



JUN 29 2018

Her Worship Lisa Helps  
Mayor of the City of Victoria  
1 Centennial Square  
Victoria BC V8W 1P6

MAYOR'S OFFICE

JUL 10 2018

VICTORIA, B.C.

Dear Madam Mayor:

The Office of the Prime Minister has forwarded to me a copy of your letter of December 4, 2017, concerning a price on carbon pollution. I regret the delay in responding.

As you noted, taking action on climate change, including by extending carbon pricing throughout Canada, is important for reducing greenhouse gas emissions and fostering a transition to a low-carbon economy.

The Government of Canada continues to make progress on the implementation of the pan-Canadian carbon pricing benchmark, which is designed to ensure that carbon pricing applies to a broad set of emission sources throughout Canada in 2018 with increasing stringency over time. The benchmark recognizes the provincial systems already in place. However, it gives provinces and territories the flexibility to maintain or implement the type of carbon pricing system that makes sense for their circumstances, but also sets some common criteria. This includes a minimum benchmark carbon price for direct-pricing systems (starting at \$20 per tonne in 2019 rising to \$50 in 2022) that all systems must meet in order to ensure they are fair and effective.

The benchmark also commits the Government of Canada to developing a carbon pricing backstop system that would apply in whole or in part in any province or territory that requests it, or that does not have a carbon pricing system in place in 2018 that meets the benchmark. The proposed federal carbon pricing system consists of two elements: a charge on fossil fuels that is generally payable by fuel producers or distributors; and a performance-based system for greenhouse gas emissions-intensive, trade-exposed industrial facilities to minimize competitiveness risks while ensuring a carbon price signal and incentive to reduce greenhouse gas emissions.

The Government of Canada released additional details on the proposed federal system in January 2018. For more information, please visit [www.canada.ca/en/environment-climate-change/news/2018/01/government\\_of\\_canadareleases\\_furtherdetailsonfederalcarbon-pollut.html](http://www.canada.ca/en/environment-climate-change/news/2018/01/government_of_canadareleases_furtherdetailsonfederalcarbon-pollut.html).

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Provinces and territories have been asked to confirm their plans by September 1, 2018, including those that intend to maintain or establish their own carbon pricing systems. The federal system (at \$20 per tonne) will apply in whole or in part on January 1, 2019, in those jurisdictions that request it or that do not have a system in place that aligns with the benchmark. From 2019 onward, there will be an annual verification process to ensure carbon pricing systems continue to meet the benchmark.

As you know, clarity on the price trajectory over time is important for investors, businesses and consumers. As committed to in the Pan-Canadian Framework on Clean Growth and Climate Change, federal, provincial and territorial governments will work together to establish the approach for the review of carbon pricing, including expert assessment of stringency and effectiveness that compares carbon pricing systems across Canada. This review will be completed by early 2022 to provide certainty on the path forward. An interim report, which will be reviewed and assessed by First Ministers, will be completed in 2020. As an early deliverable, this review will assess approaches and best practices to address the competitiveness of emissions-intensive trade-exposed sectors. This work is currently under way.

In addition, Canada continues to work closely with international partners to implement the Paris Agreement and tackle climate change bilaterally, and also through multilateral fora such as the Carbon Pricing Leadership Coalition which brings together leaders from governments, business and civil society to support the introduction and implementation of carbon pricing.

The Government of Canada agrees that extending carbon pricing throughout Canada is important in ensuring that Canadians are well placed to benefit from the opportunities created by the global shift toward cleaner, more sustainable growth.

In addition to pricing carbon, the Government is making other significant investments to enable Canadian businesses and workers to participate in the trillion-dollar opportunities offered by the world's transition to a clean-growth economy. The federal government is supporting this transition with historic investments. In June 2017, it launched the Low Carbon Economy Fund to leverage provincial and territorial investments in projects that will support clean growth and reduce greenhouse gas emissions from buildings, industries, forestry and agriculture. On March 14, 2018, the Low Carbon Economy Challenge, a component of the Low Carbon Economy Fund, was launched. The Challenge will provide more than \$500 million for projects that will generate clean growth and reduce greenhouse gas emissions. All provinces, territories, businesses,

municipalities, not-for-profit organizations, and Indigenous communities and organizations that meet eligibility criteria will be able to apply. Further details on the Low Carbon Economy Fund is available at [www.canada.ca/en/environment-climate-change/services/climate-change/low-carbon-economy-fund/challenge.html](http://www.canada.ca/en/environment-climate-change/services/climate-change/low-carbon-economy-fund/challenge.html).

I appreciate your bringing the views of the City of Victoria to my attention. Please accept my best regards.

Sincerely,

A handwritten signature in blue ink, appearing to read 'C. McKenna', with a stylized flourish at the end.

Thank you for  
your support!

The Honourable Catherine McKenna, P.C., M.P.