

EQUALITY IMPACT STATEMENT: CARBON TAX

December 2011



Name of Legislation or Policy

Carbon Tax Act, S.B.C 2008, c. 40¹

Purpose and History of Legislation

In 2008, the Government of British Columbia introduced a number of pieces of legislation in an attempt to reduce greenhouse gas (GHG) emissions. The carbon tax was one measure enacted to help reach the GHG emission reduction goals focusing specifically on the carbon footprint of households and businesses.²

The BC carbon tax was designed to encourage individuals and businesses to make more environmentally responsible choices, thus reducing their use of fossil fuels and related emissions. This particular instrument provides an incentive without favouring one way to reduce emissions over another: "business and individuals can choose to avoid it by reducing usage, increasing efficiency, changing fuels, adopting new technology or any combination of these approaches."³ Not to mention, by making higher carbon choices more expensive, greener options become more commercially viable, thereby encouraging businesses and entrepreneurs to develop innovative solutions that offer consumers and business affordable, lower or no-carbon emission alternatives.

British Columbia's carbon tax is based on a number of principles. Two of which are of particular interest to this statement:

1. Protection for lower-income households

To help offset the cost of the carbon tax, lower-income British Columbians receive an annual Climate Action Credit; the credit is paid quarterly along with the federal Goods and Services Tax Credit.

¹ The regulations of this act are conducted through the *Carbon Tax Regulation*, BC Reg. 125/2008, and the *Consular Tax Exemption Regulation*, BC Reg. 127/2008

² British Columbia, Legislative Assembly, "[Carbon Tax Act]." In British Columbia (Hansard), 38th Parl, 4th Sess, Vol. 31 Num. 5 (April 28, 2008) pp. 11610-11611 (Hon. C. Taylor)

³ British Columbia, Finance Ministry of BC "Backgrounder: B.C.'s Revenue-neutral Carbon Tax" (July 2008) online: <http://www.bcbudget.gov.bc.ca/2008/backgrounders/backgrounder_carbon_tax.htm>

2. Revenue-neutrality

The “fully revenue-neutral carbon tax with built-in protection for lower income British Columbians”⁴ Legislation requires a plan to be tabled in the legislature each year, showing how the revenue raised will be returned to taxpayers. All revenue generated by the carbon tax will be returned to individuals and businesses through reductions to other taxes.

Thus, the intentions of the legislation, to which impacts will be compared in this report, are as follows.

Impact on behavior

The overall goal of the *Act* is to reduce GHG emissions. The question is whether this particular instrument of taxation is an effective means of accomplishing this. Particularly, since the specific role this legislation plays is to change behavior of households, businesses and industry operations, we will look at the framing of the Tax, the elasticity of these actors’ behavior, and whose behavior it is likely to affect. Elasticity refers to the ability of the individual to switch to less energy-intensive transportation or absorb increased costs.

Low-income protection

This paper will assess whether the BC government is effectively meeting their own goal of avoiding a disproportionate burden on low-income British Columbians in instituting this Carbon Tax. Critical to this is how they are satisfying their other goal of revenue-neutrality. Is the particular way they are dispersing the funds back to the public a meaningful and effective approach?

Vulnerable Groups Identified

West Coast LEAF identified two groups who may be particularly vulnerable to the impacts of the Carbon Tax: low-income individuals, and people living in rural areas.

Research Methodology

In order to limit the scope of this analysis West Coast LEAF has focused exclusively on transportation issues as it relates to the Carbon Tax.

West Coast LEAF has made a legal review of the legislation as well as conducting a literature review of available research.

In a very limited consultation process West Coast LEAF heard from women’s organizations outside of the lower mainland in regard to the impacts of the Carbon Tax. West Coast LEAF approached women’s organizations, advocates and community researchers in Campbell River, Lower Mainland, Williams Lake and Penticton.

⁴ Ibid.

Equality Impact Analysis

Though fuel-intensive travel is disproportionately higher for middle and upper income, any assessment of a tax policy impact must take into account significant gender disparities in income, labour force participation, unpaid responsibilities and other economic and social realities, including care-giving responsibilities.

Low Income Individuals:

To fully understand the impact of the carbon tax on low income individuals it is important to paint a picture of who falls into this category in British Columbia:

Over all, a woman is more likely to be poor than a man and those factors increase if the woman is a newcomer to Canada, a lone parent, Aboriginal and/or living with a disability. The disproportionate numbers of women and girls who are living in low-income situations is often referred to as the feminization of poverty. 20.9% of female lone-parent families are low-income as compared to 5.5% of married couples and 7% of male lone-parents⁵. Immigrant girls and women are twice as likely to be living in a low-income situation as Canadian-born girls and women⁶. These inequalities only increase when looking at women with disabilities or Aboriginal women, remembering that women can occupy more than one of these statistical identifiers at one time. Although statistics can paint a rough picture of who represented among low-income families and individuals in Canada it does not necessarily represent the experiences of low income individuals or families.

Individuals living in Rural Communities:

Since one of the intentions of the Carbon Tax is to impact and change behavior it is important to look at rural communities across British Columbia and analyze the gendered experience of living outside Victoria or the Lower Mainland.

Gender income gap varies depending on where in BC one is located with smaller communities showing a wider gap than more urban communities. Women in rural communities are more likely to be under-employed or working for lower pay than men.

⁵ Statistics Canada, "Economic Well Being", No 89-503-X (Ottawa: StatCan, December 2010), online:

<<http://www.statcan.gc.ca/pub/89-503-x/2010001/article/11388-eng.pdf>>

Canada and BC have no clear definition of poverty, relying on a low income cut-off rate (LICO). LICO takes into account the average spending on basics such as food, clothing and shelter and defines low income as families which are forced to spend a greater portion of their income on these necessities and varies according to family size and place of residence.

⁶ Statistics Canada, "Immigrant Women", No 89-503-X (Ottawa: StatCan, July 2011), online:

<<http://www.statcan.gc.ca/pub/89-503-x/2010001/article/11528-eng.pdf>>

Table 1: Gender Income gap⁷:			
	Men	Women	Female-to-male hourly wage ratio
Kamloops	\$ 51,165	\$ 34,766	\$0.68
Nanaimo	\$ 42,660	\$ 32,052	\$0.75
Prince George	\$ 56,387	\$ 36,430	\$0.65
Kitimat	\$ 75,609	\$ 42,066	\$0.56
Vancouver	\$ 48,070	\$ 38,637	\$0.80
BC	\$48000	\$ 36,739	\$0.77

Source: Statistics Canada, "2006 Community Profiles", No. 92-591-XWE (Ottawa: StatCan, 2006), online: <<http://www12.statcan.gc.ca/census-recensement/2006/dp-pd/prof/92-591/index.cfm?Lang=E>>

In reviewing the equality impacts of the Carbon Tax it is important to remember that individuals do not experience this tax in isolation so it difficult to tease out the individual impacts of the Carbon Tax from the broader impacts of poverty and inequality. One of the challenges is that there is insufficient data in BC on GHG emissions disaggregated by gender, Aboriginal identity, race or disability. Additionally, any data that does exist is often based on households. By looking at households as a single unit we are masking gendered divisions of labour, physical mobility, and who is participating in decision making at a household level.⁸

Studies have shown that there is a gendered dimension to attitudes toward the environment, with a broad range of research showing that women are more open to changing their behavior based on concern for the environment⁹. The most comprehensive studies come from Europe, where women’s energy consumption is considerably less than that of men. These attitudes translate into gendered behavioral differences here locally. Statistics show that women are more likely to ride public transit, carpool, and walk to work. Conversely, statistics show that men do the majority of driving in Canada, around seventy percent of the kilometers driven in 2007.¹⁰ This is consistent with findings in other Western, industrialized countries, the most exhaustive of these being in the USA in 2001, with similar results in the UK and Sweden. Men have longer commutes, and they walk less overall.¹¹ Based on these findings one would think that men generally would be more impacted

⁷ Comparing median income of individuals who worked full year full time in 2005

⁸ Terry, Geraldine, "No Climate Justice Without Gender Justice: An Overview of the Issues" (2009) 17:1 Gender & Development 5

⁹ Ibid.

¹⁰ Statistics Canada, The Daily, "'Trip Chaining' While Driving" (10 December 2007), online: <<http://www.statcan.gc.ca/daily-quotidien/071210/dq071210b-eng.htm>>

¹¹ Schintler, Laurie, ed. Women and Travel (London: Emerald Group Publishing, 2001).

by a tax on carbon emissions as they tend to use passenger vehicles more often, and opt for less sustainable transportation options overall. A more in-depth look at these findings reveals a different picture however, as the higher demand seems to be coupled with higher elasticity – a more vital concept to assess in this case.

Traditionally, statistics on vehicle use disaggregated driving into two categories, “work” – travel to and from a person’s place of employment – and “leisure” which encompassed everything else. Men and women had comparable levels of distance travelled to and from work, and to and from leisure activities. This method of data gathering failed to recognize the “double shift” women play, however. Many errands such as dropping and picking up children from school would probably be best defined as something other than “leisure.” However, Statscan recently published a report that further dissects “leisure” driving, analyzing what kinds of stops were made and by whom. Though men do much more of the driving, they found that when you separated out “leisure” driving that is done due to caretaking responsibilities: transporting children, the elderly, and taking care of household responsibilities, men did a considerably higher amount of what was left in “leisure” driving, nearly 80% of it. Women, on the other hand, did the majority of these family and household responsibilities. Therefore, although men do much more of the passenger vehicle driving in BC, women’s already sustainable choices coupled with the kinds of trips they are undertaking, means the elasticity of their demand of fuel is much lower. This in turn makes the Carbon Tax impact women to a far greater extent, as their margin for behavioral change is smaller.

The Canadian Centre for Policy Alternatives has produced several excellent reports on the economic impacts of the carbon Tax. In their analysis the low-income households in the bottom 10% would pay 1.3% of their income in carbon tax as compared to the top 10% who pay only 0.3% in 2010. “Once tax credits and tax cuts are taken into account, the top 10% of households receive a net benefit if 1% of income in 2010.”¹² Due to the feminization of poverty women are more likely to be low income and therefore bear a disproportionate burden of the tax.

Of all the greenhouse gases (GHGs) produced by humans, the Carbon Tax applies only to carbon dioxide (CO₂) emissions - the leading contributor to climate change globally.¹³ In British Columbia, CO₂ accounts for almost 80% of GHG emissions.¹⁴ Though the majority of this percentage is from the combustion of fossil fuels,¹⁵ combustion of fossil fuels in relation to inter-jurisdictional travel is excluded by the Tax, most likely due to legal concerns regarding jurisdiction and taxation¹⁶. GHG emissions resulting from inter-jurisdictional activities, such as travel that includes stops outside the province are also exempted. This causes the Tax to be primarily

¹² Lee, Marc, "Fair and Effective Carbon Pricing Lessons from BC" (2011) Climate Justice Project , online: <http://www.policyalternatives.ca/sites/default/files/uploads/publications/BC%20Office/2011/02/CCPA-BC_Fair_Effective_Carbon_SUMMARY_2.pdf>

¹³ Organization for Economic Co-operation and Development, *Environmentally Related Taxes in OECD Countries: Issues and Strategies* (Paris: OECD, 2001), at 41.

¹⁴ British Columbia, BC Ministry of the Environment British Columbia, *Environmental trends in British Columbia*, (2007), online: <http://www.env.gov.bc.ca/soe/et07/EnvironmentalTrendsBC_2007.pdf>

¹⁵ Ibid. p.180

¹⁶ In *Canadian Airlines International Ltd. v. British Columbia* [1996] B.C.J. No. 514, the British Columbia Court found the tax imposed by section 6(3) of the *Motor Fuel Tax Act* to be within the jurisdiction of the province to enact. In this case, the transaction that was properly the subject of taxation was a fuel transfer between a storage tank and the fuel tank of an aircraft at an airport within the province of British Columbia. Canadian Airlines unsuccessfully argued that the tax was “a colourable attempt to impose a customs duty on the delivery of fuel into British Columbia” (para 5). *Canadian Airlines* stands for the proposition that for the province to impose a valid tax related to fuel, the subject matter of that tax must be within the province.

interested in domestic usage, to the exclusion of all usage that enters another jurisdiction. To illustrate the problem, products travelling from the mainland to Vancouver Island are affected by the carbon tax – a reality that is unavoidable for many essential products and services for Vancouver Island residents, whereas someone taking a cruise around BC that stops in Alaska, a far less essential activity, will not be affected by the Carbon Tax.

Even more glaring is the exclusion of emissions from industrial processes, such as that of oil, gas, aluminum, and production of cement.¹⁷ The immediate concern of these exceptions is obviously the efficacy of the Tax, itself. For example, while Sweden has been used by the Government of British Columbia as an illustration of the benefits and behavioral changes that can come from a Carbon Tax, Norway also instituted a carbon tax with much less success, and evidence shows that the industry exceptions played a large role in stunting its success.¹⁸ Due to population similarities,¹⁹ Norway's example is an important one to consider. The real lesson from Norway's high level of tax on GHG emissions seems to be that the reduction of GHG emissions has actually been quite modest since the introduction of the tax – well under British Columbia's forecasted reductions²⁰. The report by Statistics Norway points to the heavy tax exemptions and differential rates as well as the inelastic demand of the actors on which it was placed as the explanation for its small effect.

A lifestyle wholly contained domestically, travelling to and from the local school will be subject to the Carbon Tax, but due to the exclusions of inter-jurisdictional transport, a lifestyle travelling overseas weekly will not. Instead of regulating the public spheres of industry and business the Tax is demonstrably burdening private or domestic consumption. The effectiveness of the Carbon tax is based on the intent to shift the behavior of individuals and businesses towards more environmentally friendly choices. In looking at the gendered impacts of the Carbon Tax we must keep in mind the elasticity or ability of individuals or businesses to change their behavior.

The assumption built into the Carbon Tax is that individuals can change their travel patterns. Attempts at mitigation of the Tax have not addressed the underlying systemic problems that existed for low income women in regards to transportation prior to the implementation. Given these circumstances the Carbon Tax has served to exacerbate pre-existing challenges faced by low income women. The Low-Income Climate Action Tax Credit of \$105 per year for adults and \$31.50 for children²¹ does not do enough to mitigate or provide access to reliable transit options for low-income women across BC.

A number of women's organizations outside the lower mainland identified security and reliability issues with public transit. For women in Campbell River, where many routes operate once an hour or less, there are very real concerns related to safety while waiting at a bus stop. For the four reserves surrounding Campbell River there is only bus service once a day and many communities across BC, especially reserve communities, do not have any bus access. Women identified that they had been harassed while taking transit so preferred walking or driving or would not access services if walking was not an option and they could not afford gas for their vehicle. Lack of access to transportation affects attendance in health care programs such as pre-natal care. The Campbell River Women's Centre sees a bump in attendance in programs when transportation is offered though

¹⁷ British Columbia, BC Ministry of Finance, *Budget and Fiscal Plan 2008/09-2010/11* (2008) at 11-12, online: <[http://www.bcbudget.gov.bc.ca/2008/bfp/2008 Budget Fiscal Plan.pdf](http://www.bcbudget.gov.bc.ca/2008/bfp/2008%20Budget%20Fiscal%20Plan.pdf)>

¹⁸ Bruvoll, A., & Merethe, B., "Do Carbon Taxes Really Work?" No. 337 (Norway: Statistics Norway, 2002), online: <<http://www.ssb.no/publikasjoner/DP/pdf/dp337.pdf>> at 16

¹⁹ Ibid.

²⁰ Ibid.

²¹ *Supra* note 12

use of a passenger van, although the women's centre does not always have the financial ability to offer transportation.

Women who are not able to access public transportation and do not have access to vehicles may choose to hitchhike. There is a disproportionate risk of violence experienced by Aboriginal women who are forced to hitchhike to access health services, employment, school, government services, or to participate in social and spiritual activities such as Pow wows or Feasts. This disproportionate risk speaks to the systemic inequality that Aboriginal women face in accessing safe transportation to and from reserves and in rural communities due to poverty.²²

Ultimately, low income women outside of urban areas are car pooling and accessing environmentally friendly transportation choices out of economic necessity. Their transportation needs are not elastic and any increased cost exacerbates already existing inequalities.

Recommendations for mitigating actions

Our recommendations echo many of the themes from Marc Lee's report "Fair and Effective Carbon Pricing"

- One of the challenges in creating policy which does not exacerbate already existing inequalities is the lack of data on GHG emissions disaggregated by gender, race, Aboriginal identity, and disability. It is impossible to build comprehensive policy without adequate data.
- Adequate transportation systems which take into account travel patterns based on gendered divisions of labour as well as emphasizing women's safety. This could possibly be funded through carbon tax
- Compensation low to middle income households.²³ Low income households and families should be provided with resources so that they too can participate in mitigations strategies to address climate change.
- Expand coverage of the carbon tax to areas which are currently exempted.²⁴ One of the key learnings from Norway's experience of the carbon tax was that industry exemptions played a key role in stunting its success.

²² Native Women's Association of Canada (NWAC), "What Their Stories Tell Us: Research Findings from the Sisters in Spirit initiative" (2010) Ottawa: Native Women's Association of Canada. online:

<<http://www.gangprevention.ca/sites/default/files/What%20their%20stories%20Tell%20Us.pdf>>

²³ Lee, *Supra* note 12 at 7

²⁴ *Ibid.*

This Equality Impact Statement is a description of the possible or actual gendered impacts of the legislation, which were explored in more depth in the Background. While the EIS may raise possible breaches of the Charter worth further research and consideration, it is not an application of the Charter or Charter jurisprudence - rather, it is the application of Gender-Based Analysis and international Gender Development tools created and applied around the world.



West Coast LEAF's mandate is to achieve equality by changing historic patterns of systemic discrimination against women through BC-based equality rights litigation, law reform and public legal education.

www.westcoastleaf.org

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