

National Commotion and Provincial Rebellion
Framing the Politics of Carbon Pricing Policy in Canada

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Abstract

Domestic politics has affected a country's ability to meet its international climate change obligations. Rarely explored is the role of subnational governments in addressing the existential threat. In Canada, provincial governments have exemplified policy in the absence of the federal government. Recent events have challenged the phenomenon with elections of right-wing governments and have weakened the effectiveness of climate policies across the country. This research employs the public choice theory to examine the discontent with foundational ideological understanding and economic literature on carbon pricing and apply it to the Canadian context. With three provincial case studies, this research concludes that party leaders play a significant role in guiding climate policy and strategy by focusing on events and regional political economies.

Keywords: public choice theory, climate change, carbon pricing, Canada, provincial governments

Introduction

The scientific consensus on global warming has never been more evident. Human activity has been cited as a primary instigator fueling climate change (Intergovernmental Panel on Climate Change, 2007). What historically has been treated as a back burner policy issue now has encapsulated all aspects of policy life. Optimistically, the current discourse indicates some manageability of climate change if immediate action is undertaken to keep warming “well under 1.5 °C” through mitigation efforts (United Nations Framework Convention on Climate Change, 2011).

Since the late 1980s, numerous international agreements have heightened awareness of the policy issue. Although states have showcased leadership by exclaiming their commitments, their degree of compliance is based on an ‘interest-based explanation of international environmental policy (Sprinz and Vaahtoranta 1994). The landmark 1997 Kyoto Protocol has highlighted “divergent ideal points on the climate policy spectrum” (Grundig 2009, 756). First, several countries who have felt that they are not as responsible for most greenhouse emissions do not feel as compelled to commit to international agreements fully. Without any fear of disciplinary reprisal for environmental inaction, states are free to interpret how they choose to comply with international agreements.

Second, existing domestic political realities have influenced the willingness of nations to meet and maintain their climate change obligations. One analysis of Kyoto compliance has shown that international efforts at addressing climate change “are unlikely to succeed” if countries “do not tackle the political obstacles inherent in

consumption-based economies and societies” (Harris and Lee 2017, 790). Various windows of opportunity have minimized or maximized obstacles to allow governments to enact large-scale policy initiatives to curb carbon emissions. As a result, sensitive political scenarios have led countries to “renege on agreements after a change in the domestic political configuration” (Grundig 2009, 757). The subject for analysis will be how a country’s political economy often constrains policy action on the environment.

Third, changes in a country’s political configuration are often reflected at the sub-national level as they “have played an increasingly important role in adopting and implementing climate policies” (Borick et al. 2011, 8). In Canada, two-thirds of citizens believe that their province has “the responsibility to address the problem” given the felt effects of global warming (Borick et al. 2011, 10). By their part, several policy initiatives have exemplified provincial governments as foremost climate policy leaders ahead of their federal counterparts. However, reaction to specific mitigation measures has instigated opposition now politicalized by Canada’s right-wing conservative parties. Despite economic theory dictating otherwise, this ideological class has remained opposed to market-based policy tools to combat climate change. This research sets out to examine how environmental policy in Canada has remained stagnant due to opposition from the country’s right-wing conservative movement despite the growing policy consensus.

The operationalization of the research will be as follows: Section 2 presents the public choice theory as a framework of analysis and introduces two groups - political parties and voters – as its principal actors. Section 3 provides a comprehensive review of

carbon pricing and its relevance to the right-wing ideology. Section 4 contextualizes the Canadian experience and offers three provincial case studies – British Columbia, Alberta, and Ontario. Lastly, a discussion will offer theoretical public choice perspectives as an analysis.

The Domestic Narrative

Although governments have acknowledged climate change as an existential concern, the windows of opportunity for action are complex due to domestic political economies. Levin et al. (2012) describe the treatment as foretelling two scenario types. The first type, labelled as “faux paradigmatic”, asserts that “what appears to be a significant change only ends up being reversed following the election of a new government” (132). What occurs in this scenario is an action of a new government, mandated by the results following an election campaign, to repeal policy initiatives of an outgoing government previously viewed as institutionally sustainable or forwardly popular by the larger public. The second type, “classical incremental” describes a situation “in which small changes oscillate creating limited behavioural change and impact on the problem” (Levin et al. 2012, 132). In this scenario, the relative appearance of a minor policy initiative provides enough of a reprieve to a government that remains politically bound to a sensitive electorate.

The two narratives chronicle the widely understood phenomenon of elected governments enacting policies according to their ideological beliefs or political objectives. Emerging electoral cycles will either enhance, accelerate, delay, or even deny opportunities for an incumbent government to implement policies fully. Given a limited calendar, opposition parties may stand to benefit politically if voters start to react negatively to elements of the policy itself. The interaction between policy and politics welcomes the public choice theory as an analytical framework for this research. In the

presentation of the theory, two recognized groups will be examined – the electorate and political parties.

Fundamentals of Public Choice Theory

Public choice theory sets out to analyze the self-interested behaviour of individuals within collective action institutions. As governments have sought to “dominate the economic scene” (Downs 1957, 3), an individual choice has primarily been represented as the voter behaviour of eligible citizens. Regardless of the multitude of reasons fueling one’s decision to express their democratic right to vote, individuals will cite self-interest as a critical instigator for those motivations. Citizens “cast (their) vote for the (political) party (they) believe will provide them with more benefits than any other” (Downs 1957, 36). Political actors, once in office, are expected to conduct government business and enact favourable policies in the interests of their electorate and the public.

However, increases in intervention by the government to address market failures have influenced the behaviour of electors and political actors. Voters have come to judge and affix any change in their ‘economic’ self-interest to the nature of any government intervention. Forecasting the potential for any negative fallout, competing political actors sympathize with voters and construct relatable ideological narratives for electoral gain. As assumed, what the above scenario describes is expected in a nation’s political economy. Climate change’s existential threat has made the phenomenon clearer and more prevalent in Canada on the part of right-wing conservatives.

Government Behaviour and Political Parties

Governments and political parties are regarded as creatures of self-interest for their motivations. Governments look to validate their beneficial social presence. Political parties do the same through an ideological envisioning of society. By election time, the latter attempts to fulfill its mandate through the former, if successful, implementing campaigned policies. Despite the presumption of mutual exclusivity, numerous windows of opportunity have sometimes made both entities indistinguishable from the other in consideration of the electorate's needs. Political actors have sculpted their policies and promises anchored on ideological pandering and political opportunism, whether in government or opposition.

Ideological pandering rests on the original idea that political parties seek to win or influence elections based on the philosophy of their ideas. The partisan model dictates that successful political parties are supposed to implement policies favourable to the interests of their voters (Hibbs 1977). Political philosophies are said to operate on the left-right spectrum. What the divide does is "cultivate strong ties to different segments of the voting public and nurture reputations for policymaking that favour those segments and their ideological precepts" (Franzese 2002, 370). Despite the presumption of government primarily serving the needs of the people, political actors are cognizant that they must first do the needs of those who elected them to the office with policies influenced by ideology. Parties operating on the left side of the spectrum "favour equalization, low unemployment and larger budgets with less emphasis on balance" whereas their counterparts on the right "favour low taxes... modest, balanced budgets (and) oppose

equalization (Franzese 2002, 391). Largening the description, “left-wing parties favour public spending increases while right-wing parties aim at budget reductions” (Tellier 2006, 369). In broad terms, left-wing governments employ an activist approach to improving citizens’ economic welfare. In contrast, right-wing governments embrace a hands-off ‘laissez-faire’ style leaving societal welfare mainly in the hands of citizens themselves.

Political opportunism, however, disrupts the partisan model due to primary and secondary scenarios influencing government decision-making and policy implementation. Primary scenarios such as upcoming elections may pressure both left-wing and right-wing governments to abandon some ideological principles to secure another mandate in office. Elections incentivize governments to behave opportunistically by the scheduling and timing of policy (Tufte 1978). For instance, the constraint may “push right-wing governments to increase (public) spending” (Tellier 2006, 380). Significant economic events, likely independent from government policy (such as a global recession), may force a right-wing government to forgo fiscally prudent policies. Left-wing governments are not excluded, as private market anxieties may cause them to scale back some public spending to retain some sense of fiscal management. Another instance is “incumbents having several instruments for securing electoral advantage including fiscal and monetary policies...” (Tufte 1978, 57). Whether right-wing or left-wing, all governments and their policymakers rarely shy away from their “incentives and abilities to manipulate policies and outcomes for electoral or partisan gain and modify the political and economic efficiency of such manipulation” (Franzese 2002, 371). The ongoing issue of information asymmetry impacting private market transactions, as an example, would help “create a

case for public intervention” (Kleiman and Teles 2006, 632). Although a government can address the market failure by “using policy instruments to change it” (Tellier 2006, 371), it remains the final arbiter of and for information. As a result, incumbent governments on the brink can portray a narrative beneficial for its survival to the public.

Secondary scenarios such as the emergence of new political parties impact the partisan model and attack a country’s established ideological divide. Two converging events are explained to be responsible for the phenomenon. First, existing political parties “change their platforms so that they resemble one other” to maximize their electoral fortunes by “adopt(ing) a spread of policies which covers a whole range of the left-right scale (Downs 1957, 115; 133). As previously exemplified, incumbent governments, if given a window of opportunity, will attempt to capture a wider electorate beyond its ideological walls to secure or expand its mandate in office either under economic or political pressure. The second event, as a result of the first, has voters believing that “their views are not being (or are no longer) expressed by extant parties” (Downs 1957, 127). Political parties relinquish some of their ideological elements for electoral gain; they trigger an exodus of loyal supporters and create new, more ideologically resolute parties. In the aftermath, these established political parties “weaken the strength of (their) appeal to anyone viewpoint” (Downs 1957, 33). Broadly, not only do existing political parties are likely to fail in the endeavouring attempt to expand their voter base, but they also now have to contend and compete with new political entities bent on influencing policy and winning elections.

The Electorate

Within democratic institutions, citizens can showcase their 'economic' self-interest through various methods. As one of those methods, Elections allow citizens to make their voices heard in response to government behaviour. As government behaviour predominantly occurs in the vacuum of self-interest, citizens remain not that far off by relying on available information and preconceived notions before casting a ballot.

Available information, as previously indicated, is provided by an incumbent government. Given what is dispersed to the public as observable quantifiable and qualifiable data, electors are expected to express their self-interest by supporting or rejecting candidates to that effect. Voters "prefer candidates whom they expect, perhaps based on recent experience, will deliver them greater material well-being, perhaps through better aggregate economic performance" (Franzese 2002, 369). Citizens hope that candidates not only become sympathetic and compassionate to their current ills and woes but reasonably expect them to campaign for policies designed to address them and improve their lives. For instance, voters who have now negatively perceived additional taxation on consumption are likely to support a right-wing candidate wanting to reduce the fiscal burden. Similarly, voters disappointed at the lack of primary health care services would help a left-wing candidate open to taxing cigarettes to finance the system. Viewed positively, available information is supposed to empower the electorate by granting them the ability to match their self-interests to responsive political candidates.

Preconceived notions come to challenge and critique the reliability of available information. Voters establish preconceived notions on the economy due to how they “[perceive] economic and behaviour costs which involve time use, self-sacrifice and inconvenience” (von Borgstede et al. 2013, 183). For instance, voters may not favour a return to past government policies seen as ‘damaging’ to their economic welfare. What becomes rational to a voter is to avoid the ‘expensive’ exercise of conducting a comprehensive cost-benefit analysis of campaign promises and instead assume ‘rational ignorance.’ By being rationally ignorant, voters generalize and index elements of their self-interest to a set of “broad macroeconomic indicators, such as unemployment and inflation, to evaluate the performance of the incumbent” (Tellier 2006, 371). Moreover, voters will assess “the expectations of current policy... based on past policy” (Franzese 2002, 374). As a result, voters become more selective by not supporting candidates or political parties campaigning on policies previously perceived as negatively impacting the economy. Ultimately, what matters is the electorate “(holding) the government accountable for the state of the economy...” (Tellier 2006, 371).

‘Environmental’ Political Economy

While it has become easier for the electorate to accept the scientific fact of climate change, having them make significant behavioural changes to curb carbon emissions is a more challenging task. De Graaf et al. (2005) suggest that voters are unlikely to change their addictive consumption habits. Due to carbon use being so ingrained in daily life, humanity has developed its own ‘super-wicked’ problem (Levin et al. 2012).

However, despite climate change's existential danger, "politicians and policymakers [would] want to avoid asking citizens to change their lifestyles" (Harris and Lee 2017, 782). Elected officials are expected to design and implement policies to curb carbon emissions without asking too much from citizens. However, as previously explained, median voters are left to judge what they have viewed or what they foresee as 'too much in terms of their self-interest at the ballot box.

What has further complicated a government's policy calculus are "the behaviours of politically influential businesses (e.g. petroleum and coal producers, automakers) and interest groups (e.g., labour organizations and their members) that would be affected by policies" tasked with reducing GHG emissions (Harris and Lee 2017, 783). While it would not be incorrect to state that some of these industries constitute sizable sectors of a country's economy, the fact cannot be made transferable to their employees nor be a representative sample of an electorate for a government's election. Governments have always welcomed and allowed input from industry stakeholders during discussions on environmental policy development before implementation. Meanwhile, voters have felt excluded from these policy conversations and have blamed the government for not defending their interests putting its re-election at risk.

Voters have always shaped their lifestyle choices to their norms and attitudes. One analysis captures that, on climate change, an individual's social norms "vary with the strength of the environmental concern" (von Borgstede et al. 2013, 184). A voter tends to become more environmentally conscious when inaction impacts their current way of life.

The same analysis theorizes a voter's attitude "to act in an environmentally benign manner...as long as it is limited to a low-cost behaviour (von Borgstede et al. 2013, 184). Voters will commit themselves to making incremental changes to their lifestyle by protecting the environment. Merging the two points suggests that a median voter's proximity to a proposed environmental policy compared to their current lifestyle may leave them apprehensive than receptive to the idea.

Research Strategy

For this research, the framework for analysis will combine elements of the public choice theory with economic literature to examine the relationship of right-wing parties with climate policy solutions. The framework proposes a few approaches that may shed insight on how or why right-wing parties may favour or disfavour certain aspects of carbon pricing policy.

The existing scholarly analysis will supply insights on Canadian constitutionalism on the legal feasibility of carbon pricing policies in provincial jurisdictions. Seen as an independent variable, these considerations will help reinforce Canadian provinces' growing responsibility and emerging role in climate change. Complementing the literature will be a historical review of Canada's attempts to tackle climate change since the Kyoto Protocol. Political dysfunction in Ottawa trickled down to provinces further deepening the domestic divide that ails the federation in addressing climate change due to their respective political economies.

With the case studies, provincial premiers and political parties will be seen as intervening variables in analyzing some right-wing antagonism with carbon pricing. While government actions are portrayed as in compliance with a party's ideology, party leaders will be exemplified as reactive or non-reactive instigators.

For discussion, the analysis will use some contextual information from the case studies, public opinion polling and party strategies to apply the public choice theory. Focusing events will highlight how party leaders attempted to capture elements of the electorate in light of carbon pricing. Additionally, similarities and differences will be showcased as well.

Theoretical Mechanics of Carbon Pricing

The scholarly literature on carbon pollution has grown in consensus, classifying its presence as a negative externality placed on the private market. Typical market transactions ignore the presence of the environment as an impacted third party for a few reasons. The first reason is the environment itself is significantly excluded from the formal property rights. Based on the 'bundle of sticks' analogy, informal or presumptive rights are assumed by private individuals and governments acting on behalf of society, likely causing property 'damage' (Duke 2013). The damage in question is the potentially lasting negative ecological consequences of human production and consumption. The second reason is that the resulting damage produces unexpected costs, whether portrayed as an impact on the societal value or interpreted as a toll on one's bottom line, on the market-leading to a consequence known as an inefficiency. The inefficiency is triggered either by an 'overproduction' in market supply or an 'overconsumption' in market demand (Pigou 2013). The subsequent disequilibrium provokes market failure where the social cost is greater than the private value, known as a deadweight loss. If left unaddressed, carbon pollution's marginal damages will intensify even further, complementing the already visible signs of climate change. With a 'price' on carbon, individuals are not only signalled of its costly consumption but eventually dissuaded from its future use (Nordhaus 2013). As the academic literature has extensively covered the market consequences of pollution on society, policy solutions have been proposed to treat it.

Governments would find inspiration from noted British economist Arthur Cecil Pigou. As hinted, ambiguous property rights for the environment fuel a divergence

between marginal private and social interests. The former is under no obligation to pay nor suffers any financial consequence for causing property damage. The latter, likely due to free-riding, bears no responsibility nor risk for the consequences of their actions (Kleiman and Teles 2006). Pigou (2013), in advocating for reconciliation between the interest groups, would propose the imposition of a tax intended to correct these types of market failures. Under the model, taxes are “designed to internalize external (societal) costs by charging to each external cost-imposer a sum equal to the cost” (Kleiman and Teles 2006, 629). As a first policy solution, the government authority is expected to calculate the dollar cost of carbon pollution as a negative market externality and set an equivalent price (per tonne) as a market correction to achieve social optimality. Private sector actors are left to figure out how to internalize the cost of the socially mandated price.

Cap-and-trade incentives are more a role for the private sector as a second policy solution. Also known as emissions trading, cap-and-trade imposes quantifiable allowance limits on total emissions for private actors but establishes a market price for the sale and purchase of these allowances within a regulatory framework (Wagner 2013). Per the model, a governing jurisdiction emits budgets that are “either auctioned or allocated for free to liable entities, which must redeem allowances for every emitted tonne of CO₂ with the possibility to trade for unused allowances” (OECD 2013, 12). The government heavily encourages private actors to purchase these allowances as ‘credits’ for their pollution activities. A regulated carbon market will have private actors trade amongst themselves

for these credits if some exceed their original allocations requiring additional purchases from the government or from other actors who have not yet exceeded their budgets.

Whether carbon taxes or cap-and-trade, policymakers hold the design and implementation rights for a suitable carbon pricing plan within their jurisdictional borders. Design rights often give birth to their issues: the choice of the tax base, how tax revenues might be used, and how to address concerns about distributional effects and competitiveness (Parry et al., 2012). First, two options at application – upstream and downstream – are offered to government officials for a tax base choice. Upstream taxation closely targets the intensive points of “fossil fuel suppliers based on the carbon content of fuel sales,” such as oil refineries and importers (Aldy and Stavins 2012, 155; Rabe 2010). Downstream taxation targets the “final emitters at the point of energy generation,” such as vehicle transportation and residential and commercial use (OECD 2013; Aldy and Stavins 2012, 155). Second, governments are free to use carbon pricing revenue wherever it deems fit and appropriate – lower preexisting consumer taxes (by revenue neutrality), reduce overall debt or finance spending in social programs primarily linked to environmental initiatives (OECD 2013). Policymakers and elected officials will debate its ultimate purpose depending on whose interpretive view of the environment’s property rights reigns supreme for the benefit of consumers (Burtraw and Sekar 2013). Third, policymakers may address the resulting distributional impacts of higher energy prices on low to middle-income households, understood as the tax interaction effect (Parry et al., 2012; Fermstad and Paul 2019). Officials are left with two choices – altering the carbon pricing revenue scheme and removing some private sector

energy regulations – to compensate negatively-impacted consumers better and improve economic competitiveness as examples of policy exchange (Parry et al., 2012).

The Right-Wing and Climate Responsibility

Although market-based solutions have been proposed to mitigate some of the nefarious effects of carbon pollution, policymakers and elected officials disagree on some of its applicative aspects. Contention stems from answering the question of principle: who should bear the responsibility to pay for climate change? While the global consensus favours the “polluter pays” principle, right-wing parties have struggled to reconcile the proposition without stunting economic growth or alienating their electoral base. Fundamentally, understanding the conservative reaction to carbon pricing rests on three elements: theorizing environmental property rights, interpreting the right-wing ideology and remedying the apparent divide with the two policy solutions.

First, as previously stated, carbon pollution can be portrayed as a negative externality due to the absence or incompleteness of property rights on behalf of the environment. While an explicit carbon tax serves as a market correction, the policy does not formally identify the aggrieved rights holder in the scenario. Expectedly, society will claim its property right to the environment for existential collective action reasons. Somewhat unexpectedly, the private sector may choose to claim a property right to the environment, forecasting that additional taxation or regulation may hinder economic activity and thus societal welfare (Burtraw and Sekar 2013). To address the gridlock, noted British economist Ronald Coase, in his 1960 article entitled *The Problem of Social*

Cost, theorizes that it eventually becomes irrelevant how governments assign formal environmental rights because the “markets will be used to transfer the property to the party who values it the most in the event the institution failed to do so originally” (Coase 1960; Duke 2013, 76). For instance, a government may accord formal environmental property rights to the private sector to implement solutions to climate change, but consumers will feel the trickling effects from these policies. Consequently, consumers who are value-induced on the environment, seeing negative consequences of private sector policies, will voice their opinions at the ballot to elect an interventionist government.

Therefore, to get ahead of the policy curve, governments have legally claimed themselves as the sole rights’ holder on the environment for society’s benefit to avoid future questioning and critique on the matter. Modern right-wing governments and political parties will struggle to balance upholding this broad mandate and maintaining their private sector-friendly ideology.

Second, understanding the right-wing party philosophy merits a second review on matters about the economic interactions of environmental policy on three points. Based on the concept known as the Invisible Hand, the theory postulates that a self-regulating market (as *laissez-faire*) will improve social welfare (Smith 1761). Right-wing parties will often group environmental issues with other social matters, profoundly believing that market activity will address these concerns in the public good’s interest. Two, significant parts of the right-wing ideology champion individual choice ahead of the collective will, preaching the narrative that the government should intervene as little as possible in their

lives. Considering climate change, right-wing governments have implemented policies that are not only sympathetic to the consumer but would explicitly instill the primary responsibility onto the private sector to mitigate its ecological effects. Private actors widely accepted as responsible for carbon pollution would be asked by governments to tackle it with little to no institutional assistance. Third, its underlying economic philosophy will call on officials to reduce the government's administrative and bureaucratic size. Environmental regulations are not excused from the policy exercise if financial savings are found by transferring some institutional responsibilities to the private sector (through the mechanism of self-regulation).

Third, right-wing governments will search for innovative solutions in ideological correspondence to their market-friendly agenda. Carbon pricing serves that objective with a few caveats. One part of an effective pricing strategy would demonstrate the imposition of a carbon tax or establishing a cap-and-trade regime as a deterrent inducing positive behavioural change like the rationale given for cigarette taxes (Rabe 2010). Right-wing parties would further the deterrence argument by stressing the importance of revenue neutrality with carbon pricing. A right-wing government, mindful that more taxation will contradict several ideological stances about consumer freedom, would likely push for a neutrality design that utilizes the pricing revenue, in total, to finance corporate, consumption and income taxes or directly offer payments, known as “climate dividends,” to consumers (Burtraw and Sekar 2013). Furthermore, a right-wing party would favour a pricing policy, such as cap-and-trade, that incentivizes private sector innovation that not only deters polluting behaviour by promoting energy-efficient technologies within existing

financial and operational constraints but offers an avenue to finance targeted subsidies critical in helping private actors' transition to the green economy (OECD 2013; Parry et al. 2012).

The Nature of Canadian Federalism

In 1982, the Canadian Charter of Rights and Freedoms ushered, in part, a new constitutional order of 'cooperative federalism'. Provincial and federal government powers were no longer treated singularly as "watertight compartments," as mentioned in *Reference re Securities Act, 2011*. Instead, provinces would soon be empowered to assert and extend their jurisdiction to "different aspects of the same regulatory matter" (Christians et al. 2018, 19). In *Friends of the Oldman River Society v. Canada (Minister of Transport, 1992)*, Supreme Court Justice LaForest, asserted that neither provinces nor the Parliament of Canada held exclusive domain on the 'environment', describing the matter as "touching several of the heads of power assigned to the respective levels of government". Despite the acknowledgement, other court decisions such as *R v. Crown Zellerbach Canada Ltd* in 1988 and *R. v. Hydro-Quebec* in 1997 has maintained Ottawa's exclusive jurisdiction on the environment as it pertains to criminalizing polluting behaviour via the national concern doctrine of "peace, order and good government" clause of section 91 of *Constitution Act, 1867*.

Several constitutional pathways have been presented as policy avenues, justifying a province's choice on implementing a carbon pricing plan. Firstly, subsection 92(2) of the *Constitution Act, 1982*, granting the power of "Direct Taxation within (a) Province in order to the raising of Revenue for Provincial Purposes". For instance, a provincial authority will mandate administering a jurisdictional carbon tax and have the generated revenue finance program spending or reduce state debt. What furthers the provincial argument for a carbon tax is if it is interpreted as a regulatory charge tied to a regulatory

scheme (Christians et al. 2018). In 1999, the Supreme Court of Canada ruled in *Westbank First Nation v. British Columbia Hydro and Power Authority* that for a tax to not be interpreted as one, it must be tied to a regulatory scheme with a purpose which “seeks to affect the behaviour of individuals; actual or properly estimated costs of the regulation and a relation between the regulation and the person being regulated, where the person being regulated either causes the need for regulation, or benefits from it”. Policymakers and elected officials reserve the discretion on “the characterization of a tax as direct rather than indirect, and the necessity of enacting a tax or a license to specifically raise revenue” (Christians et al. 2018, 24). This pertains to the policy design process reflecting the carbon tax’s ‘stream’ application and revenue purpose.

Secondly, subsection 92(13) of the Constitution Act, 1982, subjecting “property and civil rights” to provincial jurisdiction. Cap-and-trade would be compatible with the constitutional provision granted that an emissions-trading regime is “limited in their scope to industries whose business activities fall within provincial legislative jurisdiction, such as oil and gas, mining, manufacturing, construction, forestry, and interprovincial truck and bus lines” (Hsu and Elliot 2009, 490). In response to the absence of an explicit jurisdictional allocation of the environment in the Constitution, Canadian courts have offered and have credited the regulatory power of provinces on the matter. For instance, provinces can put in place broad measures such as establishing quality standards for industries and protecting the health and safety of consumers as appropriate policy avenues to curb carbon emissions (Hsu and Elliott 2009).

Another provision, subsection 92A, grants provinces the constitutional authority to “[develop], [conserve] and [manage] non-renewable natural resources...” and the ability to raise money “by any mode of system of taxation” in respect to those natural resources and sites and facilities responsible for electrical energy generation. For instance, Alberta’s 2008 Specified Gas Emitters Regulation – Canada’s first experiment in carbon pricing – was designed as a performance standard on “facility-specific historical emissions per unit, requiring 12 percent improvement in emissions” (Environment and Climate Change Canada 2018; Winter 2020, 15). Facilities unable to achieve the mandated CO₂ reductions or had exceeded their emission allowances would either purchase credits to offset the differences or pay \$15 per metric ton over the cap to an emissions management fund (Christians et al. 2018; Winter 2020). Reading paragraph 92A(4) of the *Constitution Act, 1982* assumes an encapsulation of carbon pricing plans to provinces wanting to address climate change.

Federal and Provincial Leadership on Climate Change

In 1995, Prime Minister Jean Chretien and his Environment Minister Christine Stewart would state that Canada was in “no position to meet its (1992 Rio Conference) framework convention targets” signed by the previous Progressive Conservative government (Smith 2009, 50). Liberal Party cabinet ministers “engaged in public disagreements over-regulation and taxation versus voluntary approaches, and the provinces, with jurisdiction over natural resources, not onside for any significant reductions” (Smith 2009, 50). Two years later, the Kyoto Protocol offered to Annex I

industrialized states the use of market-based “flexibility mechanisms” to reduce emissions in a cost-effective manner” (Smith 2009, 51).

Canada’s eventual ratification of the Protocol in 2002 was not excused from significant criticism. First, former Liberal Minister of Finance Paul Martin had called for a delay in implementing the Accord, citing a lack of national consensual process (House of Commons Debates, 2002a). Second, former Canadian Alliance Leader of the Opposition Stephen Harper and Progressive Conservative Premier of Alberta Ralph Klein claimed that the Protocol would cost Canadians “anywhere between \$23 to \$40 billion a year” (Smith 2009, 53). Harper pushed the narrative further and advocated for a “made-in-Canada” approach that made sense to the country’s oil and gas sector and local interests (House of Commons Debates, 2002b).

Now, as prime minister, Stephen Harper cast doubt on Kyoto’s future in Canada four years later due to his previous comments calling the Protocol a “socialist scheme to suck money out of rich countries” and had promised to scrap it (CBC News 2007). His Minister of the Environment Rona Ambrose ensured Canada’s participation in Kyoto but framed Conservative government policy on climate as explicitly seeking national interest on the matter (Smith 2009). Ottawa’s reneged inaction on climate was described as “working to undermine [the Kyoto Protocol]” despite having felt compelled to keep Canada part of it (Smith 2009, 63). Western Canadian regional economic interests held near reigning influence on environmental policy. However, the parliamentary opposition comprised of the Liberal Party, the Bloc Quebecois and the New Democratic Party had

jointly passed legislation mandating the minority government to provide information to the House of Commons on how Canada was meeting its Kyoto targets (Smith 2009). The regional composition of the political opposition at the House of Commons, notably Quebec, made Prime Minister Harper “more mindful” of local interests without overtly modifying his position on the Kyoto Protocol to lose political support (Smith 2009).

The government’s political circumstances welcomed Canadian provinces to emerge as policy leaders on climate action. Some provincial initiatives challenged the Conservative government’s ‘national interest’-based approach on climate policy. As early as 2007, the provinces of Quebec and British Columbia had openly expressed interest and eventually enacted market-based policies to curb carbon emissions with the country’s first carbon tax on energy producers in October and a province-wide tax a couple of months later, respectively (Government of Quebec 2008; BC Ministry of Small Business and Revenue 2008). Both provinces, along with Ontario, joined the North American-based Western Climate Initiative, a continent-wide emissions trading market spearheaded by US state governors (Rabe 2008).

The 2008 federal campaign saw the opposition Liberal Party develop its “Green Shift” plan. Its primary benchmark proposed a carbon price at \$10 per carbon tonne, rising by \$10 per year until year 4 of its implementation and promising revenue neutrality as ‘significant’ tax cuts and household benefits for Canadians (Liberal Party of Canada 2008). The incumbent Conservative Party had campaigned to implement a North America-wide cap and trade system for greenhouse gases and air pollution by 2015

(Conservative Party of Canada 2008). In praising their plan, the Conservatives believed that the Liberal Green Shift plan would incite a “big recession” (Canadian Press 2008; Chase 2008). Despite the policy consensus on the Green Shift, including from well-known Canadian environmentalist David Suzuki, the Liberals suffered and received their worst popular vote share in Canadian history (CTV News 2008; Rabe 2008; Bryden 2008).

Upon its second re-election in May 2011, the Conservative government announced Canada’s withdrawal from the Kyoto Protocol the following December. New Environment Minister Peter Kent justified the move by criticizing that “[the Protocol did] not cover the world’s largest two emitters, the United States and China” (The Guardian 2011). Despite agreeing to a 6% cut in GHG emissions based on the Accord, Canada had increased by 27% by 2008. By its action, Canada avoided a legal violation of its commitments to the tune of \$14 billion (Harris and Lee 2017, 780).

Five years later, Prime Minister Justin Trudeau and his new Liberal government developed the *Pan-Canadian Framework on Clean Growth and Climate Change* (Environment and Climate Change Canada 2017). The PCF laid out federal, provincial, and territorial actions to meet Canada’s commitments under the 2016 Paris Agreement (House of Commons 2018). As part of the framework, provinces and territories are required to “implement their price-based or cap-and-trade system...and meet the federal benchmark, or the federal backstop system will apply...” (House of Commons 2018, 23). Ottawa’s benchmark and backstop would be enacted under the *Greenhouse Gas Pollution Pricing Act*.

By 2019, Canadian conservatives attempted to make carbon pricing “the single-issue” of that year’s federal election campaign and had depicted it as a “cash grab” for the federal government (Iverson 2018; Young 2019). Conservative antagonism to carbon pricing did not cease even with the re-election of the Trudeau Liberal government. Several conservative provincial governments led the Supreme Court of Canada to rule the federal government’s carbon tax (Tasker 2021). Given the ‘extra-provincial’ nature of carbon emissions, Canada’s highest court assessed the ‘tax’ as a valid regulatory charge under the ‘peace, order and good government’ clause of section 91 of the *Constitution Act, 1867* (Tasker 2021).

However, before the 2018 Act, three provinces – Alberta, Ontario, and British Columbia - had the opportunity to introduce various forms of carbon pricing within their jurisdictions. The absence of federal leadership had galvanized their premiers to develop long-term climate policies that soon became contentious for their respective electorates. To showcase the progression of the phenomenon, each province will be narrated as a case study and be detailed with the policy objectives and planned outcomes of their carbon pricing mechanisms. Criticisms on policy design and implementation will be offered with political dynamics that played a role in the policy’s survival. Information from official government communications, party platforms, policy speeches and news media will complement the academic literature.

Case Study 1 – Alberta

Premier Rachel Notley and her New Democratic Party government formally announced Alberta's intention to introduce a carbon levy at a November 2015 press conference following the historic May provincial election (Winter 2020; Pachon and Weber 2016). The policy proposal was mentioned as part of the province's new Climate Leadership Plan. The CLP was born from "a comprehensive review of (the province's) existing climate policies" undertaken by an advisory panel chaired by University of Alberta energy economist Dr. Andrew Leach (Pachon and Weber 2016, 3). The Climate Change Advisory Panel offered a unique opportunity for "stakeholders to contribute and discuss policy options" (Pachon and Weber 2016, 3). Four of the eight technical engagement sessions and open house public comments specifically prospected the idea of a general carbon levy (Pachon and Weber 2016). In its final report, the panel recommends carbon pricing as one of the four main policy measures to reduce emissions and protect the environment (Government of Alberta, 2018).

As the CLP was being crafted, Premier Notley "reinforced her support for the oil and gas industry," citing its importance for the provincial economy on multiple fronts (Pachon and Weber, 2016). First, the Premier mentioned an objective to improve Alberta's environmental reputation through demonstrable action at a November 2015 press conference (Notley 2016). Second, she called on the Trudeau Liberal government to fast-track pipeline approvals as an ultimatum for the province's future carbon pricing plans (Tombe 2016; Snowden 2016). Third, her government replaced the SGER with an "output-based emission allocation system" known as the Carbon Competitiveness

Incentive Regulation to maintain “competitive protection to industry,” encouraging greenhouse gas emissions (Alberta Climate Change Office 2018, 5). The policy granted “a certain number of free emissions, above which their emissions will be subject to the carbon levy” (Christians et al. 2018, 12). The CCIR “[enabled] a transition from regulating facilities based on their historical performance to regulations that compare facilities to the best performance in their sector” (Alberta Climate Change Office 2018, 5).

Notley’s carbon tax proposal would be cited by economist Trevor Tombe (2015) as a “big win, not because it is a new source of revenue for the government, but because it is a far more efficient means of lowering greenhouse gas emissions than regulatory approaches.” He further complimented the suggested pricing scheme as “reasonable” and the 2% inflation indexation as “tangible” (Tombe 2015). However, the province’s Progressive Conservative and Wildrose opposition parties disagreed and blamed the NDP for “wielding its majority like a hammer” and “failing to properly study and communicate the economic effects the tax would have on consumers” (Pachon and Weber 2016, 4). Despite the political resentment, the *Climate Leadership Implementation Act* became law in June 2017. The legislation “[provided] for a carbon levy on consumers of fuel through a series of payment and remittance obligations” mandated that any collected revenue may only be used “for initiatives related to reducing emissions of greenhouse gases or supporting Alberta’s ability to adapt to climate change” and offered “rebates or adjustments related to the carbon levy to consumers, businesses and communities, including adjustments in the form tax credits or tax rate reductions” (CLIA 2016, 11-12).

As part of the CLP, Alberta's carbon tax was expected to fully reinvest "\$5.4 billion in gross carbon pricing revenue" into economic diversification, energy conservation and emissions reduction (Government of Alberta, 2017). The levy generated close to \$2.6 billion in revenue alone, with pre-existing Climate Change and Emissions Management Fund payments from large emitters resulting in \$0.9 billion into government coffers (Maclean 2019). Carbon levy revenue was able to finance "more than \$467 million in 145 projects" with the industry-funded Emissions Reduction Alberta program (Government of Alberta 2019; Graney and French 2019), helped consumers and businesses improve their ecological footprint with \$130 million from the new Energy Efficiency Alberta agency, and spent nearly \$100 million to "end pollution from coal-fired generated electricity by 2030" (Maclean 2019, Government of Alberta 2019).

Households and small businesses were scheduled to receive tax rebates and reductions to the tune of \$1.5 billion and \$565 million, respectively, over the prescribed three-year period (Government of Alberta 2017). An estimated 60% of low to middle-income households qualified for a fully non-taxable Alberta Climate Leadership Adjustment Rebate every quarter to offset carbon levy costs (Alberta Ministry of Treasury Board and Finance 2018). Under half of billion dollars (\$450 million) were offered as taxpayer rebates by the end of the 2017-2018 fiscal year (Graney and French 2019). By the end of the 2018-2019 fiscal year, the number rose to "nearly one billion dollars (\$978 million) in rebates, (making) life better and more affordable for lower and middle-income Albertans" (Government of Alberta 2019). Small businesses saw their tax rates reduce from 3% to 2% as an adjustment to levy and tied to mandate of "[incentivizing]

behaviour(al) change as they transition to a lower-carbon economy” (Alberta Climate Change Office 2018).

The increased spending on new government programs did not absolve the NDP carbon levy from criticism. For instance, the Fraser Institute interpreted that the CLP carbon tax is a “misleading abuse of language to say that it is revenue neutral because its revenues will ultimately be spent on projects located in Alberta” (Murphy 2019, 10). The policy increased government revenue to finance new spending like a typical tax. Secondary critiques were the deficiency of the policy dubbing it “largely symbolic of mitigating *global* emissions” and the inclusion of “specific climate change objectives” rather than relying on more market approaches “to determine the number of emissions reductions” (Murphy 2019, 10). In response, the NDP government broadly claimed and credited the CLP itself for a “reduction of 11 megatonnes” in 2018 (Maclean 2019) without providing information on carbon levy-specific emissions.

By June 2019, Notley’s successor Jason Kenney would end Alberta’s carbon levy with the *Carbon Tax Repeal Act* (Winter 2020). Kenney campaigned on “[removing] the financial burden” the tax had on families and job creators during the April provincial election (Alberta Ministry of Treasury Board and Finance 2019; CBC News Edmonton 2019). In 2020, Kenney replaced the CCIR with the Technology Innovation and Emissions Reduction initiative by offering performance credits to facilities to “reduce emissions beyond their benchmark” (Government of Alberta 2020). Facilities unable to directly meet

their benchmark are then asked to develop emission offsets, submit their emission performance credits or purchase credits to finance the TIER fund.

Case Study 2 – Ontario

Liberal Party Premier Kathleen Wynne made climate policy one of the “key pillars of her premiership” (Raymond 2020). Fresh from a provincial election victory in June 2014, Wynne restarted her government’s climate policy process in February 2015 by “emphasizing how the public could help reduce emissions” (Raymond 2020). Her predecessor, Dalton McGuinty, had already inched Ontario towards a cap-and-trade regime thanks to the 2008 partnership agreement with Quebec and the California-led Western Climate Initiative at the height of the 2007-2009 financial crisis (Raymond 2020). Exploratory discussions had a handful of stakeholders push for a policy that would recycle the emissions allowances revenues as financial assistance for low-income consumers and price offsets for residential and commercial electricity costs (Government of Ontario 2009). Wynne reaffirmed Ontario’s commitment to cap-and-trade, stressing the environmental costs of climate inaction at a press conference (Raymond 2020).

In November 2015, the government of Ontario presented its Climate Change Strategy and intentioned that future cap-and-trade revenue be “reinvested back into projects that reduce greenhouse gases pollution like public transit and energy retrofits” (Raymond 2020). The policy strategy offered “a significant number of free allowances” to industry operators responsible for “industrial and commercial sources of greater than 25 000 tonnes of CO₂ equivalent” to appease the province’s ‘Large Final Emitters’ (Raymond

2020, 1132). Firms were expected to “provide allowances for every ton of GHG pollution they are responsible for through the direct emissions from their facilities” or fossil fuels used for electricity, home heating and transportation (Environmental Commissioner of Ontario 2016).

A couple of months later, the *Climate Change Mitigation and Low-Carbon Economy Act* made cap-and-trade law in the province and “[encouraged] Ontarians to change their behaviour by influencing their economic decisions that directly or indirectly contribute to the emission of greenhouse gas” (Ontario Climate Act 2016, 6). The law committed the province to “achieve 15 percent GHG reductions below 1990 levels by 2020, 37 percent below 1990 levels by 2030 and 80 percent below 1990 levels by 2030” (Olawuyi 2016, 31). The legislation ‘grandfathered’ free allowances to some facilities but scheduled annual reductions of these types of pollution credits (Winter 2020). Ontario also established a Greenhouse Gas Reduction Account and auctioned off funds to reduce carbon emissions or lower electricity costs (Olawuyi 2016; Raymond 2020).

The Liberal government expected its cap-and-trade program to “help save families’ money, reward innovative companies by creating more opportunities for investment and in programs that reduce greenhouse gas pollution” (Government of Ontario 2016). Ontario expected \$1.9 billion in ongoing yearly revenue from the cap-and-trade through the 2021-2022 fiscal year and hoped for a reduction in emissions “by 17.7 metric tonnes by 2020” (Financial Accountability Office of Ontario 2018; Environmental Commissioner of Ontario 2016, 11). In 2017, the province held four auction rounds with participants

purchasing allowances for the first two program compliance periods. The Government of Ontario generated \$1.92 billion in revenue from these initial auction periods (Christians et al. 2018). A “third of (cap-and-trade) revenue” was recycled to Ontario households. However, associated energy rebate programs such as the Green Ontario Fund did not “deploy until the third quarter of 2017” (Financial Accountability Office of Ontario 2018; Raymond 2020, 1134). Furthermore, the provincial government had acknowledged that its cap-and-trade program would “have a direct cost of \$156 per (Ontario) household” (Christians et al. 2018, 15).

Despite the optimism, Ontario’s cap-and-trade regime received several criticisms. First, the timeline of its implementation was stunted by the government’s inability “to reconcile (its) offerings with existing energy efficiency programs offered by [energy] utilities” (Raymond 2020, 1134). The Wynne government neglected to effectively consult energy providers on harmonizing cap-and-trade with their energy efficiency initiatives. Second, the Liberal government designed a cap-and-trade policy that did not incorporate nor respond to skyrocketing energy prices (Raymond 2020). Stakeholders faulted the provincial government for supposedly not inquiring about further opportunities to reduce consumer energy costs with auction revenue. Third, people believed that Ontario’s cap-and-trade did nothing but coddle the public (Olawuyi 2016). Media commentators attested that the government “spent more time describing the wide range of programs being funded than how the policy worked” (Raymond 2020, 1134). As a result, consumers became confused and “[mixed] ideas about creating a green bank to provide financing for green infrastructure projects with plans to subsidize energy efficiency improvements for

individual homeowners” (Raymond 2020, 1134). Environmental groups claimed that the government’s “early effort was focused on satisfying key interest groups” such as the energy industry, fearing that increased ecological regulation would threaten their international competitiveness with US firms (Raymond 2020, 1133).

Despite extending its durability by linking it to Quebec and California’s continental carbon market, cap-and-trade in Ontario would end by Premier Wynne’s successor, Doug Ford (Winter 2020). Voters believing cap-and-trade was the cause of soaring electricity prices helped the Progressive Conservative Party win a historic majority government in June 2018 (Macneil 2020, 356). A couple of months later, Cap and Trade Cancellation Act repealed cap-and-trade as law in Ontario. PC Environment Minister Rod Phillips stated that cap-and-trade was “costly, ineffective, killing jobs” (Loriggio 2018).

Case Study 3 – British Columbia

Despite not initially campaigning on a carbon tax, Premier Gordon Campbell had a few ecological events. Political encounters radically inch his Liberal Party government to propose one for British Columbia. First, a pine beetle epidemic linked to warm winters of the 2000s caused eighty percent damage to the province’s lodgepole pine tree pollution (Sodero 2011; Nikiforuk 2011; British Columbia Ministry of Forests and Range 2006). Second, remnants from the 2006 Pacific Typhoon Cimarron caused several windstorms to the Vancouver area, impacting the city’s water supply and damaging Stanley Park (Beoi 2006; Sodero 2015). Third, citizens grew outraged when the crown corporation, B.C. Hydro announced contracts for new coal-fired power plants when the promising

future is in its abundant hydroelectric resources (Sodero 2015; Harrison 2013). Fourth, Premier Campbell's conversations with Republican Governor of California Arnold Schwarzenegger through the latter's attempt to reduce GHG emissions in his state has been said to have 'inspired' him (Harrison 2012). These four events came to reinforce the growing awareness and perception of climate change and gave "rise to a strong wilderness-oriented environmental movement" in British Columbia (Harrison 2013, 9).

In 2007, Premier Campbell's 'revelation' was showcased in full effect with the February Speech from The Throne hinting at a pricing mechanism "to encourage overall tax savings through shifts in behaviour that reduce carbon consumption" (Speech from the Throne 2007). During the summer months, Campbell established and chaired the Cabinet Committee on Climate Change and mandated "key government ministers to make greenhouse reduction and climate change adaptation" (Sodero 2011, 1477). The Liberal government's policy direction was strengthened by forming a Climate Action Secretariat acting as a coordination hub between the Cabinet, the provincial legislature and the Ministry of Finance to "operationalize the policy" (Sodero 2011, 1478). The Ministry of Finance "[provided] advice on revenue levels, tax efficiency and distributional impacts" (Sodero 2011: 1478). Significant input from the province's business community acknowledged the need for some form of carbon pricing while making their support contingent on two conditions – the entrenchment of revenue neutrality and the even application to both households and industrial emitters (Harrison 2013; Peet and Harrison 2012). A year later, the Liberal government would formally table the carbon tax in Budget 2008: Turning to the Future, Meeting the Challenge (BC Legislative Assembly 2008).

As a significant element of the Campbell government's Climate Action Plan, the provincial carbon tax was applied "to virtually all fossil fuels used within British Columbia," accounting for 75% of the province's greenhouse gas emissions (Murray and Rivers 2015). Excluded from the coverage were "non-combustion emissions from industrial processes such as cement production, venting and fugitive emissions from natural gas production and landfills" (Harrison 2013, 9). The carbon price was scheduled to rise from 10\$ per tonne to \$30 by 2012 and "charged to the consumer at the point of final sale but passed back via the retailer to the wholesaler" (Harrison 2013, 10). The policy's revenue neutrality provision meant that all generated tax revenue is expected to be redistributed "back to households in the form of tax reductions or directed transfers rather than used to increase government spending" (Murray and Rivers 2015, 676). Consumers were promised personal income tax reductions by "two percent in 2008 and five percent in 2009" (Yamazaki 2017, 200). Large business owners expected reductions to the corporate tax rates by 2% within two years and for small business owners from 4.5% to 2.5% within three years (Harrison 2013). The Campbell government even offered a one-time direct payment of \$100 per person, known as the Climate Action Dividend, to provincial residents before the July 1st carbon tax implementation date (BC Ministry of Small Business and Revenue 2008).

Government estimates projected \$1.85 billion in new revenue by 2011. In its first year of operation, the carbon tax had "generated \$846 million in revenue" (Aldy and Stavins 2012, 168). Revenue was recycled to finance "approximately \$1.1 billion" in tax

cuts to residents in the same year (Aldy and Stavins 2012, 168). Small and large businesses enjoyed their corporate income tax reductions as right on schedule, eventually making British Columbia the lowest income-taxed jurisdiction in Canada (Elgie and McClay 2013). By 2015, the cumulative tax cuts and credits of \$7.1 billion were financed with \$6.1 billion in overall carbon tax revenue (Murray and Rivers 2015). Several academic studies have indicated reductions in gasoline consumption compared to other provinces by 12.5% (Rivers and Schaufele 2012) and cuts in GHG emissions by 5-15% (Murray and Rivers 2015).

The BC Liberal government's carbon tax plan was not without fault or criticism. First, the province's northern and rural communities argued that the policy made life more expensive for their colder climates (Peet and Harrison 2012). In response, the Campbell government provided \$200 rebates to affected residents through the Northern and Rural Homeowner Benefit Program (Beck et al. 2016; Peet and Harrison 2012). Second, consumers negatively perceived the policy to a sudden spike in gas prices in late June 2008 (Harrison 2012). Gas prices "rose sharply from \$1.05 to \$1.50 per litre" for five months following the initial policy announcement (Karapin 2020, 150). Eventually, gas prices returned to normal by fall 2008 (Harrison 2013). Third, in responding to the revenue neutrality, the government explained that it "[failed] to accurately estimate the expected revenue from the carbon tax" (Yamazaki 2017, 200). Part of the difficulty to maintain revenue neutrality was the Campbell government "[growing more reliant] on the [carbon] tax revenues" (Harrison 2013, 17).

By 2009, the provincial NDP attempted to capitalize on the anger and criticism with an 'Axe the Tax' campaign ahead of May provincial election and promised to consult with British Columbians on a different approach to combat climate change (British Columbia New Democratic Party 2008). As the BC Liberal government won reelection, the NDP leader Carol James stated that the "carbon tax is here to stay." (Harrison 2013, Palmer 2009). Campbell's successor, Christy Clark, initially waffled on the fate of the carbon tax but chose to continue with its scheduled 2012 increase to \$30 per carbon tonne (Harrison 2012).

Discussion

Case Study 1 - Alberta

Despite Premier Notley's optimism for "grudging acceptance" that it won't be all bad, 66 percent of residents would oppose carbon tax implementation following the NDP's Climate Leadership Plan announcement in a Mainstreet poll (Wood 2017). Two months after implementation, half of the provincial residents stated that the policy had "a major impact on their lives" (Wood 2017). David Valentin of Mainstreet noted that "it is hard to ask people if they want to believe in science sometimes that they know is against their interest to believe in" (Tarasko 2017). As an attempt at appeasement to growing resentment, Deputy Premier Sarah Hoffman stated that the carbon tax had helped the province "definitely round the corner" with "tens of thousands of new jobs" (Drinkwater 2018).

A few focusing events weakened Premier Notley's approach and strengthened her main political rival, Jason Kenney. Contrary to popular belief, the first event is that the NDP never explicitly campaigned on implementing a carbon levy during the 2015 provincial election. Instead, an NDP government promised to "take leadership on the issue of climate change and make sure Alberta is part of crafting solutions with stakeholders" by devising energy efficiency and renewable energy strategies (Alberta NDP Platform 2015, 18). Understandably, not directly campaigning on implementing a carbon tax may have helped the party win some allies in the province's oil and gas sector industry desperate for pipeline approvals from the federal government and from a

skeptical populace open to turn a leaf on the long-reigning Progressive Conservative Party.

Once announced in office, Notley leveraged implementing a provincial carbon tax to Ottawa's indecision on approving pipelines. Arguably, Notley had no choice but to employ that tactic for two reasons. Historically speaking, Canada's left-wing New Democratic party movement has hardly been an enthusiastic supporter of the country's oil and gas sector. Therefore, it came as a bit of a surprise that a provincial NDP government would so vigorously risk dropping a key policy plank of its climate action plan to stand up for the energy industry. Two, perceivably to the government, Notley felt that she was not receiving the required attention from the Trudeau Liberal government to move the pipeline policy file as quickly as she desired, further intensified by the interprovincial conflict with the anti-pipeline B.C. NDP government.

As for the second event, a confluence of mini-events such as crippling low oil prices and rising opposition from the B.C. government not wanting pipelines reaching its Pacific Coast bred a new provincial conservative movement in Jason Kenney. The former federal Conservative cabinet minister led a merger initiative in two years, uniting the province's two right-wing parties (Progressive Conservative and Wildrose) into the United Conservative Party. Kenney called out the NDP government for its carbon tax, citing it as "the single largest tax hike in Alberta history," and accused the NDP of never mentioning it during the previous election campaign (Mertz 2019). The UCP continued the rhetoric in its 2019 election platform with language such as "job-killing" "cash grab" and promised to

subject any future pricing plan to the province's *Taxpayer Protection Act* (Alberta UCP Platform, 2019).

Empowered by public opinion, Kenney successfully campaigned on the narrative that the tax "...hasn't helped reduce greenhouse gas emissions and took money out of the pockets of working families" (Global News 2019). This event has recognized Kenney's practical understanding of Alberta's historical political economy. Alberta and Albertans have continuously taken immense pride as a low-taxed jurisdiction, primarily propped by an economically significant energy industry. The province's climate change policies have been subjected to that approach exemplified with the Kenney UCP government's modifications transforming the CCIR into TIER and relaxing economically intrusive emissions regulations.

Case Study 2 - Ontario

In Ontario, the Liberal government's policy timing of cap-and-trade with soaring electricity prices gave Premier Wynne no favour with winning public opinion. Before cap-and-trade was implemented, the Wynne government not only acknowledged "the cost of electricity stretching family budgets" but promised legislation that would rebate consumers in its Speech from the Throne (Speech from the Throne 2016). However, an Ipsos poll following the announcement had half (52%) of Ontarians believing the rebates "(didn't) go far enough" (Ipsos 2016). Despite just introducing cap-and-trade to Ontario, the Wynne government went ahead with its 'Fair Hydro Plan,' "ordering a 25% reduction" in electricity rates (Lachapelle and Kiss 2019, 971). Although the Ontario government

outlined the potential for cap-and-trade revenue “to lower energy costs for businesses and residents,” the focus of the program remained stressed on “grow(ing) the economy and generate new jobs” (Raymond 2020, 1132). Despite the obvious political overtures to quell public anger, “six in ten Ontarians” stated that hydro prices impacted their vote heading into the 2018 provincial election (Ipsos 2018).

Policy management on cap-and-trade may have played a role in shaping the behaviour of political parties ahead of Ontario's 2018 provincial election. First, by appearance alone, the issue of high electricity rates reflected growing angst towards the provincial government from the two main opposition parties. If broken down by political affiliation, “a majority of PC (60%) and a near majority of New Democratic Party (47%) voters” attested that their electricity bills had increased (Lachapelle and Kiss 2019, 974). First, if election strategy is considered, the anger alone gave the Progressive Conservative Party and the NDP political ammunition. Second, a lack of policy focus combined with ineffective message communication about the benefits of cap-and-trade weakened the Liberal Party of Ontario's chances at re-election. As previously highlighted, what would have helped the Wynne government is if it had designed and directed cap-and-trade revenue towards offset energy costs for consumers. All that the Ontario Liberals did was to position cap-and-trade as an intermediate remedy to rising energy costs while championing it as a pathway towards an innovative clean economy for Ontario. The Ontario government ran on hypotheticals given its shrunken opportunity window.

Meanwhile, Leader of the Opposition Patrick Brown and his Progressive Conservative Party of Ontario started to campaign against Wynne's government's cap-and-trade program. Brown estimated that cap-and-trade would "leave Ontario with less money and more pollution," believed that the scheme "will not reduce emissions in Ontario" and called for the province to abandon it in exchange for the Trudeau government's federal carbon pricing benchmark "to avoid the risk of duplicative carbon taxes" (The People's Guarantee, 2017). At its peak, the PCs "enjoyed a comfortable lead in the polls while publicly supporting a broad-based revenue-neutral carbon tax" (Lachapelle and Kiss 2019, 972). Although less direct in language and moderately considerate towards less regulation, Brown's policy platform was an adaptive right-wing reflection of the Progressive Conservative Party regarding climate change. However, following allegations of sexual misconduct, Brown was replaced with Doug Ford months before the June 2018 election. Under his leadership, Ford embraced a populist message, employing a similar language like Kenney in Alberta, to "(scrap) the carbon tax and (cancel) Kathleen Wynne's cap-and-trade slush fund" (Ontario PC Platform, 2018). Throughout the campaign, Ford branded so-called 'Liberal elites' (as) "harming working Ontarians," believing that "imposing a carbon tax is not something they support" (Raymond 2020, 1135). With this change in party leadership, the PCs moved more to the right, portraying any semblance of carbon pricing as detrimental to the welfare of Ontarians. Ford was able to utilize the province's political economy to his advantage, exploit the public anxieties of the electorate regarding hydro rates and conflate them to fears about carbon pricing.

Case Study 3 – British Columbia

As for British Columbia, initial reception days after the Campbell government's 2008 Budget February announcement "found 54 percent of British Columbians supportive and 40 percent opposed" to the carbon tax (Harrison 2012, 391). A few months later, public opinion turned the tide against the provincial Liberal government for two reasons. First was the sudden rise in gas prices during the Spring months of 2008 (Karapin 2020). Price changes at the pump had consumers imply a causal relationship: a carbon tax would lead to "intolerably high gas prices" (Karapin 2020, 150). The second was the opposition to the policy from the province's northern and rural communities. These regional communities cited higher fuel prices, longer travel distances and scater lifestyle opportunities to justify their criticisms (Peet and Harrison 2012). The consequence of timing had voters "express(ing) their frustration with gasoline prices through opposition to the carbon tax" with net support "falling sharply (by 27 percentage points)" (Harrison 2012, 392; Karapin 2020, 150).

Gordon Campbell's involvement with carbon pricing in British Columbia was ably sufficient to ensure its survival thanks to several focusing events, reactive mitigation strategies, and political triangulation despite the observable angst. First, the focusing events of the fall 2008 global recession and the fall of gasoline prices by \$0.50 per litre in the latter half of the year "eclipsed all other issues among voters' priorities" (Harrison 2013, 14). The unique timing of these two circumstances helped the Liberal Party of British Columbia reposition itself as the stable 'free enterprise' right-wing party ready to face the upcoming economic storm. Second, as previously explained, the B.C. Liberal

government was able to mitigate any perceived economic fallout from carbon pricing by strategically emphasizing neutral neutrality as a net positive for consumers and businesses in the province with tax cuts, the Climate Action Dividend cheques and the Northern and Rural Homeowner tax benefits (Harrison 2012; Murray and Rivers 2012; Beck et al. 2016).

Third, as it touches on party behaviour, Premier Campbell played a game of political triangulation to outflank the NDP opposition ahead of the 2009 provincial election. One, the confluence of two events (Campbell's 2006 meeting with Schwarzenegger and the citizen outcry at B.C. Hydro's proposed coal power plants) allowed the Premier to entrench his legacy with the 2007 Throne Speech a climate change leader. Two, not only was the Premier able to seek support from the province's business community for a carbon tax; he found allies with the environmental community as well. Three, as the NDP surprised its traditional base of supporters by opposing a carbon tax, Campbell addressed some anxieties about the policy with promises of tax cuts and benefits. Gordon Campbell and his B.C. Liberals created a window of opportunity, acted upon it with a broad coalition of supporters and implemented a textbook carbon pricing model.

Additional Thoughts

These Canadian case studies highlight the apparent disconnect among Canadian conservatives on carbon pricing policies. Indeed, similarities and differences are present among the case studies. First, Premiers Notley, Wynne and Campbell hedged their political legacy on their governments' carbon pricing plans ahead of provincial elections.

Second, opposition leaders Kenney, James and Ford envisioned electoral success by opposing and campaigning against the pricing policies of their incumbent governments. Lastly, public polling and focusing events helped shift the tide preceding or during election campaigns for victorious party leaders. In sum, right-wing party leaders saw an opportunity to frame carbon pricing as a major campaign issue and benefited from the political fallout.

However, the differences lie in British Columbia's acceptance of the policy instead of its provincial counterparts in Alberta and Ontario. Described as noteworthy, a right-wing government implemented a tax contrary to the modern ideological norm. However, separate from the other two provinces, Premier Campbell made it more of a personal mission to see the policy succeed in his jurisdiction throughout its development and implementation stages. Premier Notley personified her role in crafting Alberta's carbon pricing policy by defending oil and gas industry workers with demands for federal pipeline approvals. As for Premier Wynne, despite depicting cap-and-trade as part of her legacy, high energy prices replaced the political narrative and left her with policy hypotheticals.

In Ontario, Patrick Brown's broad acceptance of the federal government's carbon pricing scheme could have provided a second representative example (after British Columbia) of a right-wing government adapting to climate change by proposing market-based policy tools to combat it. Despite Jason Kenney's populist language on the matter in Alberta, his UCP government partially caved on carbon pricing by submitting his TIER program for federal compliance to the *Greenhouse Gas Pollution Pricing Act*. In British

Columbia, NDP *mea culpa*'s on carbon pricing had its former leader Carole James, now as finance minister, oversee the next round of carbon tax increases in the province but has since dropped revenue neutrality as an element of the policy (Lindsay 2019).

While politics may inflame some inaction on climate policy, so do pre-existing historical grievances. Canadian federalism has bred several jurisdictional conflicts between Ottawa and the provinces, especially on energy and environmental matters, since the 1970s. Although history was not explored as a variable in this piece, it is an unaddressed indicator that has previously premised future climate policy within the provinces.

Conclusion

Despite the prevalent need to act on climate change, domestic politics has been presented as a significant barrier influencing a government's ability to address it. As a solution, carbon pricing was described as appealing to progressive environmental causes and ideological preferences sensitive to market forces and the electorate. If successfully implemented and widely accepted, the policy creates a new revenue stream for the government to finance initiatives to curb carbon emissions and spur economic innovation furthering additional reductions.

Recent events in Canada have welcomed an analytical review of what might explain some of the opposing viewpoints of the policy from right-wing conservatives. If taxation policies are viewed as deterring bad behaviour like pollution, right-wing conservative parties should be their strongest proponents, at least based on economic theory. However, provincial policy experiments in the country have proven otherwise.

This research has sought to test and examine that hypothesis with three provincial case studies – Alberta, Ontario, British Columbia - with subnational right-wing parties. Utilizing public choice as a framework for theoretical analysis, this research has shown that climate policies are still subject to a jurisdiction's political economy ahead of election campaigns. If poorly designed or improperly communicated for its benefits to consumers, then the policy may injure the incumbent government's chances at re-election. Meanwhile, emerging windows of opportunity have helped opposition parties capitalize on the negative voter perceptions of climate policies. What matters to this research is how

carbon taxation policies continue to face the brunt of political opinion despite the immediate existential threat.

As humanity enters the 21st century's second decade, the urgency of climate change must precede the various internal squabbles of self-interested elected officials. In the larger picture, the perceived short-term benefits of policy inaction are viewed as insignificant. Moreover, if the markets continue to reign supreme, then it is on governments to work hand-in-hand with private actors to ensure humanity's existential future.

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