KEEPING SCORE:
Measuring Manitoba's Environmental Performance

NOVEMBER 2017

TODD MACKAY
Canadian Taxpayers Federation

Taxpayer.com

ABOUT THE CANADIAN TAXPAYERS FEDERATION

Taxpayer.com
Stand Up. Be Heard!

Canadian Taxpayers Federation
265-438 Victoria Ave E
Regina, SK S4N 0N7

Phone: 306-582-7717
Email: tmackay@taxpayer.com
Website: taxpayer.com

Todd MacKay
Prairie Director – Canadian Taxpayers Federation

The Canadian Taxpayers Federation (CTF) is a federally incorporated, not-for-profit citizen's group dedicated to lower taxes, less waste and accountable government. The CTF was founded in Saskatchewan in 1990 when the Association of Saskatchewan Taxpayers and the Resolution One Association of Alberta joined forces to create a national organization. Today, the CTF has 130,000 supporters nation-wide.

The CTF maintains a federal office in Ottawa and regional offices in British Columbia, Alberta, Prairie (SK and MB), Ontario, Quebec and Atlantic. Regional offices conduct research and advocacy activities specific to their provinces in addition to acting as regional organizers of Canada-wide initiatives.

CTF offices field hundreds of media interviews each month, hold press conferences and issue regular news releases, commentaries, online postings and publications to advocate on behalf of CTF supporters. CTF representatives speak at functions, make presentations to government, meet with politicians, and organize petition drives, events and campaigns to mobilize citizens to affect public policy change. Each week CTF offices send out Let's Talk Taxes commentaries to more than 800 media outlets and personalities across Canada.

Any Canadian taxpayer committed to the CTF's mission is welcome to *join at no cost* and receive issue and *Action Updates*. Financial supporters can additionally receive the CTF's flagship publication *The Taxpayer* magazine published four times a year.

The CTF is independent of any institutional or partisan affiliations. All CTF staff, board and representatives are prohibited from holding a membership in any political party. In 2015-16 the CTF raised *$4.7-million on the strength of 29,102 donations*. Donations to the CTF are not deductible as a charitable contribution.

TABLE OF CONTENTS

INTRODUCTION

Premier Brian Pallister says Manitobans have to pay a carbon tax to reduce greenhouse gas emissions, stop climate change and protect the environment. But what if Manitobans are already accomplishing some of those goals? Is a carbon tax still necessary?

Premier Pallister's *Climate and Green Plan* proposes a $25 per tonne carbon tax. It will cost Manitobans about 5 cents per litre on gasoline. The total bill for the premier's carbon tax will be $260 million annually.

While the *Climate and Green Plan* makes the cost of a carbon tax clear, it provides no evidence or analysis to show how this significant tax hike will stop climate change or benefit the environment. It's an important question given the fact that Canada produces 1.6 per cent of world C02 emissions and Manitoba produces 2.9 per cent of Canada's emission. However, for the purpose of this briefing, we analyzed the potential impact of a carbon tax based on the Manitoba government's own criteria.

The *Climate and Green Plan* doesn't specify metrics to measure whether the plan is working or failing. The most the plan offers is a list of four "possible indicators" including:

1. Reduction of reported emissions in Manitoba attributable to the carbon price, as indicated by litres of gasoline and diesel sold annually;

2. Ratio of Manitoba's GDP to annual total litres of gasoline and diesel consumed;

3. Annual increase in adoption of alternatives (e.g., ratio of gasoline to electric vehicles purchased); and/or;

4. Economic competitiveness impacts by sector such as exports.

The Canadian Taxpayers Federation analyzed Manitoba's current performance based on these "possible indicators" and compared them to the only jurisdiction in Canada that has had a carbon tax for the past many years – British Columbia.

The results are surprizing.

Manitoba's fuel consumption growth is slower than the national average and significantly slower than British Columbia.

Manitoba's fuel-consumption-to-GDP ratio is also falling faster than the national average or BC.

Manitoba's electric vehicle sales are low, but they are also low in the rest of the country – even BC.

After careful consideration, we concluded the fourth indicator, "economic competitiveness impacts by sector such as exports" is vague to the point of defying analysis. How would competitiveness be measured in this context? What sectors would be analyzed? Which exports and what aspect of exports would be examined (volume, price, etc.)? The government's failure to provide any specifics on this measure is fatal to any useful analysis and therefore we have disregarded this indicator.

After applying the Manitoba government's own "possible indicators" it's clear Manitobans are already delivering results without a carbon tax.

REDUCED FUEL SALES

Premier Pallister's carbon tax would add 5 cents per litre on gasoline. The implied hypothesis is that the higher cost imposed by a carbon tax will cause Manitoba to consume less fuel. However, the Manitoba government offers no evidence to support this supposition. In fact, the evidence undermines this position.

Manitoba consumed 1.61 million litres of gasoline and 781,078 litres of diesel in 2011[1]. In 2015, those numbers were 1.67 million litres of gasoline and 795,019 litres of diesel. In total, during that span, Manitoba's overall fuel consumption went up 71,541 litres or 3 per cent.

However, Canada's overall fuel consumption rose faster.

Canadians consumed a total of 59.87 million litres of fuel in 2011. By 2015, Canadian consumption had grown to 62.57 million litres. That's an increase of 2.69 million litres or 4.5 per cent.

BC's performance is even more interesting.

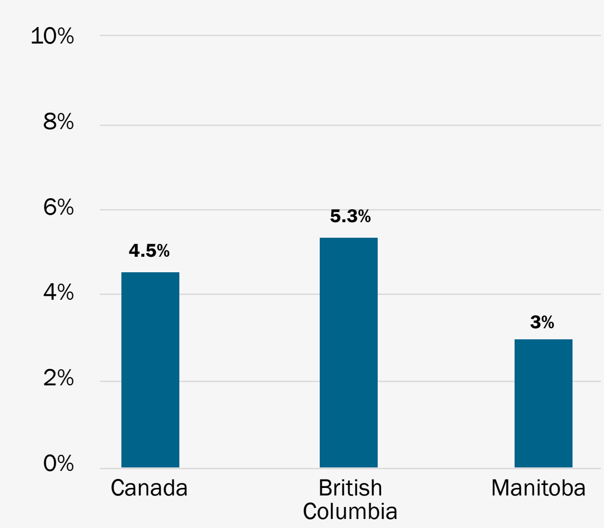
BC consumed 6.96 million litres of fuel in 2011 and 7.33 million litres in 2015 – an increase of 5.3 per cent.

British Columbians have been subject to a carbon tax since 2008, yet Manitoba, without a carbon tax, is not only controlling fuel consumption better than the Canadian average, it's outperforming BC.

Of course, Premier Pallister may argue that a carbon tax would make Manitoba's strong performance even stronger. Perhaps. But what evidence demonstrates this hypothesis? If that were true, wouldn't BC's carbon tax make that province's performance even stronger than Manitoba's?

In any case, according the first "possible indicator" cited by the *Climate and Green Plan*, the evidence makes it clear that Manitoba is doing well to control fuel consumption without a carbon tax.

Percentage increase in fuel sales for Canada, BC and Manitoba



[1] Statistics Canada report entitled: *Sales of Fuel Used for Road Motor Vehicles, by Province and Territory*. Note: we used gross gasoline sales and net diesel sales for two reasons. First, those are the numbers readily available from Statistics Canada. Second, proposed carbon taxes will not be applied to farm fuel, the majority of which is diesel, and therefore any increase or decrease in fuel consumption on that front will unlikely be due to a carbon tax. Net sales refer fuel on which road taxes are collected while gross sales include all fuel sales, including fuel sold for off-road uses such as farming.

FUEL-TO-GDP RATIO

Using raw fuel consumption is a limited indicator of a carbon tax's impact. If a province's economy grows, overall emissions may go up despite important efficiency improvements. The "potential indicator" measuring the fuel-consumption-to-GDP ratio addresses this concern. If the economy is growing while controlling fuel consumption, the province is making environmental progress.

Manitoba consumed 42.5 litres of fuel per million dollars of GDP in 2011. By 2015, that number fell to 37.35 litres of fuel per million dollars of GDP. That's a decrease in the fuel-consumption-to-GDP ratio of 12.1 per cent.

Overall, Canada consumed 33.83 litres of fuel per million dollars of GDP in 2011. In 2015, it reduced that number to 31.5 litres of fuel per million dollars of GDP – a reduction of 6.9 per cent.

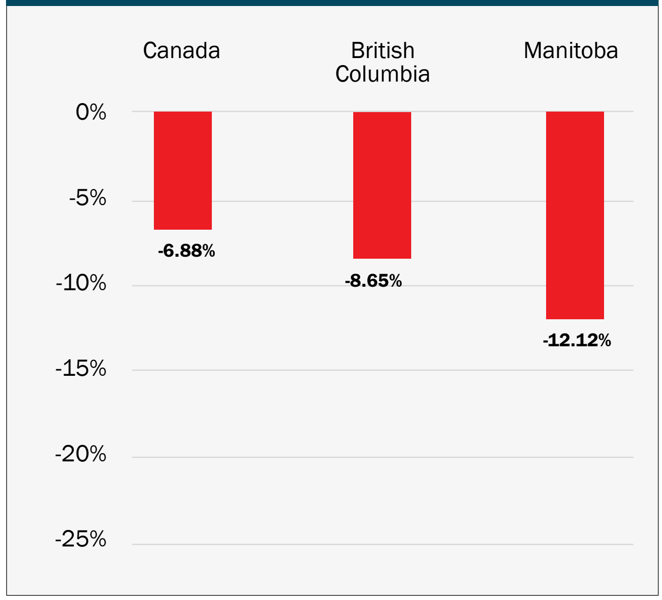
Again, BC's performance is particularly interesting. In 2011, it consumed 32.12 litres of fuel per million dollars of GDP. In 2015, it consumed 29.34 litres per million dollars of GDP. That's a reduction of 8.65 per cent.

Carbon tax advocates could certainly argue that BC's carbon tax helped the province outperform the country as determined by this indicator.

However, Manitoba's performance is remarkable. In five years, Manitoba cut its fuel-consumption-to-GDP ratio almost twice as much as the Canadian average and significantly more than BC.

According to the "potential indicator" of fuel-consumption-to-GDP ratio, Manitoba is growing its economy while controlling emissions without a carbon tax.

Percentage reduction of fuel-consumption-to-GDP ratio



ELECTRIC VEHICLE TO GAS VEHICLE SALES

Carbon tax advocates hope to make it more expensive to drive traditional vehicles and therefore push people to buy electric vehicles that produce fewer emissions. However, that still may not happen if the potential savings aren't enough to justify the expense of buying a new vehicle. More importantly, electric vehicles may not be a suitable substitute for some people. In any case, it seems Manitobans are reluctant to buy electric cars, but so are most Canadians.

There were 116 electric vehicles in Manitoba on Mar. 31, 2016. A year later, there were 178 electric cars in Manitoba. In 2016, Manitobans bought a total of 57,428 new vehicles. That means electric vehicles accounted for 0.11 per cent of new vehicle sales in Manitoba.

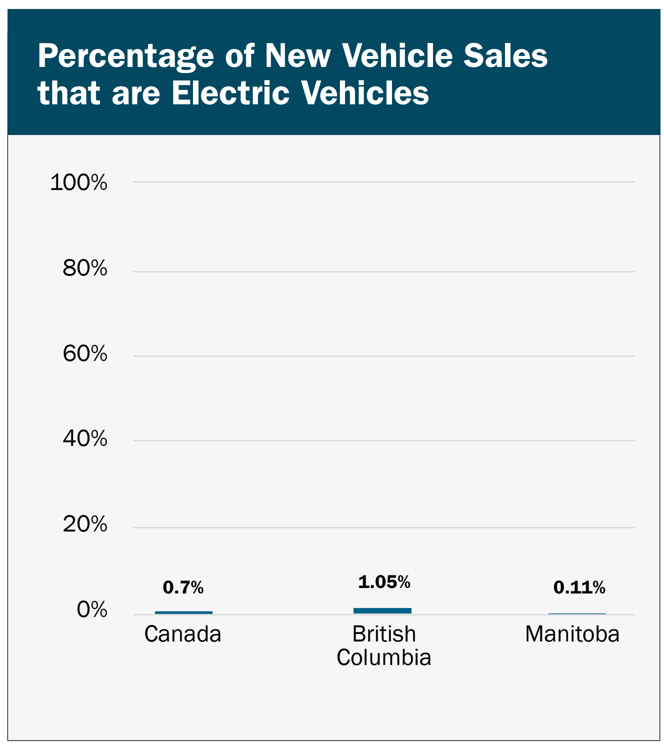
Canada's overall number of electric vehicles increased by 12,265 during the same period, but overall new vehicle sales were 1.76 million. That makes electric vehicles 0.7 per cent of new vehicle sales nationally.

On this indicator, BC performs better. The number of electric vehicles in BC went up by 2,339 while overall new vehicle sales were 221,772 – 1.05 per cent of vehicle purchases in BC were electric cars.

However, it's important to keep this performance in context. Put another way, 99.89 per cent of Manitoban vehicle buyers bought a traditional vehicle while 98.95 of British Columbians made the same choice as did 99.3 per cent of Canadians generally.

While it maybe useful to measure electric vehicle sales when evaluating policy, it will be important to consider a range of issues beyond the price of fuel associated. For example, it may not be practical for farmers to trade in their half-tonnes for hybrids.

According to this "potential indicator," there may be opportunities for Manitobans to buy more electric vehicles, but that opportunity needs to be viewed within the context of the experience of BC and the nation generally where electric vehicles remain a fraction of the overall fleet.



ECONOMIC COMPETITIVENESS IMPACTS

The fourth "potential indicator" cited by the Manitoba government's *Climate and Green Plan* is "economic competitiveness impacts by sector such as exports." As noted in the introduction, this indicator is too vague to be useful. It is concerning that the government would even include such a vague indicator to measure the success or failure of massive policy initiative.

While it's impossible to conduct any specific analysis on this vague "potential indicator," one general point is undisputable: Manitoba will be less competitive due to a carbon tax.

A carbon tax will impose additional costs on Manitobans. Competitors in other provinces and other countries won't face this additional cost. Therefore, Manitobans will be less competitive.

While the general point is inescapable, the important question of severity remains. The government owes Manitobans answers regarding how badly the province's competitiveness will be impacted. This is especially true given the fact that Premier Pallister has not committed to any specific offsets of other taxes to soften the blow of a carbon tax.

CONCLUSION

The conclusion is clear: according to the "potential indicators" cited in Premier Pallister's *Climate and Green Plan*, Manitoba is already outperforming BC and the national average to control emissions without a carbon tax.

This obviously indicates Manitoba does not need a carbon tax.

There is also an important intergovernmental element to these findings.

Prime Minister Justin Trudeau is threatening to impose a federal carbon tax on any province that doesn't already have one.

Premier Pallister commissioned an expert legal opinion to determine if and how a province could legally challenge a federal carbon tax. One specific passage from that opinion is quoted prominently in the *Climate and Green Plan*:

> *A credible (though untested) argument, however, could be made about the potentially discriminatory application of the backstop feature. Suppose Manitoba adopted its own 'Made-in-Manitoba' overall GHG reduction plan, which would reduce GHG emissions just as effectively as the approved federal measures (these are a specific carbon tax/levy or a cap-and-trade scheme, to the exclusion of all other types of measures which might be adopted by other provinces). Manitoba could then argue the federal government was arbitrarily denying its authority to craft its own legislative measures in response to the issue of GHG emissions. The federal government, according to the argument, would as a result be acting inconsistently with the principle that all provinces have equal authority to legislate within areas of provincial jurisdiction.*

In other words, the government's legal analysis states Manitoba could challenge a federal carbon tax if the province's performance is as effective as federal requirements.

It's important to note the legal opinion does not suggest what policies should be used to accomplish this outcome. It does not suggest a carbon tax is necessary. It simply and clearly states the province could argue its policy outcomes are sufficient to meet federal requirements.

Presumably, Premier Pallister would rely on results determined by the "potential indicators" outlined in *The Climate and Green Plan* to demonstrate that his plan is sufficient to meet federal requirements.

But here's the surprising reality: the numbers show Manitoba's results on these "potential indicators" are already superior to the nation's results and BC's results despite that province's carbon tax.

Premier Pallister could contest a federal carbon tax based on Manitoba's current performance even without a carbon tax.

Results matter. A carbon tax will cost Manitobans hundreds of millions of dollars. They deserve to know how a carbon tax will actually perform. This is especially true in light of the fact that Manitobans are achieving better results on the proposed "potential indicators" than the nation generally and BC where a carbon tax is already in place.