May 30, 2018

The Honourable Rosa Galvez
Chair of the Standing Senate Committee on
Energy, the Environment, and Natural Resources
Senate of Canada, Ottawa, ON, K1A 0A4

Dear Senator Galvez,

Re: Senate Standing Committee on Energy, the Environment, and Natural Resources Study of the Greenhouse Gas Pollution Pricing Act

Thank you for your invitation to share Yukon’s perspective on the proposed Greenhouse Gas Pollution Pricing Act. The Government of Yukon supports carbon pricing as a cost-effective way to reduce Canada’s emissions and incent investment in green technologies as Canada transitions to a cleaner economy. Carbon pricing will complement the existing tools already being applied in Yukon to address climate change, as well as new initiatives. We continue to focus on actions that build resilience in Yukon communities to the impacts of climate change and that help Yukoners and Yukon businesses reduce their emissions and support green economic growth. We are identifying new commitments through the development of a Yukon Strategy on Climate Change, Energy, and Green Economy over 2018-19.

In the Pan-Canadian Framework on Clean Growth and Climate Change, the Government of Canada committed to working with the territories to jointly develop solutions for carbon pricing in the North that would address the unique circumstances in the territories. There are great distances between communities in Yukon and a heavy reliance on fuel for heating through long winters. Yukon has remote communities that rely on diesel generation for electricity because they are not connected to the hydro grid. The community of Old Crow is not accessible by road and relies on aviation to bring goods into the community. Old Crow residents rely on air travel to access many essential services in Whitehorse, and beyond. Yukoners have very limited options for mass transit, due to a low population density, and this results in a heavy reliance on personal vehicle usage. In many Yukon communities, there are fewer low-carbon options available that people can substitute for more emissions-intensive options in response to the price signal created by pricing pollution. There are fewer options in some communities where public transit is not an option and where the cost of living is already higher than in southern jurisdictions. This is part of why the Government of Yukon’s
approach to distributing the carbon pricing revenues will be to rebate the revenues to individuals, businesses, and local governments.

Yukon contributes less than one tenth of one percent of Canada’s emissions. At the same time, the North is disproportionately impacted by the consequences of climate change. As temperatures in Canada are rising more quickly than the global average, temperatures in the North are rising even faster than in the rest of Canada. Thawing permafrost is putting critical infrastructure at risk, including schools and the highway networks that connect remote communities. Yukon faces high costs to build and maintain the community infrastructure required to make communities resilient to the impacts of climate change.

Some Yukon businesses also face higher costs to operate in remote areas with no access to electrical grids and where goods need to be shipped across large distances. The application of the output-based pricing system creates some challenges for this reason, because it appears based on a single emissions standard calculated nationally for each product captured by the system. Holding Yukon businesses to a standard determined by the efficiency of facilities in southern jurisdictions will create a scenario where it is more difficult for Yukon businesses to meet the same standards. The impacts of the carbon price on energy-intensive, trade-exposed sectors in Yukon is something that the Government of Yukon is looking at very closely as we consider how to design a rebate mechanism and to protect the competitiveness of Yukon businesses.

It has been a challenge to develop a carbon pricing system that applies fairly across the country to meet our national commitments under the Paris Agreement, while recognizing that carbon pricing cannot be applied in the same way in Old Crow as it is in Toronto. The proposed Greenhouse Gas Pollution Pricing Act as presented in Bill C-74 does allow for this flexibility, depending on the regulations that bring the backstop mechanism into force in different jurisdictions. The Government of Yukon expects the regulations under the Act to implement the backstop mechanism in Yukon in a way that recognizes the unique challenges that come with pricing carbon in Yukon. We continue to discuss with the Government of Canada how the carbon pricing system can be implemented in Yukon in ways that address the unique circumstances in the North.

The Government of Yukon is supportive of the approach to return carbon pricing revenues collected in Yukon back to Yukon. The Government of Yukon intends to recycle all carbon pricing revenues so that any money collected by the federal government through the carbon levy and the output-based pricing system would be returned to individuals, businesses, municipal
governments, and Yukon First Nations. The Government of Yukon is engaging with stakeholders on designing a revenue recycling system that reflects the principles of the Pan-Canadian Framework on Clean Growth and Climate Change.

Mahsi,

Pauline Frost
Minister of Environment

Sandy Silver
Premier of Yukon and Minister of Finance