

THE HONOURABLE CAROLINE WAWZONEK
MINISTER OF FINANCE

Carbon Tax and the Cost of Living

Mr. Speaker, I have a Return to Written Question asked by the Member for Nunakput on November 3, 2022, regarding the carbon tax and the cost of living.

I would like to advise, it is estimated that Northwest Territories households will spend, on average \$400 in direct carbon tax on heat in 2023-2024. Heating fuel needs vary widely across the territory, and the amount of carbon tax paid on heat will be significantly higher than \$400 for households in some communities and significantly lower for households in other communities.

We also estimate that NWT households will see increases to other costs because of the impacts of the carbon tax on businesses and municipalities. NWT households are estimated to spend, on average, \$272 in indirect carbon tax in 2023-2024. This is an average total cost of \$672 across the territory, with an average of \$899 for the Nunakput communities.

It is difficult to project over time the exact cost per household, per community, of the carbon tax with any accuracy. This is because we do not know how households and businesses will respond to increases in the carbon tax rate. The extent to which businesses pass on the carbon tax to their customers, and the extent to which households change their spending patterns and reduce their heating fuel use (through conservation efforts, switching to alternative heating sources, or by heavily insulating their existing homes) is unknown. It is likely, however, that the cost to households will increase largely in step with annual increases to the carbon tax rate.

If we assume that between 2023 and 2030 the patterns of household spending and fuel usage remain unchanged, and that the response of businesses and municipalities to carbon tax remains unchanged, then we estimate the following: NWT households will spend, on average, \$1,050 in direct carbon tax on heat by 2030-2031, and will spend, on average, \$711 in indirect carbon tax by 2030-2031. These costs will vary by community.

Again, these estimates assume households and businesses do not significantly change their expenditure patterns.

Based on internal calculations, the impact of higher home heating costs on Northwest Territories' households will be heating bills that are, on average, \$400 higher in 2023, and \$1,050 higher in 2030 than they were in 2022. This is the direct impact of the carbon tax on heat.

The impact of higher prices for goods and services resulting from businesses and municipalities passing on the carbon tax to households is estimated to be, on average, an additional \$272 in 2023, and \$711 in 2030. This is the "indirect" impact of the carbon tax.

Consistent with the information provided to Standing Committee, a regional Cost of Living Offset, or COLO, would address the fact that heating fuel needs vary across the NWT, and would recognize and alleviate the extra financial pressure facing some Nunakput communities. A regional COLO would separate communities into three geographic zone based on households' average annual heating fuel. Using each zone's population and household heating fuel use, the regional COLO amounts for each individual would increase with carbon tax rate increase.

Later, at the appropriate time, I will table a document with supplemental table and chart information to support this response.

Thank you, Mr. Speaker.