



Alternatives North

Revenue Options Consultations
Fiscal Policy Division
Department of Finance
Government of the Northwest Territories
P.O. Box 1320-L5
Yellowknife NT
X1A 2L5

Dear Sir or Madam

Re: Revenue Options Discussion Paper on a Carbon and Hotel Taxes

Alternatives North has examined the idea of a carbon tax that appeared in the recent GNWT discussion paper. While we are very supportive of a carbon tax, we are concerned that the option put forward by GNWT is yesterday's solution to tomorrow's problems. It is well intentioned and a step forward but may be too timid and too little. We were disappointed with the very conservative approach set out in the discussion paper and the lack of options presented.

Our position includes the following principles and recommendations:

Progressive taxes

- Any change in the tax system, including a new carbon tax, should be progressive. The costs should fall on people who can best afford to pay.

More is needed to change behaviour

- A revenue neutral carbon tax will not change peoples' behaviour on its own. Better planning, stronger regulation and targeted investment are needed.

Revenue neutrality not necessary

- A so-called revenue neutral carbon tax is not on the leading edge of the practice in other Canadian jurisdictions or around the world. On the contrary, it is a relatively weak and timid response to the serious climate change challenges that face us.

Incrementally tax for real costs

- A first step in the campaign to deal with climate change should be a carbon tax phased in at an increasing rate, similar to the BC example - \$10 per ton in year one, rising to \$50 in year five in annual staged increments. Even these rates only partially pay the real environmental and other costs of using carbon fuel – costs that users have avoided paying in the past.

Use revenue wisely

- Revenues from a carbon tax should first help low income people, (especially in the smaller and remote communities) cope with the cost of living increase. Second, revenues should go into a "green conversion" fund similar to that in place in Quebec.

Green Fund

- The green fund should be overseen in the public interest by an independent and widely representative board (the Arctic Energy Alliance might be an appropriate body). It should support projects that;
 - conserve energy,
 - convert heating and transportation systems, and
 - convert energy generation systems from diesel to renewable (or at least to less polluting forms such as natural gas) sources.

The bulk of the money should be in a 'revolving' fund that loans money to businesses, public bodies and individuals at low interest with payback to come from energy savings, similar to the national municipal green fund that has had remarkable success. Obviously, the fastest pay back options should be the highest priority.

Cost of living

- Ever higher costs of living are guaranteed in the Northwest Territories if we continue to rely on oil and gas, the price of which will inevitably continue to rise as supplies diminish. We experience the high and rising cost of carbon products in every coffee we drink, light we turn on, and bag of groceries we buy. We must get off this rising price escalator. One way or the other, it is going to cost us to convert from carbon-based energy sources. In the short term we can minimize the inevitable economic disruption by gradually increasing the cost of using harmful fuels and using the revenues to support the more (most) desirable alternatives.

Plan to cope with fallout

- Certain businesses may be harmed by these changes. Under our economic system businesses must deal with resource and technological change all the time. We need to plan to cope with the negative fall-out of these changes on people and our supply chains. But we shouldn't turn away from needed change out of a misguided wish to do no harm. If we do nothing about climate change, we do untold harm to everyone.

We support the development of a carbon tax that is sensitive to the needs of northerners with an appropriate implementation strategy and communications plan.

We are generally supportive of the concept of enabling local governments to levy a hotel tax. We are of the view that there should be a review after a few years with the prospect of a NWT-wide approach that promotes and encourages regional tourism development. However, we are concerned with the precedent this may set for other commercial interests to come forward with proposals for specific taxes that should be the subject of the overall progressive scheme of the territorial government.

We remain very concerned about the failure of the territorial government to capture a fair or adequate share of the economic rent associated with the substantial non-renewable resource development taking place now in the NWT. We cannot and should not wait for devolution and/or a resource revenue sharing arrangement before we secure a fair share of the resources for our present and future generations. A heritage fund without any revenues is an empty promise.

We look forward to further opportunities to build economic self-sufficiency and inputs into responsible fiscal policy.

Sincerely,

A handwritten signature in black ink that reads "Kevin O'Reilly". The signature is written in a cursive, flowing style with a large initial 'K' and 'R'.

Kevin O'Reilly