



NEWS RELEASE

13 industries may experience ‘carbon leakage’ due to Canada’s federal carbon tax

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CALGARY—Canada’s federal carbon tax will increase production costs in certain key sectors and could trigger a phenomenon known as “carbon leakage”—where firms relocate industrial activity to countries with less-stringent climate policies, finds a new study released today by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

“The federal carbon tax will likely push investment, economic activity and jobs out of Canada and into other countries, thus increasing emissions abroad,” said Ross McKittrick, senior fellow at the Fraser Institute and co-author of *The Impact of the Federal Carbon Tax on the Competitiveness of Canadian Industries*.

According to the study, the federal carbon tax, which is set to reach \$50 per tonne in 2022, will increase the cost of energy and make some Canadian businesses less competitive compared to firms in other countries including the United States.

The study identifies 13 industries most vulnerable to waning competitiveness and carbon leakage including the petroleum and coal-product manufacturing sector (which will see costs increase 24.8 per cent due to the federal carbon tax), agriculture chemical manufacturing (pesticides, fertilizers, etc.), basic chemical manufacturing, cement and concrete product manufacturing, and primary metal manufacturing.

In response to these concerns, the federal government has designed a plan, which includes tax rebates, to help limit the harm to affected sectors. But because the plan is not tied to the incremental cost of reducing emissions, some firms will end up worse off—even under the federal plan.

“It’s time policymakers acknowledge that a \$50 per tonne carbon tax comes with serious competitiveness risks for many Canadian industries,” said Elmira Aliakbari, study co-author and associate director of Natural Resource Studies at the Fraser Institute.

“Under a worst-case scenario, we’ll lose businesses and jobs without having any real impact on global greenhouse gas emissions,” McKittrick said.

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