



**ORANGE CHINOOK: Politics in the New Alberta**

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# The Politics of Alberta's Carbon Tax\*

*Kevin Taft*

The political struggle over Alberta's carbon tax is a proxy for Alberta's broader struggle to adapt to a world moving with increasing speed toward a low-carbon future. Alberta is a major producer and exporter of carbon fuels, and the province's politics are caught between forces that want to hang on to a past made prosperous by carbon, and forces trying to move the province away from carbon toward a more adaptive future. The carbon tax marks this struggle, and most indications are that the anti-tax, pro-carbon forces are prevailing. This suggests Alberta's transition to a low-carbon future is going to be more painful than it need be.

In Alberta's May 2015 general election, the NDP under leader Rachel Notley won an unexpected majority government. A carbon tax did not feature in the NDP's election platform;<sup>1</sup> rather, it emerged from the work of the climate change advisory panel appointed by the NDP government in the summer of 2015 and which reported in November 2015.<sup>2</sup> The government passed legislation establishing the carbon tax, the Climate Leadership Implementation Act<sup>3</sup> (known as Bill 20) in June 2016, despite heated objections from opposition parties. This act was part of a framework of legislation and regulations that included phasing out coal-fired power plants and replacing their output with electricity from renewable sources (Bill 27, the Renewable Electricity Act); capping carbon emissions from oil sands production (Bill 25, the Oil Sands Emissions Limit Act); and reducing methane

\* Note to readers: This chapter was drafted in August 2017.

emissions. Phase one of the carbon tax came into effect on 1 January 2017, to be fully implemented one year later.

A carbon tax is an attempt to solve a problem of physics, using a solution from economics, applied through politics. So before we get to the politics of the matter, it's important to have a basic grasp of the physics of global warming and of the economics of a carbon tax.

To this end, this chapter starts with a brief explanation of the basic science of global warming before providing deep background on the politics of the carbon tax, which is important for understanding today's carbon tax debates. It then examines the economic principles of a carbon tax before moving on to an examination of the meaning of the carbon tax for the politics of Alberta. Finally, it considers the reaction to a carbon tax as an indicator of the province's adaptability to a world moving with increasing speed away from fossil fuels.

## The Basic Science of Global Warming

A few key points provide a basic understanding of the physics of global warming. First, all objects warmer than absolute zero radiate energy, and hot objects radiate more energy than cool objects. The sun, being very hot, radiates large amounts of many kinds of energy, including ultraviolet energy, infrared energy, and visible light energy, which our eyes see as sunlight.<sup>4</sup> The earth absorbs a portion of all those energies from the sun, but being cooler, radiates them back out in just one form, infrared energy. Because the earth converts all these different forms of energy into infrared, it radiates a lot of infrared energy. We feel infrared energy as warmth but cannot see it (unless we're looking through an infrared camera).<sup>5</sup> Think of earth as an infrared heat lamp on its lowest setting, not glowing but gently warm to the touch.

Second, the infrared energy radiating down from the sun and up from the earth passes without effect through the nitrogen and oxygen in the atmosphere but is absorbed by water vapour, carbon dioxide (CO<sub>2</sub>), methane, and other trace gases in the atmosphere, causing those gases to warm. These are called "greenhouse gases." The warmth of the CO<sub>2</sub> and other greenhouse gases then spreads to the rest of the atmosphere and the planet's surface. This warmth keeps the earth livable; without it, it would be a frozen planet.

Third, when fossil fuels such as coal, gasoline, and natural gas are burned, the carbon they contain, which has been locked underground for many millions of years, joins with oxygen to form CO<sub>2</sub>, which is released into the air. The more CO<sub>2</sub> there is in the atmosphere, the greater the portion of the earth's infrared energy is absorbed by the atmosphere, and the warmer the surface of the earth becomes.

Fourth, since the start of the Industrial Age, humans have burned so much fossil fuel that the level of CO<sub>2</sub> in the atmosphere has risen 40 per cent above natural levels. The pace of this increase has accelerated in recent decades as energy consumption has increased and more countries, especially China, have industrialized. If nothing is done to slow the current rate of increase by curbing fossil fuel use, the concentration of CO<sub>2</sub> in the atmosphere is likely to reach 300 per cent or more of natural levels by the end of this century.<sup>6</sup> CO<sub>2</sub> stays in the atmosphere for many centuries, meaning that our accumulated emissions will affect the climate for many lifetimes.

The increasing CO<sub>2</sub> concentration in the atmosphere is already driving major environmental changes, including melting ice caps, rising ocean levels, droughts, and heat waves. As concentrations climb, the effects will become more severe, and to quote a presentation by American Petroleum Institute scientists to petroleum executives in 1980, they will bring “globally catastrophic effects.”<sup>7</sup>

## The Deep Roots of the Carbon Tax Debate

The politics of the carbon tax in Alberta are rooted in the debate between those who heed the legitimate research and evidence of global warming, and those who choose to ignore or deny it. The basic science of global warming has been generally understood since 1965, when the science advisory panel to the US president Lyndon Johnson delivered a paper titled, “Atmospheric Carbon Dioxide,” which the president then made public.<sup>8</sup> The paper, written by top US scientists and based on decades of research, concluded with a warning:

Through his worldwide industrial civilization, Man is unwittingly conducting a vast geophysical experiment. Within a

few generations he is burning fossil fuels that slowly accumulated in the earth over the past 500 million years.

The paper found that fossil fuels were emitting so much carbon dioxide that the effect “may be sufficient to produce measurable and perhaps marked changes in climate” that could be “deleterious from the point of view of human beings.”<sup>9</sup> The repercussions included global warming, melting ice caps, and rising sea levels.

Important research into the effects of carbon emissions on global warming was conducted by governments, research agencies, and the petroleum industry in the 1970s and '80s. Scientists working for Exxon informed the company's headquarters in 1978 of a “general scientific agreement” that the global climate was warming because of fossil fuel emissions, and that while some countries would benefit, “others would have their agricultural output reduced or destroyed.”<sup>10</sup> This memo warned that even in 1978 the clock was running fast: “Present thinking holds that man has a time window of five to ten years before the need for hard decisions regarding changes in energy strategies might become critical.”<sup>11</sup> In the next several years, further research by Exxon and many other organizations supported and strengthened these findings.<sup>12</sup>

In 1980, the climate change task force of the American Petroleum Institute, the industry's main organization in the United States, reported that fossil fuel use was putting so much CO<sub>2</sub> into the atmosphere that big changes were coming to the climate. The timeline for the “likely impacts” of these changes was “1°C rise (2005): barely noticeable”; then “2.5°C rise (2038): major economic consequences”; followed by “5°C rise (2067): globally catastrophic effects.”<sup>13</sup> Despite these worrying findings, in 1983 the American Petroleum Institute shut down its CO<sub>2</sub> and climate task force and in the late 1980s Exxon abandoned its global warming research program, though research at universities and elsewhere expanded.

By 1992, the science of global warming was so clear that more than one hundred heads of state gathered at the Earth Summit in Rio de Janeiro to launch the United Nations Framework Convention on Climate Change.<sup>14</sup> Even the Alberta government's Department of Energy acknowledged the danger of CO<sub>2</sub> emissions and prepared a plan to reduce them.<sup>15</sup> In the

following decades the science continued to advance, and the evidence of global warming linked to the use of fossil fuels became clear and vast.

In the lead-up to the Rio Earth Summit, supporters of the fossil fuel industry began a sustained and well-financed campaign to deny and confuse public and political understanding of global warming science that continues to this day. This campaign, which has been well described and documented,<sup>16</sup> shapes the politics of the carbon tax in Alberta. In January 2017, for example, Wildrose MLA Don MacIntyre told a news conference that “the science isn’t settled” on whether humans are the main cause of global warming.<sup>17</sup> MacIntyre repeated his position in subsequent weeks,<sup>18</sup> even while Wildrose leader Brian Jean supported mainstream science. When government MLAs challenged MacIntyre, he was backed up by members of the Wildrose caucus, including caucus whip Jason Nixon, who told reporters that NDP MLAs “should be more worried about getting rid of incompetent NDP ministers bringing in carbon taxes, making a mess of children’s service and tearing up confidence in Alberta’s economy.”<sup>19</sup> MacIntyre’s comments were widely reported and were endorsed by newspaper columnist Lorne Gunter.<sup>20</sup>

Whether or not MacIntyre, Nixon, or Gunter knew it, the message that the science of global warming “isn’t settled” descends from a report done for the US Republican Party in 2002. The report, written by Frank Luntz, aimed to help Republicans improve their image on environmental issues, including global warming.<sup>21</sup> Luntz, who admitted in the report that the scientific debate “is closing” *against* global warming skeptics, nonetheless advised Republicans “to make the lack of scientific certainty a primary issue in the debate” on global warming. It is a wrenching and cynical piece of political advice that has been followed countless times, and as Don MacIntyre’s comments show, it still echoes in the politics of Alberta’s carbon tax.

In the meantime, CO<sub>2</sub> emissions have grown to levels barely imagined a few decades ago. The increase in atmospheric CO<sub>2</sub> predicted to cause “detrimentous effects” worldwide by the US president’s science council in 1965 was 25 per cent; in 2016 the increase passed 40 per cent and was rising fast.<sup>22</sup>

## The Economic Principles of a Carbon Tax

As the science of global warming became clear, the need to reduce and then eliminate fossil fuel emissions became obvious, even to—perhaps especially to—the fossil fuel industry. An internal briefing titled, “CO2 Greenhouse Effect,” and given wide circulation to Exxon management in 1982, acknowledged the science of global warming and directly stated its implications: “Mitigation of the ‘greenhouse effect’ would require major reductions in fossil fuel combustion.”<sup>23</sup> Governments similarly recognized the need to reduce fossil fuel use, and unlike the industry, they pressed forward with reduction plans. These plans were formalized in a series of international agreements, including the Framework Convention on Climate Change signed at the Rio Earth Summit in 1992; the Kyoto Protocol in 1997; and the Paris Accord in 2016.

There are several ways for governments to bring down emissions. One is through regulations. Governments have passed a series of regulations to reduce greenhouse gas emissions, including higher fuel-efficiency standards for automobiles; better insulation standards for new buildings; and the mandatory phase-out of coal-fired power plants. Regulations are direct, clear, and generally enforceable, but they can also be inflexible, inefficient, and even misguided. They work best for relatively straightforward issues amenable to comparatively uniform solutions.

A second way for governments to reduce emissions is to impose a “cap and trade” system, in which a limit or “cap” is placed on all major sources of emissions, and then gradually lowered over a period of years. Emitters that exceed their caps pay penalties. At the same time, a trading system is established so that emitters that come in below their caps can earn revenue by selling their surplus allowance to those that exceed their caps. The cap forces the gradual reduction in emissions, and the trading creates incentives to reduce emissions through efficiency and innovation. Cap-and-trade systems were effective in reducing emissions causing acid rain—in which there were relatively few emitters of easily traced contaminants—but become complicated and open to abuse in the much larger world of CO2 emissions. Cap-and-trade systems are in various stages of development in Europe and a growing number of American states and Canadian provinces.

A third way for governments to reduce emissions is to increase the price of fossil fuels by adding a tax to them, a carbon tax. This uses the most fundamental principle of market economics: when the price of a product goes up, the demand for it tends to go down. By raising the cost of carbon fuels, a carbon tax will reduce their use, and therefore reduce emissions. A tax on carbon fuels, if sufficiently large, will induce consumers toward greater energy efficiency and toward alternative energy sources. A large enough tax would extinguish fossil fuel use entirely. Carbon taxes are simple and easily enforced and can be administered through existing sales tax systems. They allow consumers and markets to decide how to reduce emissions. The downside of carbon taxes is that unless they are continuously raised they lose their effectiveness because people adjust to the higher prices.

## The Design of Alberta's Carbon Tax

Within months of taking office, the Notley government appointed a panel chaired by economist Andrew Leach to prepare a report to advise the government on its greenhouse gas emissions policies. The report was made public in November 2015, and it subsequently became the basis for much of the government's climate change legislation and policies, including the carbon tax. The panel recommended that a carbon tax be levied on about 90 per cent of carbon fuels on the basis that "putting a price on emissions leverages the power of markets to deploy both technologies and behavioral changes to reduce emissions over time. Carbon pricing is the most flexible and least-costly way to reduce emissions."<sup>24</sup> The government accepted the panel's recommendations. One of the ironies of Alberta's carbon tax debate is that the left-leaning NDP is implementing a market-based policy, which the right-wing parties are opposing.

Alberta's carbon tax applies to gasoline, diesel, coal, natural gas, and propane. The tax is calculated according to the weight of emissions released during combustion, so coal incurs more tax than natural gas, which releases less carbon to produce the same amount of energy. The tax started at \$20/ton of emissions on 1 January 2017, and rose to \$30.00/ton of emissions on 1 January 2018.<sup>25</sup> When fully implemented in 2018, the tax added ¢6.73/litre to the cost of gasoline; ¢8.03/litre to diesel; \$1.517/gigajoule to natural gas; and ¢4.62/litre to propane. Various products are exempted from the tax,



including farm fuels, inter-jurisdictional flights, biofuels, and fuels sold for export.

In 2018 the tax was expected to add an average of \$101/year to gasoline costs for individuals and \$205/year for couples with two children; and an average of \$152/year to natural gas costs for individuals and \$205/year for couples with two children.<sup>26</sup>

Alberta's situation is complicated by the Specified Gas Emitters Regulation (SGER).<sup>27</sup> The SGER was introduced in 2007 by the Progressive Conservative government of Ed Stelmach, and is sometimes called the first carbon tax in Canada. It is aimed at the largest industrial emitters of CO<sub>2</sub> and other greenhouse gases, and applies a tax per ton of emissions when a facility exceeds 100,000 tons of emissions per year. The tax applies only to those emissions above 100,000 tons, creating an incentive for industries to remain below that threshold. The tax was initially \$15/ton of emissions above 100,000 ton, and rose to \$20/ton in 2016 and to \$30/ton in 2017. The SGER provides a complicated system through which emitters can purchase credits and offsets, reduce their emissions, or pay the tax. Revenues from the tax go into a fund that supports research and development of technologies for reducing emissions. The SGER will be replaced in 2018 by policies that integrate it with the government's other climate change plans.

The new carbon tax, when combined with the SGER and its successors, will cover up to 90 per cent of Alberta's greenhouse gas emissions.<sup>28</sup> The carbon tax is expected to collect a total of \$6.78 billion from 2016–17 to 2020–22, and the SGER and its successor are expected to collect \$2.82 billion in the same period, for a total of \$9.6 billion.<sup>29</sup>

The use of this revenue distinguishes Alberta's plan from British Columbia's. The BC plan, though now evolving, was set up so all revenues collected by the carbon tax were used to reduce other taxes. For example, carbon tax revenues helped British Columbia maintain some of the lowest personal and corporate income tax rates in Canada.<sup>30</sup> The trade-off between higher fossil fuel prices and lower income taxes helped the province's government sell the carbon tax to voters.

Alberta's NDP government chose to use its revenues from the carbon tax differently, aiming a portion directly at "greening the economy." Alberta's carbon emissions are dramatically higher than British Columbia's because of emissions from petroleum production, especially from the oil

sands, and because Alberta relied heavily on coal-fired power plants while British Columbia mostly used hydroelectricity. As a result, emissions per person in Alberta in 2013 were 67 tons annually, while the yearly figure in British Columbia was 14 tons.<sup>31</sup> By 2014, Alberta accounted for 37 per cent of Canada's emissions, the highest of all provinces, and Alberta's emissions were rising while those in Ontario, Quebec, and other provinces were falling.<sup>32</sup> By some measures, this imbalance was misleading, because while emissions from petroleum production, particularly the oil sands, are pinned entirely on Alberta, other provinces benefit from their use of Alberta's petroleum and from the economic activity its production creates.

Regardless, Alberta is an outlier, and with emissions per capita roughly five times higher in Alberta than Ontario, Quebec, or British Columbia, Alberta becomes an easy target for national and international criticism. As a result, Alberta's NDP government chose to direct a substantial portion of carbon tax revenues to businesses, municipalities, households, and other organizations to help them reduce emissions. Of the \$9.6 billion in gross revenues collected by the carbon tax and SGER, \$6.2 billion will be invested in reducing emissions. Of this, \$3.4 billion will be directed to large-scale renewable energy projects, innovation, technology, and bioenergy initiatives; \$2.2 billion to emission-reducing infrastructure such as public transit; and \$645 million will be directed through a new organization called Energy Efficiency Alberta to improve energy efficiency in the residential, commercial, and non-profit sectors.<sup>33</sup> The remaining \$3.4 billion will be used to help households, businesses, and communities adjust to the carbon tax. This includes \$2.3 billion for consumer rebates; \$865 million to reduce the small business tax rate from 3 per cent to 2 per cent effective 1 January 2017; and \$195 million to help communities that are economically dependent on coal mines and coal-fired power plants to transition out of coal, and to help the transition in Indigenous communities.

Of special note are the consumer rebates, which came into effect 1 January 2017 and which were slated to increase with the rise in the carbon tax on 1 January 2018. The rebates are income dependent and will be up to \$200 a year for single adults, \$300 for couples, and \$30 per child for up to four children per family. Two-thirds of households will receive a rebate, the large majority at the maximum, and rebates will be paid quarterly or semi-annually, depending on income.<sup>34</sup>

The carbon tax and the rebates are designed to work together to reduce emissions: the tax raises the cost of carbon fuels, encouraging consumers to use less of them, and the rebates enable consumers to pay for insulation, newer vehicles, and other carbon-reducing alternatives.

## The Political Demographics of Alberta's Carbon Tax

Three different public opinion polls conducted in the months before the carbon tax was implemented show the broader political backdrop against which the carbon tax debate has unfolded in Alberta.<sup>35</sup> This backdrop held few surprises, and while it is bound to shift over time, it shows the demographic basis upon which the politics of the carbon tax are constructed. The details of each poll varied, but all three showed that a majority of Albertans opposed the carbon tax (sometimes called “levy” or “pricing” in the surveys). Opposition ranged from above 70 per cent in rural Alberta, to 66 per cent in Calgary, to 58 per cent in Edmonton. The carbon tax was supported by a majority of NDP and Liberal voters, but received very low support from PC and Wildrose voters (10 per cent and 5 per cent, respectively). Gender and income did not affect the level of support, but support was higher among university graduates than among those with less education, and it was higher among those under thirty-five than among those aged fifty-five and older. In short, public support for Alberta's carbon tax was highest in Edmonton and among well-educated and younger voters, but even in these groups a majority did not like it.

One poll compared the opinions of Albertans to residents of other provinces, and in the process exposed a deep divide.<sup>36</sup> Public support for carbon pricing topped 70 per cent in every province except Alberta and Saskatchewan (37 per cent and 32 per cent, respectively). This not only reflected the economic importance of fossil fuel production and coal-fired electricity in Alberta and Saskatchewan, but also portended the rise of a new chapter of fractious relations between these two provinces and the rest of the country, including the federal government. This is not a reprise of the politics of Western alienation that in the past has used the Ontario-Manitoba border to mark an East-West divide. Rather, this marks a newer divide, a “carbon divide,” that could box Alberta and Saskatchewan into a

smaller and politically weaker alliance against the rest of the country, especially if both provinces end up with anti-carbon-tax governments.

This same poll found that support among Albertans for carbon pricing could rocket from below 40 per cent to above 90 per cent if it led to approvals of pipelines for Alberta oil, suggesting that public opinion could move a great deal if circumstances changed. This seemed to bode well for the Alberta NDP, which had defended their carbon tax by saying it would earn the environmental credibility required to win approval of interprovincial and international pipelines.

The NDP argument made sense while Barack Obama was US president, for he had refused the Keystone XL pipeline on environmental grounds, and it was bolstered by federal and BC approvals of the Kinder Morgan Trans Mountain pipeline. But when Donald Trump assumed office in January 2017, he broke the link between US pipeline approval and the carbon tax by supporting the Keystone XL pipeline and disregarding global warming. The NDP argument still held for pipelines within Canada, but not for those heading south of the border. (At the time of writing, no polling was available to assess the impact of the approvals of the Trans Mountain and Keystone XL pipelines on public support for carbon pricing.)

## Factors in the Carbon Tax Debate from Outside Alberta

Alberta politics are part of a hyper-connected world, one that is softening the elements that have traditionally defined Alberta's identity. The lines that solidly delineate Alberta on a map are remarkably porous in the real world, allowing the passage every year of tens of billions of dollars in trade, tens of thousands of migrants, more than twenty million air passengers, and countless digital connections.<sup>37</sup> Alberta is tied into highly integrated national and international systems of finance, trade, recreation, communication, education, and culture, all of which influence its politics. Overlaying these is the physical reality of global warming, which becomes more pressing every year, and the need for sufficient global action to address it. Alberta's carbon tax was not implemented in a vacuum.

## *The Price of Oil and the Economy*

What may be the single largest factor shaping the politics of the carbon tax is out of the hands of any Alberta politician: the international price of oil. Low oil prices brought Alberta's economy to its knees the year before the carbon tax was introduced, and the carbon tax soon became a magnet for the fear and anger of people who were hurt by the economic slowdown, and for the politicians who wanted to stir them up. The price impact of the tax on a litre of gas was less than the price swings that precede many long weekends, and in a stronger economy it may have barely been an issue. But in a depressed economy, the carbon tax became a flash point. If the economy recovers, the carbon tax may weaken as a political issue.

## *The Federal Government*

The federal government set a mandatory price on carbon emissions of \$10/ton in 2018 that will increase \$10 a year to \$50/ton in 2022.<sup>38</sup> If a province does not put a system in place to achieve these prices, then the federal government will impose one. This almost makes opposition to a carbon tax in Alberta pointless, except as an opportunity to score political points. An Alberta government that cancels the carbon tax will be signalling its desire to confront Ottawa and return Alberta politics to chronic feuding with the federal government.

## *Other Provinces*

In addition to the federal government, the other provincial governments affect Alberta's carbon tax debate. When she headed the Liberal government in British Columbia, Premier Christy Clark was able to face down intense opposition to the expansion of pipelines from Alberta to the West Coast by citing Alberta's carbon tax: "I think Alberta following British Columbia on that really helps us make the case that Canadians do care about climate change. We do care about protecting our environment."<sup>39</sup> Clark's support was important for Kinder Morgan's Trans Mountain pipeline, and not having a carbon tax would have made her support less likely. However, the Clark government was narrowly defeated in May 2017, replaced by a minority NDP government with the Green Party holding the balance of power. The Greens, led by climate change scientist Andrew Weaver, compelled the NDP

government to oppose the Trans Mountain pipeline, regardless of Alberta's carbon tax. This set the BC government against both the Alberta and federal governments, and at the time of writing the issue had not been settled. In October 2017, the Federal Court of Appeal was scheduled to hear an appeal of the National Energy Board's approval of the Trans Mountain project launched by a large coalition of First Nations and environmental groups. The BC government applied for intervener status in the case. If the appeal is lost there is a risk that other actions—including civil disobedience—will be staged in an effort to halt the pipeline. The way forward for this project will not be easy; cancelling the carbon tax would seem certain to inflame its opponents.

The Alberta government's support for a carbon tax will not be lost on pipeline projects in other provinces. Landlocked Alberta needs co-operation from other jurisdictions, and when it comes to the carbon tax, the national political climate exerts a forceful blowback in Alberta. A repeal of the carbon tax would likely injure Alberta's reputation and reduce the likelihood of pipeline support in other provinces.

### *International Politics*

The federal government operates in an international setting in which pressure to reduce emissions is steadily intensifying, notwithstanding the election of Donald Trump. In the long run (and the starting pistol for the long run was fired in 1992 at the Rio Earth Summit), ignoring global warming is not an option. The 174 countries that signed the 2015 Paris Agreement on Climate Change—including all European countries, China, Japan, and Canada—recognize this.

The election of Donald Trump has slowed but not stopped American action on global warming. Major US corporations (e.g., Google, GM), leading states (California, New York), municipalities, and individuals, will continue the transition toward lower emissions in America, and the transition will eventually accelerate as the cost of not acting becomes ever more apparent.

# Internal Pressures Influencing the Carbon Tax Debate in Alberta

## *Large Oil Sands Producers*

In November 2015, when Premier Rachel Notley announced her government's Climate Leadership Plan—including the framework of the carbon tax—she was joined on stage by executives of four of the province's largest oil companies, Suncor, Shell, Cenovus, and Canadian Natural Resources Ltd., who spoke in favour of the plan. These major oil sands companies each produced more than 250,000 barrels per day, and they believed that stronger environmental policies would help obtain pipeline approvals to get their oil and bitumen to markets.<sup>40</sup> Their support for the Climate Leadership Plan, including the carbon tax, was crucial for the government. If these companies had openly opposed the carbon tax it is possible the tax would never have been launched.

Alberta's petroleum industry dominates both its economy and its politics, and on carbon tax and climate change policies the industry is divided between the giants of the oil sands and almost everyone else. Each of the companies that supported the premier during her launch of the carbon tax produce enough oil and bitumen from the oil sands to fill a major pipeline on its own, and they send most of their product out of the province and out of the country. Steering an oil sands plant through feasibility, approvals, design, financing, and construction can take a decade, and production can continue for forty years or more. Suspending production when oil prices are low is neither financially nor operationally feasible, so once the flow starts it does not stop. For all these reasons, oil sands companies have unusually long-term global perspectives. They have deep pockets and work with local, provincial, state, and national governments of many political stripes in Canada and the United States. Operating on the scale they do, Alberta's carbon tax is just one more detail.

Further, these companies had been operating under a form of carbon tax since 2007, when the Specified Gas Emitters Regulation was introduced for all facilities producing more than 100,000 tons of CO<sub>2</sub> annually. For these companies, the added cost of the carbon tax was small, and the potential

benefit in terms of easier pipeline approvals was large. As a TD Economics report on the impact of the carbon tax on oil sands producers stated,

The bottom line is that the oil sands need to reduce their carbon footprint, and Alberta's climate change plan is a step in the right direction. . . . The cost [of the carbon tax] to the oil sands sector is unlikely to be excessive enough to reject a project that would otherwise go ahead. . . . In fact, oil prices, efficiencies and market access will remain the largest determinants of investment in the sector.<sup>41</sup>

### *Small and Intermediate Oil and Gas Companies*

In contrast, small and intermediate companies in Alberta's oil and gas sector often spoke out forcefully against the carbon tax and in so doing became a driving force behind those opposing it. These companies most often worked in conventional oil and gas as explorers, drillers, service providers, and producers (less than 10,000 barrels of oil equivalent per day for small firms, and 10,000–200,000 for intermediate firms).<sup>42</sup> Their budgets were small compared to oil sands companies and their timelines much shorter. A conventional well could be drilled in a few days and peak production could begin to decline in two years. These companies were tuned to the finer, short-term details of costs and markets. The carbon tax was an added cost they did not want. It was also a symbol of unwanted government intervention and a harbinger of more threats to the fossil fuel industry.

Companies working with conventional oil and gas were geographically spread throughout Alberta and were often locally owned and operated, so they could have an impressive political reach by talking to their many local MLAs and sharing their views with employees and community organizations. Among the outspoken opponents of the carbon tax were the Explorers and Producers Association of Canada,<sup>43</sup> many individual company owners,<sup>44</sup> and commentators such as David Yager, who was a petroleum industry investor and a key organizer, as well as a one-time president of the Wildrose Party.<sup>45</sup> Among the largest of the intermediate companies opposing a carbon tax was Crescent Point Energy, whose CEO Scott Saxberg was outspoken on the issue.<sup>46</sup> These voices were heard repeatedly throughout the



province, were used to organize protests and petitions, and were plugged directly into the political process, where they found many allies. In general, it appeared that the small and intermediate companies were much more active in seeking political change than the large oil sands producers.

### *Opposition to the Carbon Tax among Political Parties*

On 7 June 2016, when the the legislation to implement the carbon tax was voted on in the Alberta legislature, all opposition parties voted against it. Even the Alberta Liberal Party and the Alberta Party, each with only one seat and each claiming to support the concept of a carbon tax, found reasons to vote against Bill 20.<sup>47</sup>

The Wildrose and PC Parties led the political charge against the carbon tax. Wildrose leader Brian Jean called on the government to “scrap the carbon tax,”<sup>48</sup> while his party launched a petition called “Stop the tax on everything.”<sup>49</sup> During the debate on Bill 20 in the legislature, Jean was clear: “I can’t see me ever supporting a carbon tax.”<sup>50</sup> His three largest objections were that it would cost families; hurt the economy by adding costs to oil, gas, and coal producers; and hurt non-profit groups and charities.

In the legislature, the PCs took a similar approach, opposing Bill 20 for a long list of reasons, including that it was bad for the economy, would hurt the tourism industry, and channeled money to green energy projects that were not feasible. On the final day of debate on Bill 20, veteran PC MLA David Rodney skated around a solid commitment to the science of global warming: “Progressive Conservatives understand that climate change is real and that human activity has impacted how the effects have been felt globally. Some say that the difference on this side of the House is that some here might consider it real and some might consider it just a problem.”<sup>51</sup> Jason Kenney, running for the PC leadership, promised to abolish “the job-killing carbon tax” if he became premier.<sup>52</sup> In an unusual move, Michelle Rempel, a federal Conservative MP from Calgary, rose in the House of Commons in Ottawa to criticize large oil sands companies for supporting the carbon tax: “the few rich CEOs of Canada’s big energy firms probably support [the carbon tax] because it may force junior firms out of the market, enabling them to make a play for assets.”<sup>53</sup> Her comments were a pointed indication of the sharp divide between several large oil sands producers and the rest of the industry when it came to the carbon tax.

Alberta Liberal leader David Swann, on the other hand, applauded Bill 20 but voted against it because it had enough small weaknesses to risk being ineffective. It lacked “performance targets” and a “cost-benefit analysis,” and “perhaps most importantly, the bill is not revenue neutral such as the B.C. model.”<sup>54</sup> Alberta Party leader Greg Clark took a similar approach, telling the legislature, “I support a carbon tax, but I cannot support this carbon tax. This carbon tax should be revenue neutral.”<sup>55</sup> Whatever their reasons, no other parties voted with the NDP government.

The day before the tax came into effect on 1 January 2017, some Wildrose and PC politicians posted photos of themselves filling up their vehicles at gas stations, though the province-wide average price of gasoline fell the following month from \$1.09/litre to 98¢/litre.<sup>56</sup>

### *Other Voices on the Carbon Tax*

Many other people and groups spoke out on the carbon tax in the lead-up to its implementation. Calgary mayor Naheed Nenshi did not like it,<sup>57</sup> and neither did the right-wing Canadian Taxpayers Federation.<sup>58</sup> But the carbon tax had supporters too. Edmonton mayor Don Iveson regarded the tax as “a wellspring for innovation and investment”<sup>59</sup> because it encouraged businesses and governments to begin adapting to a lower-carbon economy. University of Calgary economist Trevor Toombe repeatedly spoke to support the carbon tax,<sup>60</sup> as did the Pembina Institute<sup>61</sup> and Greenpeace.<sup>62</sup>

### *The NDP Government*

Despite the loud opposition, the NDP government implemented the carbon tax. It spent \$9 million dollars promoting and advertising its Climate Leadership Plan, including the carbon tax,<sup>63</sup> and more importantly, it was buoyed by approvals from the federal and BC governments for the Kinder Morgan Trans Mountain pipeline in late 2016 and early 2017. Prime Minister Trudeau and Premier Clark praised the Alberta climate plan and carbon tax for easing the approvals.

The NDP government, for its part, was prepared to let time pass for people to adjust to the tax and for the benefits of its revenues to be felt. No doubt it was hoping the rebate cheques sent to a majority of Alberta households might convert opponents into supporters.

## What Does This Mean for Alberta Politics?

The NDP government of Rachel Notley is standing firm on its carbon tax. Meanwhile, the conservative political movement in Alberta has been transformed. The Progressive Conservative Party under the leadership of former federal Conservative cabinet minister Jason Kenney, and the Wildrose Party under the leadership of former Conservative MP Brian Jean, voted to merge into the new United Conservative Party. Kenney and Jean, the two front-runners for the leadership of the new party, both opposed the carbon tax. After winning the October 2017 leadership race, Kenney committed his new party to ending the carbon tax and the array of other measures the New Democrats put in place to deal with greenhouse gas emissions.

Both the Alberta Liberals and the Alberta Party seem likely to remain on the sidelines of Alberta politics with marginal levels of support, though some disaffected PCs may consider backing the Alberta Party to raise it to higher prominence. As many elections demonstrate, the unexpected happens in politics, and no one is to be counted out.

In many ways this turmoil is only detail. It seems certain that the carbon tax will be fought as one issue in a broader campaign. The conservative messages in that campaign may pivot on slogans of job-killing taxes, bloated public services, unsustainable public debt, competitive disadvantages, or the need for pragmatism over ideology, but no matter what the messages, the dominant purpose will be to defeat the NDP and protect the interests of small and intermediate oil producers. Ironically, if the United Conservative Party wins the election and goes on to dismantle the carbon tax, it may well damage Alberta's oil industry by losing legitimacy in other provinces and even foreign markets. Until the physical reality of carbon emissions and global warming is fully accepted by Alberta's political and economic leaders, the province's future will see unnecessary turbulence and even self-harm. Alberta must travel with the rest of the world to a post-carbon future, or be left by the wayside.

The carbon tax serves as a marker for a larger package of issues and a symbol of people's individual politics. It pits people and interests who are global warming skeptics, anti-tax, older, less educated, and more rural, against those who accept the science of global warming, regard taxes as the price of civilization, and are younger, more urban, and more highly educated.

It is quite possible that in the 2019 election, the NDP will hang on to the voters who until 2015 traditionally supported the Alberta Liberals, especially if Justin Trudeau and Rachel Notley continue to work well together. If the weakness continues with the Alberta Liberal Party and the Alberta Party, then the NDP may be the only viable choice for the 30 to 35 per cent of Albertans who steadfastly vote progressive. This will be especially true if their main opponent, the United Conservative Party, assumes positions that are socially conservative and fiscally harsh. Progressive voters who have historically supported other parties may be drawn to the NDP, as was shown by the floor-crossing to the NDP of one-time PC leadership candidate Sandra Jansen. If the NDP win in 2019, Alberta will continue with its own carbon tax; if the party loses, Alberta will get Ottawa's carbon tax. Either way, Alberta will have a carbon tax.

If the United Conservative Party wins the 2019 election, the party's unwinding of the carbon tax will be a messy affair. The process won't be as simple as cancelling health-care premiums or changing income tax rates. Cancelling the carbon tax will mean ending regular cheques to more than half of Alberta's families; losing credibility on environmental issues in jurisdictions where environmental credibility is important (especially in British Columbia and Ottawa); and cancelling the billions of dollars' worth of projects that the tax will be funding. It is also likely to entail a confrontation with the federal government, which will impose a price on carbon from afar if one is not imposed by Alberta itself, returning the province to a politics of resentment and confrontation vis-à-vis the rest of Canada. To be sure, the politics of resentment may suit some supporters of the United Conservative Party. And if Alberta's economy continues to stagnate into the 2020s, which is certainly possible, it will be easy to fuel such resentment. But resentment will not change the underlying weaknesses in the province's economy, nor will it alter the physics of global warming.

Global warming is going to disrupt a great deal more than our natural environment; it is going to disrupt our politics and economics too—more so in Alberta than most other places, because of our large fossil fuel resources. The carbon tax is just a precursor to much bigger disruptions in the future that will melt industries and political parties as surely as it melts the glaciers of the Alberta Rockies. Global warming is driving a much larger matter than the carbon tax onto the political agenda of Alberta: the operating of

the provincial government without a gushing flow of royalties from oil and natural gas. Balancing Alberta's budget looms on the near horizon as the much tougher, bigger, and uglier political sibling of the carbon tax, and whoever wins the next election will be staring that project in the face.

The carbon tax is a transition issue, a policy intended to start Alberta on a path toward a post-carbon future that is coming whether the province wants it or not. It is only a beginning in what will be a wrenching, decades-long process of replacing Alberta's economic, social, and political foundations. The carbon tax will be overshadowed by other issues that each form a part of the same process: downward pressure on oil prices; slackening world demand for oil and bitumen; unemployment and recession; burgeoning provincial debts driven by gutted royalties; cuts in public services; increases in other provincial taxes, and so on.

The politics of the carbon tax are a small part of this larger struggle. How they play out will indicate whether Albertans are ready to face the reality of global warming and move forward, or simply want to hang on to a fossil-fuelled past that is melting away.

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