019.

Q: How will this feedback be used?

A. The proposed framework has been developed in response to feedback from Yukoners since 2017. We continue to invite comments from Yukoners so that our unique circumstances in the North are fully articulated and addressed.

Q. What else is the government doing to address climate change?

A. Carbon pricing is one aspect of Yukon's plan to reduce emissions and the government is continuing work on a [new strategy for climate change, energy and green economy](#). Yukoners can see [how Yukon is reducing greenhouse gas \(GHG\) emissions](#) through numerous incentives and programs that help Yukoners reduce their carbon footprint. Funding opportunities such as the Innovative Renewable Energy Initiative, also exist.

ⁱ [Pollution pricing: technical briefing](#), Environment and Climate Change Canada.

ⁱⁱ [Pollution pricing: technical briefing](#), Environment and Climate Change Canada.

ⁱⁱⁱ [Public engagement on the carbon rebate. What we heard: a summary of comments](#)

^{iv} [Pan-Canadian Framework on Clean Growth and Climate Change](#)

^v Finance Canada, Background: [Targeted Relief for Farmers and Fishers, and Residents of Rural and Remote Communities](#)

^{vi} This is the sum of fuel use for non-eligible groups in the 'fuel use vs proposed rebate' table.

^{vii} Yukon will participate in the PCF reviews as a national effort.

PCF guidance:

- 2020: An interim report: will be completed and reviewed and assessed by First Ministers.
- 2022: Five-year review: Federal, provincial and territorial governments will work together to establish the approach to the review of carbon pollution pricing, including expert assessment of stringency and effectiveness that compares carbon pollution pricing systems across Canada, which will be completed by early 2022 to provide certainty on the path forward.

^{viii} [Supplement for Residents of Rural and Small Communities](#)

^{ix} Natural Resources Canada [Technical Guide to Class 43.1 and 43.2](#) (2013)

^x PCF principles:

- Carbon pricing policies should be introduced in a timely manner to minimize investment into assets that could become stranded and maximize cumulative emission reductions.
- Carbon price increases should occur in a predictable and gradual way to limit economic impacts.
- Carbon pricing policies should minimize competitiveness impacts and carbon leakage, particularly for emissions-intensive, trade-exposed sector.

^{xi} [Public engagement with Yukoners in 2017](#) and input from stakeholders, including the Yukon Chamber of Commerce and the Low Carbon Stakeholder Committee.

^{xii} [Public engagement on the carbon rebate. What we heard: a summary of comments](#)

^{xiii} Public comments on the [proposed relief for greenhouse operators and power plant operators](#) were being accepted until November 23, 2018. A decision from Government of Canada is pending.