

**Business Council
of Manitoba**

February 23, 2018

Honourable Rochelle Squires
Minister of Sustainable Development
Legislative Building
Winnipeg, Manitoba

Dear Minister,

I am forwarding a position paper on Carbon Tax Implementation prepared by the Business Council of Manitoba. We, as well as other business organizations, have identified concerns not only with the national framework but with the proposed provincial implementation. We believe there will be significant impacts on our competitiveness and our continuing ability to compete in export markets most significantly the United States.

In summary:

1. The economic impact of a carbon tax will be to shift investment away from Manitoba most likely to the U.S. where there is no carbon tax and where corporate tax rates recently were dramatically reduced along with accelerated capital write-offs. This situation alone must be cause for a review of the implementation of a carbon tax.
2. The one size fits all approach to achieving greenhouse gas reductions by the federal government ignores the Manitoba situation with our significant hydro electric power generation, our dependency of carbon-fuelled trucking to ship goods to distant markets, and our climate.
3. There appears to be some inconsistency federally. Ontario and Quebec have a Cap & Trade system which is reported to cost only \$18 to \$22 per tonne over the 5 year period.
4. The uncertainty of not knowing whether the federal government will accept Manitoba's 5-year program as is (given years 4 and 5 tax are below the federal plan) or what will happen in year 6 creates uncertainty and a drag on investment and growth plans.
5. There appears to be little recognition or willingness to consider the impact of carbon-based fuel used in the processing of products for which there is no fuel substitute and in some cases is the bulk of the carbon energy usage for a manufacturer. This is an element largely found in manufacturing and would dramatically exacerbate the competitiveness issue.
6. A concern of manufacturers, and others, is that carbon tax revenues will spawn a multitude of government funded projects and programs with associated administrative costs that will result in limited impact on GHG reduction but will not be used to genuinely assist manufacturers in dealing with rising fuel, heating, processing, and shipping costs resulting from the carbon tax.

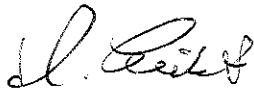
7. We propose a carbon tax rebate on the percentage of export sales as a means of assisting Manitoba businesses maintain their competitive position, or more accurately offset a competitive disadvantage brought about by the tax.
8. We also propose providing Manitoba Hydro with some carbon tax funds which is an integral argument for incenting cleaner energy and would apply to virtually all people in Manitoba.
9. Finally, all the uncertainty about the carbon tax plan is increased given the NAFTA discussions.

Our proposal will address our concerns about competitiveness and our ability to maintain our export levels into the United States. Coincidentally at the time this letter is being prepared we note with interest that the Government of British Columbia, which has had a carbon tax for several years, announced as part of their budget that they will examine ways in which they can work with their business community and exporters to deal with the negative consequences of the BC carbon tax.

We urge the Manitoba government to seriously review the implementation plan and consider our recommendations.

We look forward to continuing our discussions with you and your colleagues on how best to address our mutual objectives.

Respectfully,



Don Leitch
President & CEO