



Communities,
Land and
Environment

Communautés,
Terres et
Environnement



Office of the Deputy Minister
PO Box 2000, Charlottetown
Prince Edward Island
Canada C1A 7N8

October 22nd, 2018

Bureau du sous-ministre
C.P. 2000, Charlottetown
Île-du-Prince-Édouard
Canada C1A 7N8

Deputy Minister Stephen Lucas
Environment and Climate Change Canada
200, boul. Sacre-Coeur, 2nd Floor, Office 249
Gatineau, Quebec K1A 0H3

via Email

Dear Deputy Minister Lucas:

Re: Carbon Pricing – Amendment to September 2018 Submission from Prince Edward Island

Prince Edward Island takes its responsibility under the Pan-Canadian Framework on Climate Change and Clean Growth seriously. As an island province with richness in natural resources, we witness directly the effects of climate change in our natural environment. Prince Edward Island has been a leader in climate change mitigation, with extensive development of renewable energy, alternative heating sources and waste management. As a result, we have achieved the second lowest emissions profile among the provinces on a per capita basis.

Our approach on carbon pricing has been to find a solution that builds on our strong track record of clean energy, fuel switching and public engagement. We have sought, and will continue to seek, solutions that are both environmentally effective and economically sound for the residents of Prince Edward Island. Our Clean Energy Pricing Incentive is working, with many residents switching to cleaner energy.

We are disappointed that our original submission of September 5, 2018 was not accepted. We would, in follow up to recent discussions, with the requirement to meet the absolute deadline presented by the Government of Canada, propose the following amendments to Prince Edward Island's carbon pricing submission which have been confirmed by Cabinet decision today October 22, 2018. We believe our original plan was on track to meet the objectives of the Pan-Canadian Framework, in an effective way environmentally and economically. In addition we wish to underline that we have the option to consider with you any reasonable solution applied in another Canadian jurisdiction.

This amended submission reflects the requirements of the benchmark carbon pollution price as set out in the Pan-Canadian Approach to Pricing Carbon Pollution – Canada.ca.

We put these amendments forward to apply in the 2019 and 2020 years. We continue to underline that a relative even application of pricing in the Atlantic region is critical.

Our plan would include the following amendments:

Prince Edward Island will, effective January 1, 2019 and 2020, apply the federal benchmark carbon pollution price to the 22 fuels listed in the *Greenhouse Gas Pollution Pricing Act*.

PEI commits to the goal of applying a carbon price to the broad scope of fuels and sources referred to in the federal pricing benchmark.

PEI's carbon price will apply to the same sources and will include the same exemptions as the GGPPA, including fuel used by farmers and fishers.

PEI's carbon price for light fuel oil and propane is subject to PEI's Clean Energy Price Incentive which will undergo a review in 2020 to determine the path forward on carbon pricing for light fuel oil and propane.

Invite Canada to administer the output based pricing system for industrial emitters within the province, with full information shared with PEI in advance of the application of the system.

PEI submits that this amended plan meets the benchmark criteria established by Canada. The commitment made by First Ministers included the following principles:

- *The approach should be flexible and recognize carbon policies already implemented or in development by provinces and territories;*
- *Carbon pricing should be applied to a broad set of emission sources across the economy;*
- *Carbon prices should occur in a predictable and gradual way to limit economic impacts;*
- *Carbon pricing policies should minimize competitive impacts and carbon leakage particularly for trade exposed sectors;*
- *Carbon pricing policies should include revenue recycling to avoid disproportionate burden on vulnerable groups and Indigenous peoples.*

The benchmark guidance includes the following requirements:

- *Timely introduction*
- *Legislated increases in stringency*
- *Revenue remains in jurisdiction*
- *Five year review*
- *Reporting*

PEI submits that this carbon pricing policy meets both the foundational principles as well as the benchmark guidelines. In developing this policy the province has relied on the essential flexibility afforded to craft a package that meets the needs of this province. Our Climate Change Action Plan demonstrates our serious commitment to reducing emissions.

While Prince Edward Island is not a large emitter, we acknowledge our role in combating climate change and accept our responsibility to price pollution.

The flexibility is designed to limit competitive impacts within the Atlantic region by keeping the price of gasoline and diesel within historically comparable ranges. It is submitted that this adaptability is necessary to ensure stability and growth of our key economic sectors and is within the range of flexibility permitted by the benchmark guidelines. Allowing our Clean Energy Price Incentive to be demonstrated as an effective price mechanism for the built environment recognizes our carbon policy currently in place, and supports our continuing success in this area. We submit it also offers an example of legitimate discretion being exercised in the application of the federal standards.

Benchmark requirements:

Timeliness:

PEI will introduce legislation in the fall sitting to implement this carbon policy for January 1, 2019.

Legislated increases in stringency:

PEI recognizes that mechanisms for revenue recycling and mitigating competitiveness must be sensitive to the requirement for legislated increases in stringency. PEI commits to a price increase in 2019 and 2020.

Revenue remains in jurisdiction:

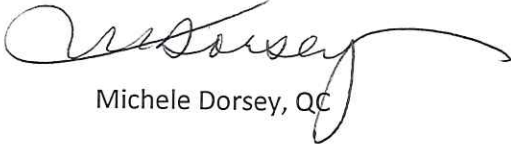
Industrial emitters will be covered by the federal backstop Output Based Pricing System with all revenues collected returning to the government of PEI. All revenue generated through the provincial policy will be used within the province to support the transition to a clean economy and to soften impacts for vulnerable and Indigenous citizens.

Reporting:

PEI will include reporting on this carbon policy in the annual reporting under the Climate Action Plan and will collaborate with other reporting requirements.

These amendments together with our proposal delivered on September 5, 2018 represent Prince Edward Island's carbon policy, which we respectfully submit is compliant with all federal requirements as we understand them.

Sincerely,



Michele Dorsey, QC

Deputy Minister Community Lands and Environment

c.c Premier Wade MacLauchlan

Minister Dominic LeBlanc

Minister Richard Brown

Minister Paula Biggar

Minister Health MacDonald