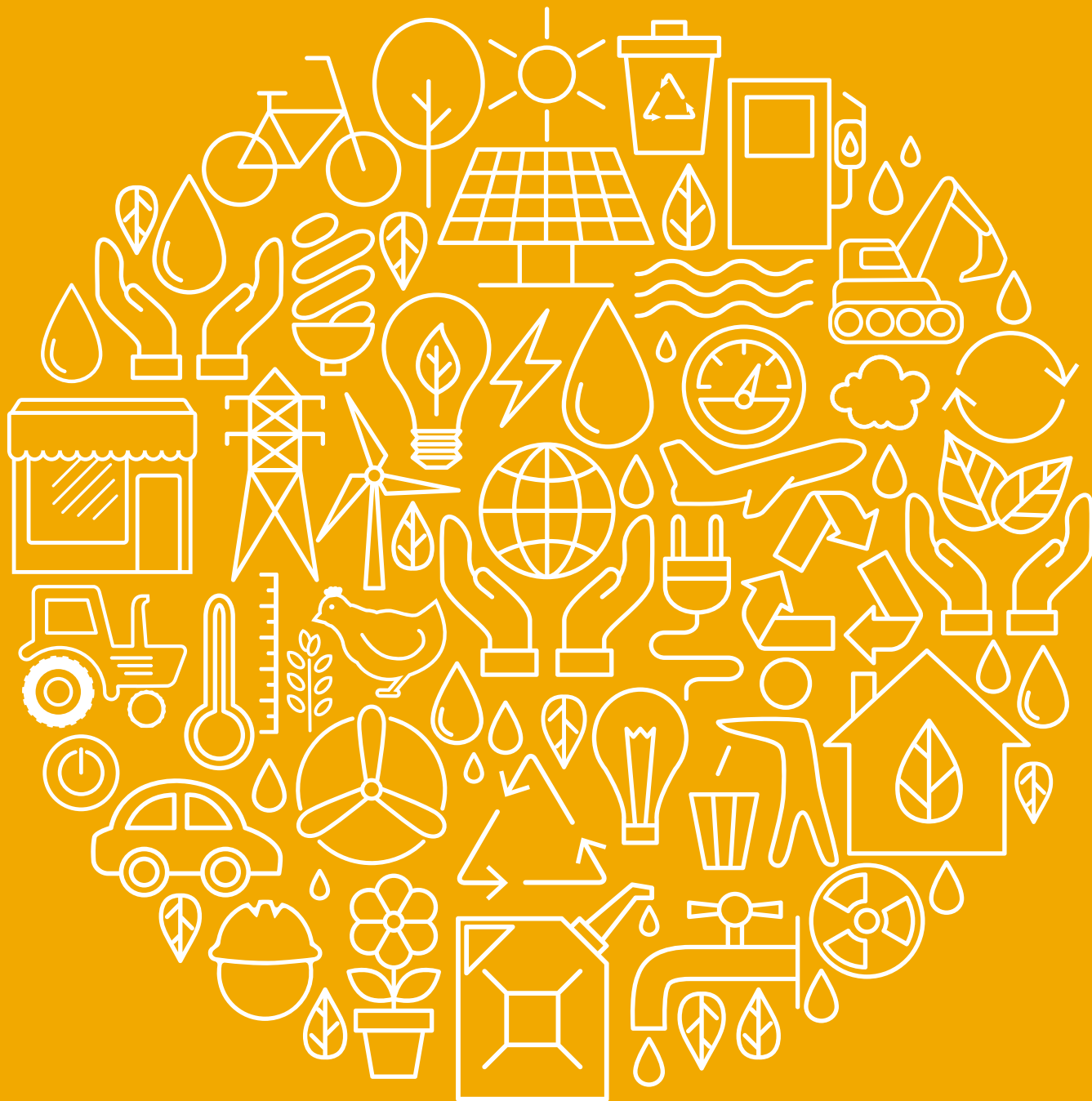




Proposed framework for the

**YUKON GOVERNMENT
CARBON PRICE
REBATE**





Disclaimer: The contents of this document outline the proposed framework for the Yukon Government Carbon Price Rebate. The final rebate design may differ from this framework.

Introduction

On October 23, 2018, the Government of Canada announced that a federal price on carbon will come into effect in Yukon on July 1, 2019.

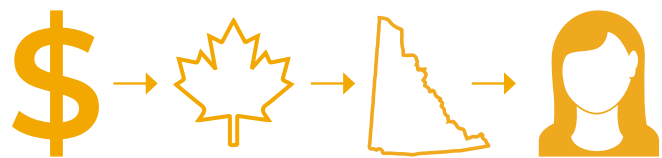
In the first year of implementation the Government of Canada is expected to collect \$7.8 million in revenue from Yukon*.

Revenues from the carbon levy will be returned to Yukon from the Government of Canada in the form of a transfer.

This document outlines the proposed framework for the Yukon Government Carbon Price Rebate.

It has been developed in response to feedback received from Yukoners since 2017 and meets Yukon's commitments under the [Pan-Canadian Framework on Clean Growth and Climate Change](#) (PCF).

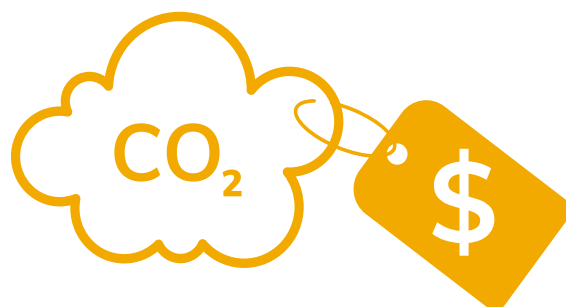
Yukoners are encouraged to review the framework. Feedback is being received by email carbonrebate@gov.yk.ca until Monday, February 4, 2019.



* Values are based on estimates of fuel consumption.

A price on pollution

Starting on July 1, 2019, the federal carbon levy will be applied in Yukon at a rate of \$20 per tonne of carbon emissions in 2019 and will rise on April 1 of each year until it reaches \$50 per tonne in April 2022.



Prices on common fuels will be embedded at the point of sale.

	July 2019	April 2020	April 2021	April 2022
All values in cents/litre				
Gasoline	4.42¢	6.63¢	8.84¢	11.05¢
Light fuel oil (diesel)	5.37¢	8.05¢	10.73¢	13.41¢
Propane	3.10¢	4.64¢	6.19¢	7.74¢

A comprehensive list of [fuel charge rates](#) is available on Finance Canada's website.

Exemptions

The Government of Yukon has been in negotiations with Canada since 2016 to recognize our unique circumstances in the North.

These negotiations have been incorporated into the federal [Greenhouse Gas Pollution Pricing Act](#) and include targeted relief on aviation fuel in the territories, diesel for electricity generation in remote communities, and partial relief for greenhouse operators.

Federally exempt industries include commercial fishing and agriculture.



Who will receive a rebate?

In response to feedback received from Yukoners since 2017, rebates will be provided to Yukon individuals, businesses, First Nations governments, municipal governments, and placer and quartz mining operations.

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 2019–20.

Eligible groups will receive proportionally more on average than they pay in carbon pricing levies. This is because some groups including tourists, the Yukon government and the federal government will not receive a rebate.



Individuals



Businesses



First Nations and municipal governments



Placer and quartz mining operations

Group	Fuel use in Yukon*	Proposed rebate
Yukon businesses	46.9%	51.0%
Yukon households	29.1%	45.0%
Municipal governments	2.5%	3.0%
First Nations governments	0.5%	1.0%
Visitors [†]	10.3%	0.0%
Yukon government	9.6%	0.0%
Federal government	0.5%	0.0%
Other	0.5%	0.0%

Totals may vary due to rounding.

* Estimates of CO₂e were calculated using 2017 data and are subject to change. Calculations exclude aviation and electricity.

[†] Includes tourists, exports and flow-through traffic.



Greenhouse Gas

A greenhouse gas or “GHG” is a gas that can absorb heat and causes a warming effect in the atmosphere. The primary greenhouse gases in Earth’s atmosphere are water vapor, carbon dioxide, methane, nitrous oxide and ozone.



CO₂ equivalent

A carbon dioxide equivalent or “CO₂e” is a term for describing different greenhouse gases (GHGs) in a common unit. For any quantity and type of greenhouse gas, CO₂e signifies the amount of CO₂ which would have the equivalent global warming impact.

Estimated levies and rebates by group



All values in millions of dollars (\$M)

	2019–20	2020–21	2021–22	2022–23	2023–24*
Total levy	\$7.80 M	\$15.01 M	\$20.21 M	\$25.41 M	\$26.00 M

\$20 /tonne

\$30 /tonne

\$40 /tonne

\$50 /tonne

\$50 /tonne



Individuals

Levy paid	\$3.41 M	\$4.16 M	\$5.68 M	\$7.19 M	\$7.57 M
Rebate	\$3.51 M	\$6.43 M	\$8.77 M	\$11.11 M	\$11.70 M



Businesses (non-mining)

Levy paid	\$1.61 M	\$3.22 M	\$4.29 M	\$5.37 M	\$5.37 M
Rebate	\$1.93 M	\$3.85 M	\$5.14 M	\$6.42 M	\$6.42 M



Placer and quartz mining operations

Levy paid	\$2.05 M	\$4.10 M	\$5.47 M	\$6.84 M	\$6.84 M
Rebate	\$2.05 M	\$4.10 M	\$5.47 M	\$6.84 M	\$6.84 M



First Nations governments

Levy paid	\$0.04 M	\$0.08 M	\$0.10 M	\$0.13 M	\$0.13 M
Rebate	\$0.08 M	\$0.16 M	\$0.20 M	\$0.26 M	\$0.26 M



Municipal governments

Levy paid	\$0.20 M	\$0.39 M	\$0.52 M	\$0.65 M	\$0.65 M
Rebate	\$0.23 M	\$0.47 M	\$0.62 M	\$0.78 M	\$0.78 M

Values presented here are estimates and are subject to change. Totals may vary due to rounding.

* 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.

Rebate for individuals



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.

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.

Remote supplement



Remote communities in Yukon have proportionately higher energy needs and limited access to alternative transportation options. A 10 per cent remote supplement will reduce the risk of a disproportionate burden on these individuals.

	2019–20	2020–21	2021–22	2022–23	2023–24
Levy paid by individual	\$84.00	\$103.00	\$140.00	\$177.00	\$187.00
Rebate to individuals	\$86.00	\$156.00	\$212.00	\$268.00	\$284.00
Remote supplement		\$15.60	\$21.20	\$26.80	\$28.40

Carbon levy estimates are averages and are subject to change. Individual expenses will vary.

Calculating the Yukon Government Carbon Price Rebate (2023–24)



Family of four in Mayo
paying a carbon levy of \$50 per tonne

$$\begin{aligned}
 &4 \times \$284.00 + \\
 &4 \times \$28.40 \\
 &= \mathbf{\$1,249.60}
 \end{aligned}$$

When carbon pricing reaches \$50 per tonne in 2023, a family of four living in Mayo will receive four installments of \$312.40 totalling \$1,249.60.

Rebate for businesses



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. In doing so, businesses will receive larger rebates for investing in the territory.

Super Green Credit

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 and will allow the private sector to make decisions that benefit their businesses and the environment without growing government.

Guiding principles

This approach meets Yukon's commitments under the [Pan-Canadian Framework on Clean Growth and Climate Change](#) (PCF), whereby carbon pricing policies should minimize economic and competitiveness impacts, as well as the potential for “carbon leakage”.

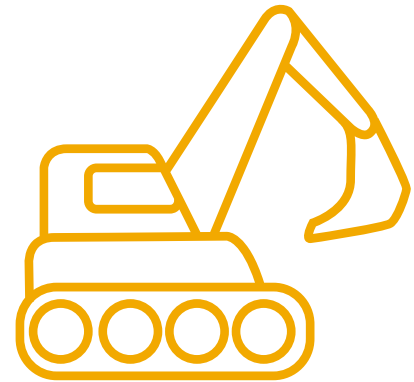
It also responds to feedback received from Yukoners since 2017, including targeting the rebate to meet environmental goals, rewarding Yukon businesses for taking “green” actions, and minimizing administration costs.

	2019–20	2020–21	2021–22	2022–23	2023–24
Values for total levy and rebate in millions of dollars (\$M)					
Total levy paid	\$1.61 M	\$3.22 M	\$4.29 M	\$5.37 M	\$5.37 M
Total rebate	\$1.93 M	\$3.85 M	\$5.14 M	\$6.42 M	\$6.42 M
Building rebate (per \$1,000 in assets)	\$1.72	\$3.45	\$4.60	\$5.75	\$5.75
Equipment rebate (per \$1,000 in assets)	\$8.62	\$17.24	\$22.99	\$28.73	\$28.73
Green rebate* (per \$1,000 in assets)	\$17.24	\$34.48	\$45.98	\$57.46	\$57.46

Carbon levy estimates are averages and are subject to change. Expenses will vary.

* Eligible assets are listed under classes [43.1 and 43.2 of the Capital Cost Allowance](#) (CCA).

Rebate for placer & quartz mining operations



In order to ensure that industries competing in international markets are not put at a competitive disadvantage, our commitment was expanded to include a 100 per cent rebate of funds paid for the carbon levy by placer miners.

Placer mining operations will receive a rebate for 100 per cent of carbon levies paid.

The mining rebate also includes quartz mining operations. Quartz mines not subject to the federal output-based pricing system (OBPS) during development, operations and reclamation 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 expected to keep all receipts for purchases where the federal carbon levy 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.

Companies involved only in exploration projects will receive the general business rebate.

Detailed information on how to apply for a rebate will be released in 2019.



What about large mines in Yukon?

The federal backstop is composed of two parts.

- A carbon levy applied to fossil fuels.
- An output-based pricing system (OBPS).

Large mines will receive the quartz mining rebate during their development and reclamation phases. Once they begin production, these mines will be subject to the OBPS.

The OBPS applies to industrial facilities that emit above a certain threshold (50 kt), with an opt-in capability for smaller facilities with emissions below the threshold (10–50 kt).

The federal OBPS is designed to ensure there is a price incentive for large industrial emitters to reduce their greenhouse gas (GHG) emissions and spur innovation while maintaining competitiveness and protecting against carbon leakage.

First Nations & municipal governments



From July 1, 2019, Yukon First Nations governments 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 and will receive 1% of the revenues.

Municipal governments are estimated to pay about 2.5% of the total levy and 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.

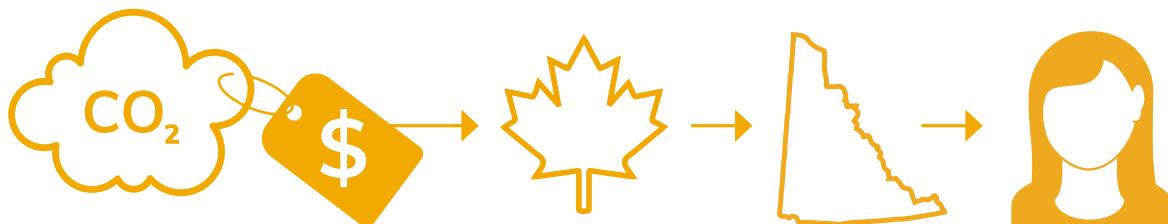
Rebates to Yukon First Nations governments and municipal governments will be developed in 2019, following further discussions with them.

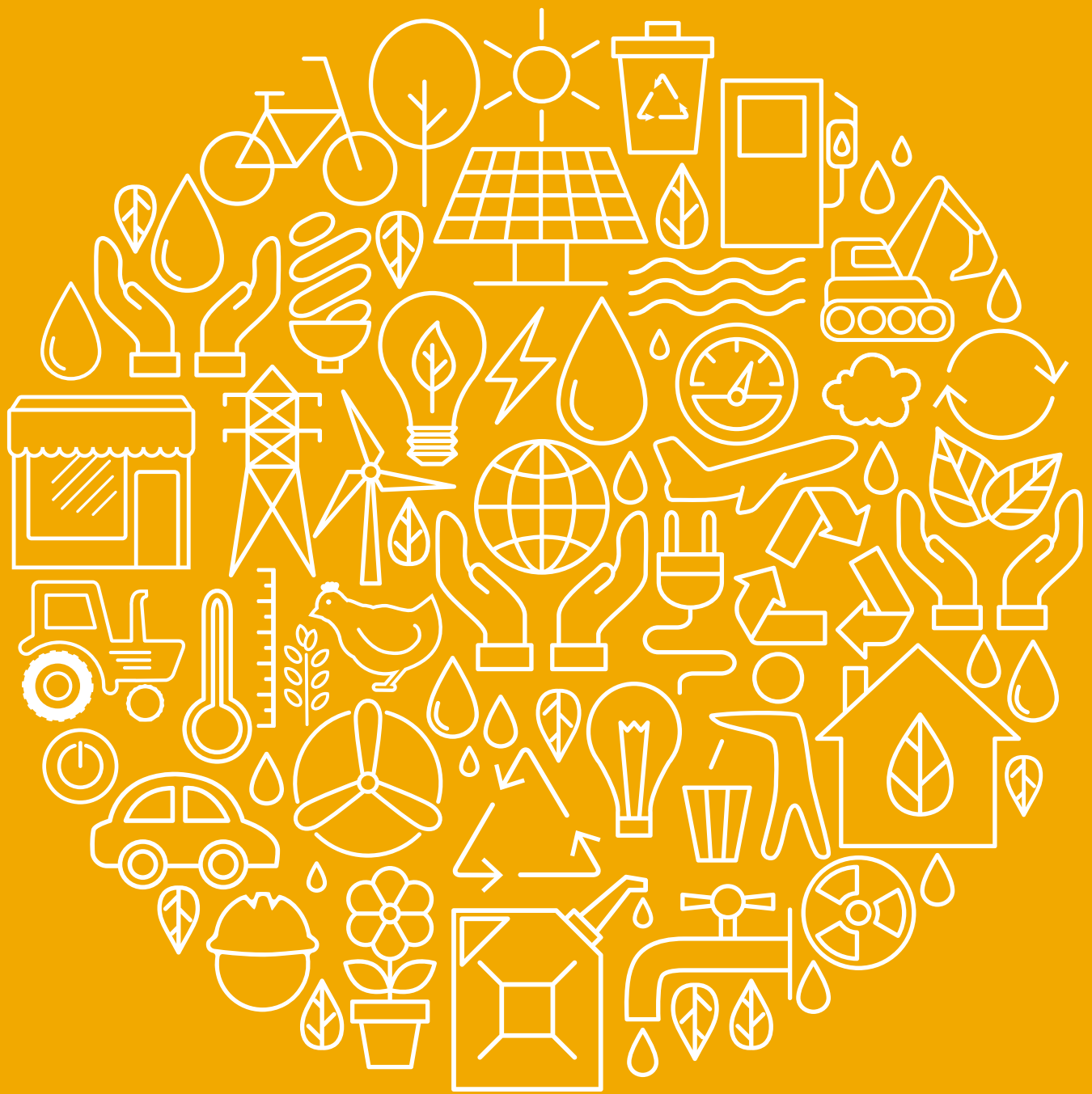
Next steps

This 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.

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.





Yukon