

COR-2022-1008-10

September 16, 2022

The Honourable Steve Guilbeault, P.C., M.P.
Minister of Environment and Climate Change Canada
Fontaine Building 12th Floor
200 Sacré-Coeur Blvd
Gatineau QC K1A0H3
Email: ministre-minister@ec.gc.ca

Dear Minister Guilbeault:

I am writing in follow-up to our letter of September 2, 2022 regarding the Government of Newfoundland and Labrador's proposed approach to carbon pricing.

The provincial government firmly agrees that there should be a price on pollution. In 2022, a price of \$50 per tonne was applied to regulated fuels in the Province. Additionally, ongoing market changes have increased the price. A year ago, the price of furnace oil in the Province was 97.91 cents per litre. On September 2, 2022, the price was 155.70 cents per litre, which is an increase of nearly 60 percent. In the current context, a market driven price signal on fossil fuels is clearly in place.

The Federal Government's carbon pricing approach includes exemptions to the carbon tax for farming, fishing, aviation, and for power plants in remote communities, to reflect the unique needs and economic realities of specific industries and communities. To respond to the unique challenges and economic hardship faced by Newfoundlanders and Labradorians dependant on oil heating, the provincial government is requesting to retain the exemption on home heating fuel for four years. Residents dependent on furnace oil in the Province tend to be older, live in rural areas, and have lower incomes than the provincial average. The significant increase in heating costs over the last year already imposes considerable economic hardship and stress on these residents. A further 20 percent increase through carbon tax that, unlike inflation, can be avoided or postponed threatens to drive residents in the Province into energy poverty.

There are no quick fixes to ending the residential use of home heating fuels. Under the federal approach, as an example, an 80 year old citizen who already is paying 60 percent more in home heating costs this year, will suffer an additional 20 percent increase (17.38 cents plus HST) on April 1, 2023. At \$170 per tonne in 2030, this cost will be an additional 45.6 cents per litre plus HST, and this does not include further market increases. At this



cost, this senior citizen will be paying an extra \$915 dollars per year for 2,000 L of fuel. The average costs we have seen to date to retrofit a home from oil to electric heat is approximately \$10,000-\$12,000 and range from \$8,000-\$30,000. A homeowner dependent on fuel heating will need to save those capital costs, in an inflationary environment, to retrofit their home, while paying an annually increase heating cost.

Time and funding are needed to transition residents that rely on home heating fuels to a cost effective and renewable home heating source. The Province is making significant gains in this regard. We have significantly increased the funding and promotion of our oil to electric home heating program, which will see a 16 fold increase in home conversions this year, resulting in the switching of 1,600 homes to clean heating. However, this is only a small fraction of the 44,000 homes in the Province that will need to transition off a fossil fuel heating source. We have worked hard and invested substantially in renewable energy generation and transmission in the province early, while other jurisdictions continue to burn fossil fuels, such as coal. Newfoundland and Labrador should be afforded a similar opportunity to transition off fossil fuels. We are pleased that our efforts will see the majority of electricity in the Province come from renewable energy sources. Homeowners should be given the opportunity and time to connect their homes to this renewable energy grid.

As fall and winter approach, the urgency of addressing the affordability of home heating increases. We are confident that together we can build on our successes to date and continue to reduce the number of homes reliant on fuel oils, achieving both a reduction in energy costs and greenhouse gas emissions. The announcement yesterday of \$250 million in federal funding to help homeowners, who use home heating oil, transition to more affordable and greener home heating sources, is an important initiative in this regard and we applaud this significant investment. We again reiterate our willingness to engage on home heating programming solutions at your earliest convenience.

The Government of Newfoundland and Labrador supported the Atlantic Canadian solution to carbon pricing which reflected the home heating context in Atlantic Canada as a fair and reasonable approach, one which balances cost of living realities with environmental outcomes. We were disappointed that there was a lack of interest or engagement on this proposal by the federal government.

In addition to regulated fuels, our output based performance system (OBPS) for large industry continues to succeed. In both 2019 and 2020, industrial facilities exceed their regulated greenhouse gas reduction obligation. Preliminary data indicates that greenhouse gas emission reductions required at industrial facilities will exceed required reductions for 2021 as well. We appreciate your ongoing consultation on our OBPS and understand that no further information is required by Environment and Climate Change Canada to approve our OBPS proposal for 2023 to 2030. The Government of



Newfoundland and Labrador will continue to implement a provincial OBPS for large industry, as detailed in our April 13, 2022 and September 2, 2022 letters.

Sincerely,

A handwritten signature in blue ink, appearing to be "Bernard Davis", written over a circular stamp or seal.

HON. BERNARD DAVIS, MHA
District of Virginia Waters - Pleasantville
Minister