

Honourable Steven Guilbeault, MP
Minister of Environment and Climate Change Canada
200 Sacre-Coeur Blvd.
Gatineau, QC K1A 0H3

November 21, 2022

Dear Minister Guilbeault,

I understand that the release of the Federal Government's position on each province's carbon pricing plans is imminent. Obviously, given the recent rhetoric and words I have heard directly and indirectly, I am very concerned that the Federal Government is about to unnecessarily punish Nova Scotians and, also, the planet.

As such, I am reaching out, in advance of any announcement, in the hope that you are finally able to clearly articulate how your Government's carbon pricing scheme can possibly be a more effective mechanism to reduce greenhouse gas emissions than the plan that Nova Scotia has advanced.

I am nevertheless trying to maintain an open mind and hope that you are as well. As you consider this important question, there are three critical points that I wish to revisit and stress. Specifically, I ask that you:

- (1) not lose sight of the purpose and desired outcomes of carbon pricing and ask yourself honest questions about whether it will work in Nova Scotia;
- (2) acknowledge the true cost of your carbon pricing scheme on Nova Scotians; and
- (3) be authentic about our practical ability to lower the provincial tax on fuel.

Purpose and Desired Outcomes of Carbon Pricing

The Federal Government explicitly sets out that:

"Carbon pricing is about recognizing the cost of pollution and accounting for those costs in daily decisions."

As I have said to you and the Prime Minister on several occasions, I have no fundamental opposition to the theory of carbon pricing. Quite the opposite. There is most certainly a time and place for carbon pricing. However, it is not now for Nova Scotia.

For reasons previously outlined (as well as those set out herein), carbon pricing is not the best mechanism *right now* for Nova Scotians to affect the largest decrease in emissions. There are more effective ways to make a greater, more positive, difference.

The stated purpose of carbon pricing - essentially, to change behaviours - cannot be achieved in Nova Scotia because the targeted behaviours cannot be materially changed: we need to drive and we need to heat our homes.

I implore you to take seriously the impact of carbon pricing on a province like Nova Scotia, which boasts one of the most rural populations in the country and relies on the targeted behaviours for survival.

The fact that a significant portion of the population resides in rural parts of the province, means that there is no real ability to materially change their behaviours as there are no alternatives but driving to work, the hospital, to visit elderly relatives, etc. and heating their homes is a necessity, not a luxury. In your decision making, I implore you to recognize the reality that compared to the national average of 17.8% living in rural, 41.1% of Nova Scotians reside in rural communities. This is not a mere inconvenient statistic.

This means that biking, walking or public transportation are simply not options for most Nova Scotia residents. This is evident when you compare motive fuel consumption from 2019 (when fuel averaged \$1.28/L) to when our fuel prices rose significantly earlier this year to \$1.69/L in April:

- In April of 2019, Nova Scotians consumed 97.4 million litres of motive fuel.
- In April of 2022, when gas was at a record high, Nova Scotians consumed 94.7 million litres of fuel.

Keeping in mind that in April (as is the case now), many more Nova Scotians were working from home. But the difference in consumption between 2019 and 2022 is negligible. This is because Nova Scotians have to drive. That is a behaviour that has proven to be true regardless of the price and will not be modified by adding a carbon tax.

Our small businesses are the lifeblood of our communities, particularly in rural Nova Scotia. Carbon pricing cannot modify their behaviour, but it can and will force them to raise their prices significantly in an attempt to offset your increase to the cost of fuel. An expense that will raise inflation and have other unforeseen ramifications but, ultimately, will not modify behaviour.

You personally reaffirmed the purpose of carbon pricing in your May 3, 2022 op ed in the National Post, wherein you stated:

*"The carbon tax is set to rise by \$15 per year from now until 2030 when it will reach \$170 per tonne. The government estimates **the carbon tax needs to rise that much to change consumer behaviour and reduce greenhouse gas emissions to respect Canada's international climate commitments.**"*

Again, I stress that Nova Scotians are, for the most part, unable to change their behaviour with respect to fuel consumption. Outside of our urban centres, driving to work; operating machinery and vessels is not an option. It is necessary to earn a living. It is necessary to care for our families. To attend doctors appointments and to take our children to school.

The actual necessity of our current reliance on fuel is likely the reason Nova Scotians have recently expressed much frustration with comments from your Government that have demonstrated a lack of understanding of the requirements of rural living.

I enjoy a productive working relationship with and have much respect for the Deputy Prime Minister, but certain comments reinforce our point that there are behaviour modification options

available to some that simply are not available to the majority of Nova Scotians. The Deputy Prime Minister recently stated:

“I personally live in central Toronto. Our family doesn’t have a car. We use the subway, we ride our bikes and we walk. And that is how a lot of Toronto families live. The price on pollution is actually helpful to people in Toronto and across the country. You know, the price on pollution really is not adding to the challenges that households are facing right now.”

Obviously, this may be true and fine in Toronto but I live in Pictou County, where I can assure you, the options available to Minister Freeland and Torontonians are not accessible in rural centres. I actually interpret this statement as an endorsement of our position and ask that, at a minimum, you defer any price on carbon in rural Nova Scotia until residents have these types of options.

Again, at a minimum, I ask that you please explain how our assessment that it is not practically possible to modify behaviours is flawed and how you believe that your carbon tax will achieve your goal of modifying the behaviour of Nova Scotians.

On the other hand, supporting Nova Scotia, in, for example, our efforts to produce green hydrogen and efforts to put more hydrogen powered vehicles on the road would have a meaningful impact on Nova Scotians and on the planet. Similarly, investing in cleaning our energy (to avoid high-priced fossil fuels) and energy efficiency (lowers bills, lowers GHGs and creates jobs). While we certainly appreciate the oil fund, with over 200,000 households on home heating oil, the cost of converting those homes to more efficient energy sources is over a billion dollars.

In the absence of a plausible explanation as to how Nova Scotians will be able to appropriately meet your goal and modify their behaviour, we need to talk about the financial impact and the true cost of carbon pricing on Nova Scotians.

The True Cost of Carbon Pricing on Nova Scotians

As you are aware, and as I have shared directly with the Prime Minister, we do not accept the theme of commentary that Canadian and Nova Scotian families will be better off with carbon pricing and we are hopeful that your Government is willing to have an honest, frank discussion about the real impact on families.

For starters, it is important that your Government look at the full picture and not cherry pick isolated parts of the equation. Specifically, we ask that you please address the question of whether any rebate will properly consider the true and additional costs on rural Nova Scotians, for example, the higher costs at the grocery store associated with the added fuel price of transporting those goods.

This message that Nova Scotians will financially benefit from carbon pricing was also reiterated by my own Member of Parliament, Minister Fraser when he said on November 14, 2022 that:

“The plan to put a price on pollution is actually going to give more money back to families who live in our communities.”

And again on September 1, 2022, when MP Fillmore wrote in a Saltwire op ed:

“As a result, families of four in that province now receive \$1,079 a year in rebates from the Climate Action Incentive, part of the federal carbon pricing system.”

I could go on with references but suffice it to say that the consistent position taken by Government-side members is that Nova Scotians will be financially better off when they pay a Federal Government carbon tax. This position is constantly advanced even though it is not consistent with expert analysis and certainly not consistent with our internal analysis.

We have shared our analysis with you and, as you know, our main point is that it is not equitable for a family living, working and attending school in downtown Halifax - with the options of public transportation, bike lanes and transport on foot, to receive rebates akin to those received by a family living in a rural area like Neil's Harbour, where residents have a half hour drive to the nearest school or grocery store; or a two and a half hour drive to a regional hospital.

Constituents of mine and constituents of Minister Fraser's are very different from those represented by MP Fillmore and Minister Freeland. Our rural constituents will not get more (or at least not an equitable portion of the amount they've had to spend on fuel) and these statements from your Government do not consider the very real, indirect costs of carbon pricing.

A truck driver now must pay much more for diesel for his or her vehicle. They have a choice of eating those costs, with their already small margins - or, the more likely scenario - they are forced to pass those added costs on to consumers. I acknowledge that in some areas the Federal Government offers a modest adjustment on their rebate for rural communities, but I worry that it is not near representative of the needs and difference in costs faced by those living outside our urban centres.

All this to say that I continue to believe that the representatives closer to those impacted should be making the determination about how any rebates are distributed should you proceed with the ineffective price on carbon. This is the reason why Minister Halman has put forward a submission that would see Nova Scotia distributing any carbon pricing rebates. This would ensure the most equitable distribution, most representative and better understanding the makeup and needs of our province and rural communities.

But above all, I wanted to be clear that we disagree that families will be better off with these rebates. While some, living in Halifax will likely be better off, those in rural areas will not. I sense that you also intuitively know this and that is why you waded into the discussion about our provincial fuel tax.

Ability to lower the Provincial Tax on Fuel

On November 14, 2022, you provided the following statement to AllNovaScotia:

“Provinces have the ability to pause their provincial fuel taxes. If Premier Houston wanted to pause his provincial fuel tax, he could have started that process yesterday instead of sending his finance minister to give interviews. Of course, if he did pause his provincial fuel tax, then he would have less revenue for his priorities.”

A criteria of the federal pollution pricing system is that provinces are not allowed to explicitly offset the pollution price signal. That means Premier Houston can do whatever he wants with fuel taxes as long as he does not explicitly state that the intent is to offset the impact of pollution pricing at the pumps.”

The reality is that your statement flies directly in the face of the purpose of the carbon tax and the Pan-Canadian Approach to Carbon Pollution Pricing 2023-2030, where, pursuant to section 3.1.3, you cannot reduce motive fuel taxes without being offside of the carbon pricing system.

“Provinces and territories must not implement measures that directly offset, reduce or negate the price signal sent by the carbon price. Where a province or territory implements measures that directly offset, reduce or negate the price signal sent by the carbon price in whole or in part (e.g., carbon price rebates at the gas pump or on utility bills, OBPS performance standards that negate the price signal), those sources will be treated as not covered by the pricing system in the determination of the scope of the system under 3.1.2.”

It is our understanding, based on Federal Government explanations of the carbon pricing program, that one of the main goals of carbon pricing is to change behaviours to reduce consumption and thus lower emissions. The sole purpose of adding a carbon price to fuel was to do just that.

Can you explain how the province lowering its motive tax - even now - would be in line with the explicit purpose of carbon pricing? It seems to me that any effort to lower gas at the very time you are contemplating raising it with an additional carbon tax would be very antagonistic.

We do not want to be antagonistic in any way and have only acted in good faith, even when we have been antagonised by your colleagues.

If the Federal Government’s goal is to truly change behaviours based on an increased price on fuel, why would it make sense for the Provincial Government to counteract the entire purpose of carbon pricing?

Ultimately, we obviously disagree with the implementation of carbon pricing on Nova Scotians at a time when we have demonstrated a nation leading commitment to our environmental goals - that exceeds federal targets.

We believe our plan is better for the environment than carbon pricing. It has the additional benefit of being better for the public from an affordability standpoint.

The Federal Government has weighed in and suggested that the carbon tax is the best way to save the planet. We believe our plan is better because it will reduce emissions by approximately 17% as compared to the 2% emissions reductions that we hope to achieve through carbon pricing.

We have the most ambitious 2030 GHG targets in the country, and the legislated and regulated policies and programs in place to achieve them. Nova Scotia has historically, and will continue to, disproportionately contribute more to Canada’s climate change goals with our own policy approach. We only ask that you support us.

Nova Scotia has the most ambitious 2030 GHG emissions target of any province or the Federal Government and a clear and credible pathway to achieve it. We are already paying for GHG reductions in the electricity sector, and it is unfair for the Federal Government not to recognize that because it is not an explicit “carbon price.” Nova Scotians already pay some of the highest energy costs in the country, and increasing those costs through the addition of a tax will not significantly reduce GHG emissions.

Depending on your decision, it may be necessary for us to re-evaluate the cost of some of our plans. Obviously if the Federal Government tells Nova Scotians that a carbon tax is a more effective way to protect the planet than the detailed roadmap the province has been following, then Nova Scotians will naturally ask why we are taking the other, expensive steps. We will have to have a good answer and where we don't, we will have to adapt.

Industrial GHG emissions have been allowed to continue to rise in other provinces, and it is difficult not to believe this is the real reason your Government feels the need to focus on fuels primarily used by consumers and small businesses. Nova Scotia consumers and small businesses have already made their fair share of investments on real reductions in the industrial sector, specifically power generation. If left unhindered, we will be able to continue to make significant and meaningful investments in real GHG emission reduction, investments other provinces are not making.

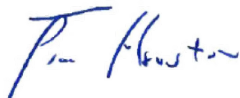
It is not that Nova Scotians are unwilling to invest in emission reductions. It is that Nova Scotians are unwilling to invest in a policy that simply will not reduce emissions in this province. Lets invest the time and money on what will reduce emissions.

The reality is that as winter approaches and costs become unbearable for many families, we have to put Nova Scotians first. I would ask that you do the same and consider the actual intended purpose of carbon pricing; the work that has been done in Nova Scotia; and the impact this new cost will have on families trying to survive during an affordability crisis.

I am particularly interested in better understanding the goals of carbon pricing in light of the revelation that the Federal Government is okay with the Province decreasing the cost of fuel. Instead of taking money from Nova Scotians and then rebating it back to them for no effect on GHGs, we wanted to work with your Government on programs and investments that actually lower GHGs and made lives more affordable.

I look forward to a productive discussion.

Yours truly,

A handwritten signature in blue ink that reads "Tim Houston".

Hon. Tim Houston
Premier of Nova Scotia

Cc: Tim Halman, Minister of Environment and Climate Change
Sean Fraser, Minister of Immigration, Refugees and Citizenship
Andy Fillmore, MP Halifax
Chrystia Freeland, Deputy Prime Minister