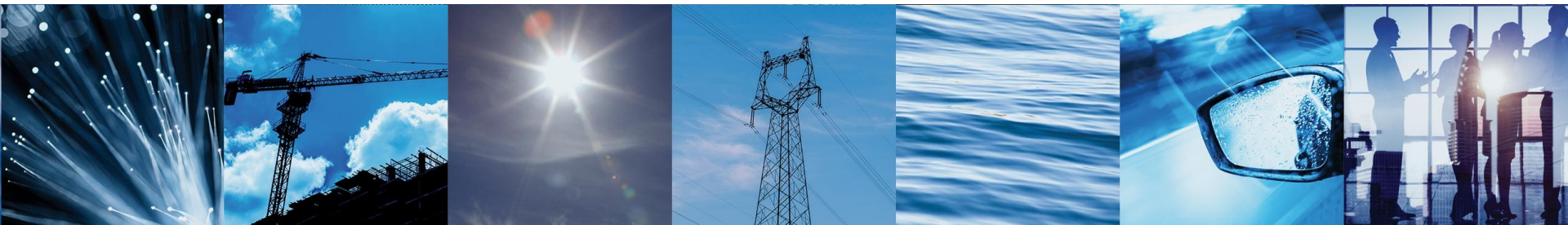




Canadian “Ecofiscal” Policy

Christopher Ragan

CSLS, December 11, 2014



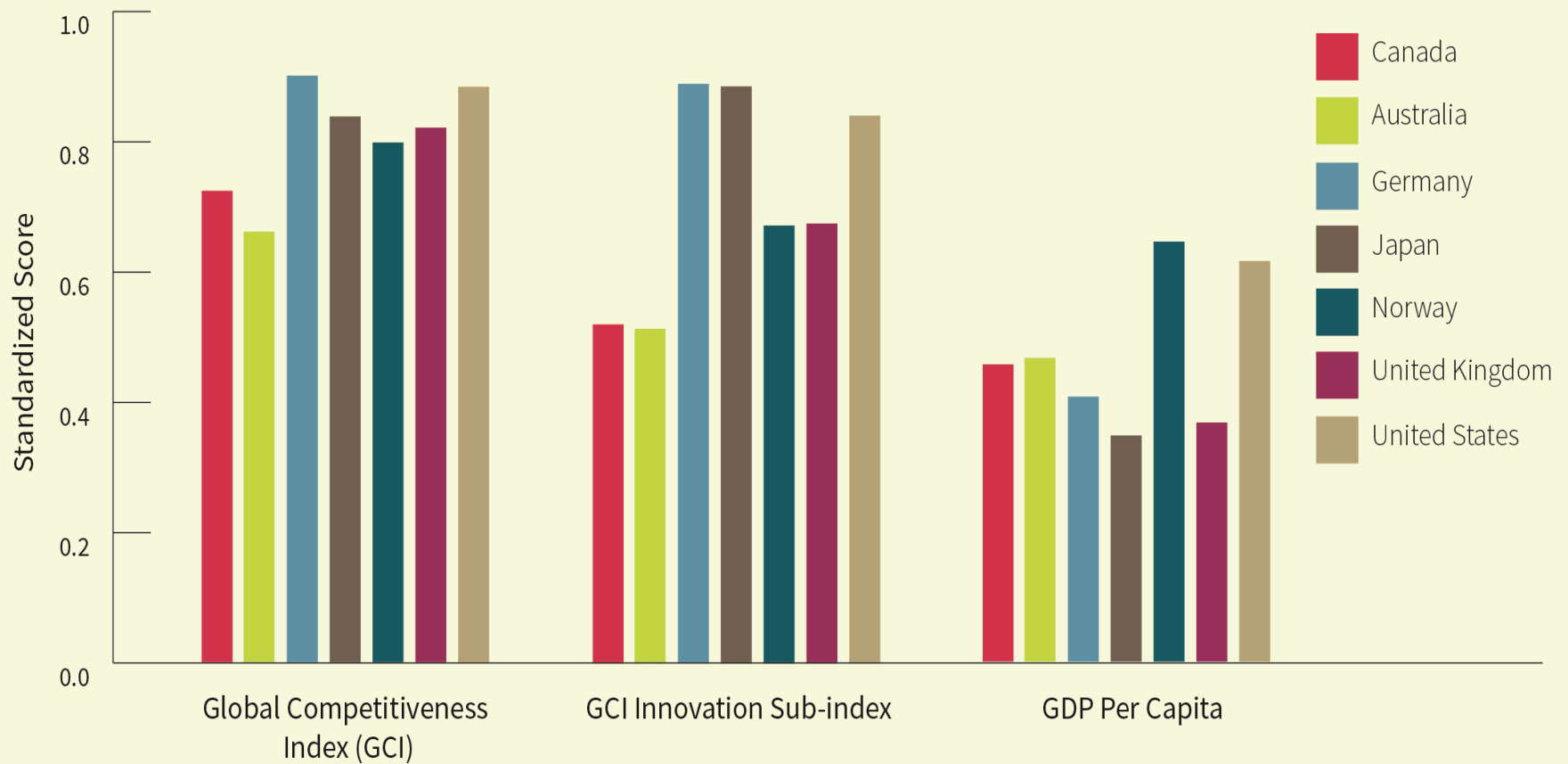


Preamble

- Genesis
- Radical vs. incremental
- Pitch: we can do better



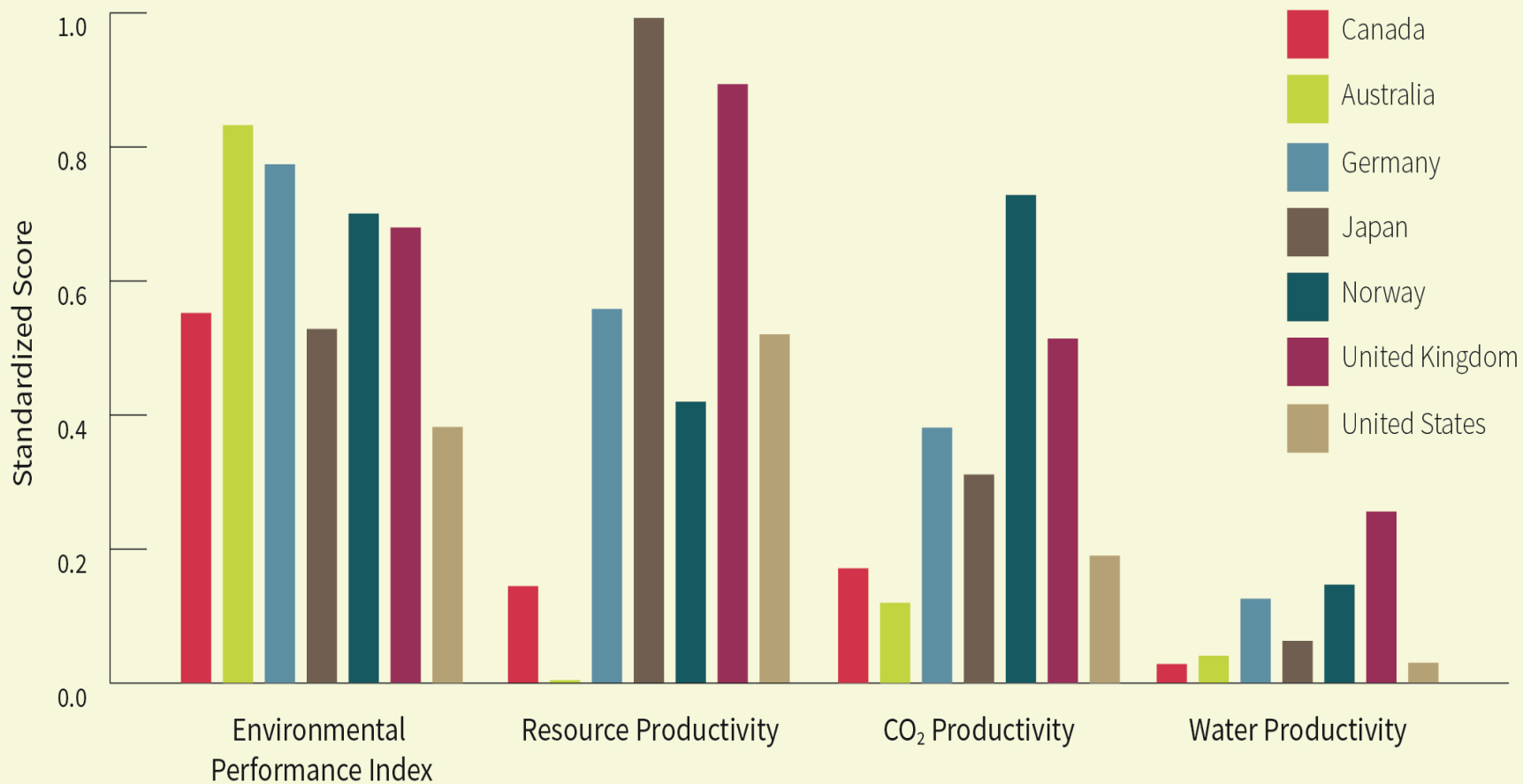
FIGURE 5: Three Indicators of Economic Performance



Canada's economic performance is in the middle of the pack; it particularly lags the comparator countries in terms of innovation.

Sources: Based on data from OECD (2014c); WEF (2013a). Figures 5 and 6 use normalized indices for the various indicators. For each indicator, the country with the highest score is rescaled to 1, and the one with the lowest score is rescaled to 0. This scale maintains both the rankings relative to other OECD countries and the relative magnitude of scores.

FIGURE 6: Benchmarking Canada's Environmental Performance



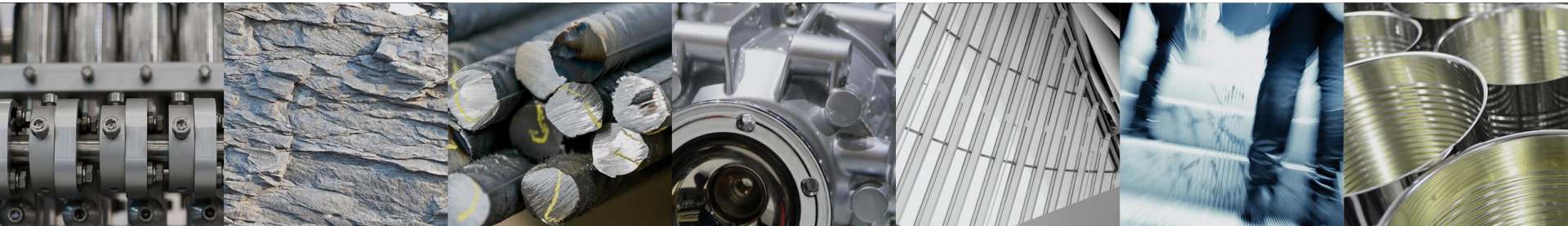
Canada's environmental performance lags behind the comparator countries, particularly with respect to resource use, greenhouse gas emissions, and water use.

Sources: Based on data from EPI (2014), World Bank (2014a) and OECD (2014c).



The (Big) Obstacle

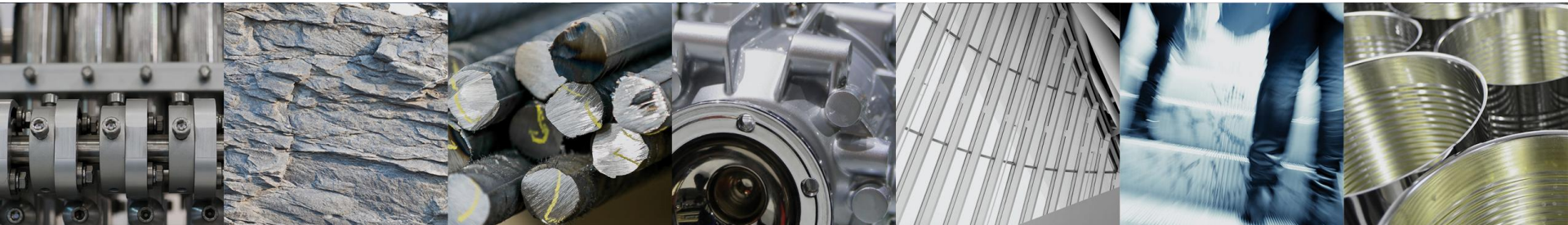
The belief that a healthier environment is only possible with an economic sacrifice





Really?

- Real costs from enviro damage?
- Fish, fur, wheat and lumber?
- Short run vs. long run?





A Policy Solution

- Re-engineer our fiscal structures
- We know they matter: incentives
- How have they evolved?

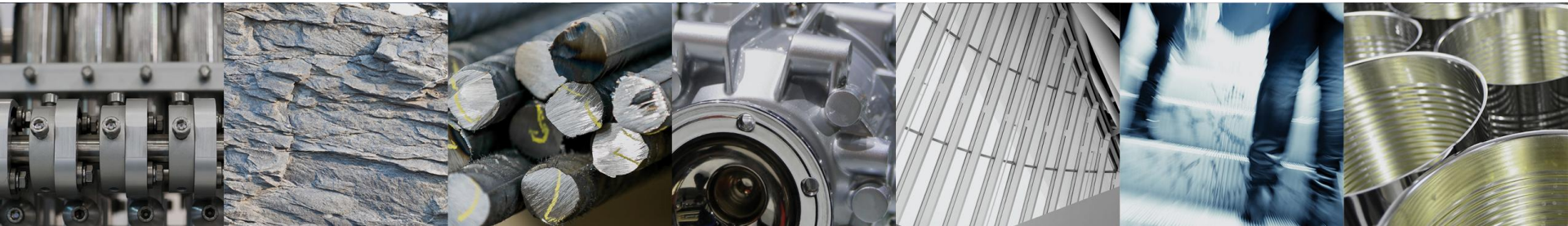
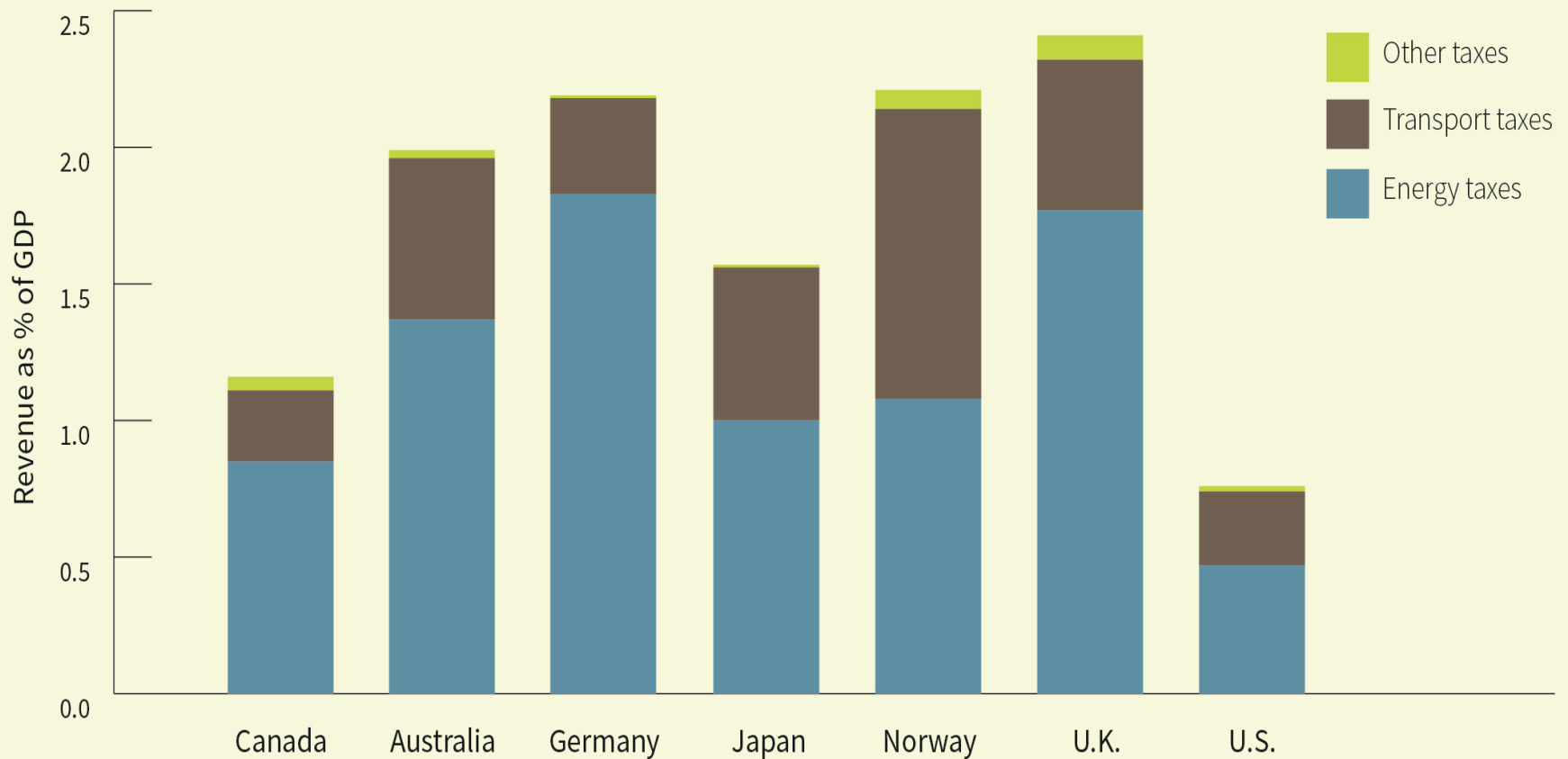


FIGURE 4: Environmentally Related Tax Revenue, 2012



Canada uses environmentally related taxes less than most comparable countries.

(SOURCE: Based on data from OECD, 2014c. Note that most resource royalties are excluded from these data, though some provincial data appear to be inconsistent: for example, some mineral royalties in British Columbia and Quebec are included.)



Ecofiscal Policy 101

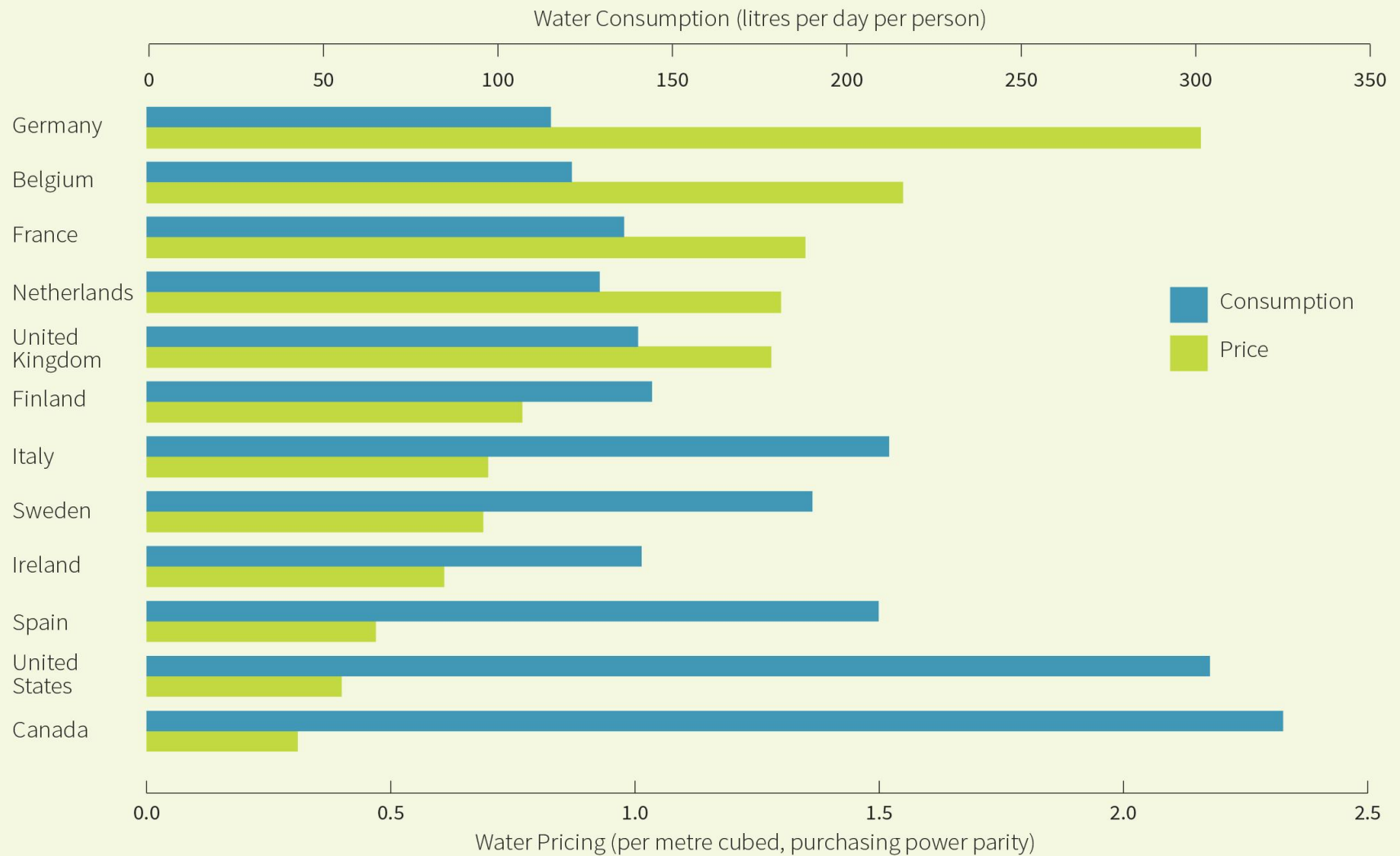
Part 1: Price pollution

➔ less pollution

➔ more innovation



FIGURE 1: International Municipal Water Prices and Consumption



Higher water prices correspond with less water use; Canada has relatively low prices and relatively high per capita water consumption.

Source: Based on data from the Council of Canadian Academies (2009).



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Part 2: “Recycle” revenues

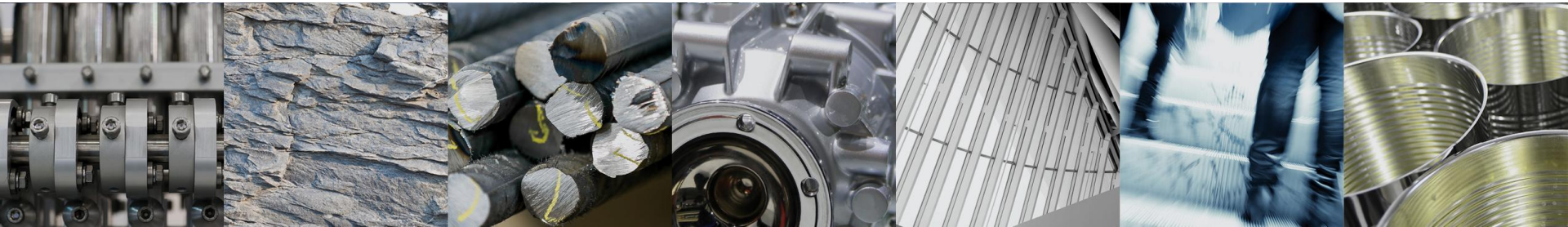
- Reduce CIT or PIT
- Invest in R&D or innovation
- Protect low-income households





International Examples

- Water pricing in Singapore
- Road pricing in London, UK
- Waste pricing in UK
- Carbon pricing in Denmark





For Canada?

- Water access in Southern Alberta +
- Traffic congestion in YVR, YYC, YYZ, YUL
- Residential garbage in most places
- Carbon pricing in every province
- +++





3 Tough Issues

- Low-income families
- Competitiveness and leakage
- Interprovincial \$\$ transfers





The Commission

- 12 economists; independent
- 14-16 advisors; “trans-partisan”
- 5-6 year horizon; 15-18 reports
- National in scope; regional in details





Ecofiscal Commissioners





Ecofiscal Advisory Board





Future Reports On Carbon Pricing

Key Issues to Address:

1. What policy instruments can be used to price carbon?
2. What is meant by policy stringency?
3. What emissions are covered by policy?
4. How is revenue recycled back to the economy?
5. How can competitiveness risks be best managed?
6. How best to deal with vulnerable households?



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