

Alberta's Carbon Levy and Farmers

Alberta's new carbon levy came into place on January 1, 2017. The levy puts a price on carbon emissions of \$20 / tonne of carbon dioxide equivalents (CO₂e) in 2017, and \$30 / tonne in 2018. There have been several measures put into place to help ease producer's transition to a low-carbon economy.

How does it apply?

The carbon levy is charged directly on the cost of heating and transportation fuels. Marked farm fuels are exempt from the levy, which is an exemption not provided to any other industry.

The following table illustrates the levy rates:

Type of Fuel	January 1, 2017 \$20 / tonne CO ₂ e	January 1, 2018 \$30 / tonne CO ₂ e
Marked Farm Fuels	Exempt	Exempt
Unmarked Diesel	5.35 ¢/L	+2.68 ¢/L
Unmarked Gasoline	4.49 ¢/L	+2.24 ¢/L
Natural Gas	1.011 \$/GJ	+0.506 \$/GJ
Propane	3.08 ¢/L	+1.54 ¢/L
Coal	44.37 \$/tonne	+22.19 \$/tonne

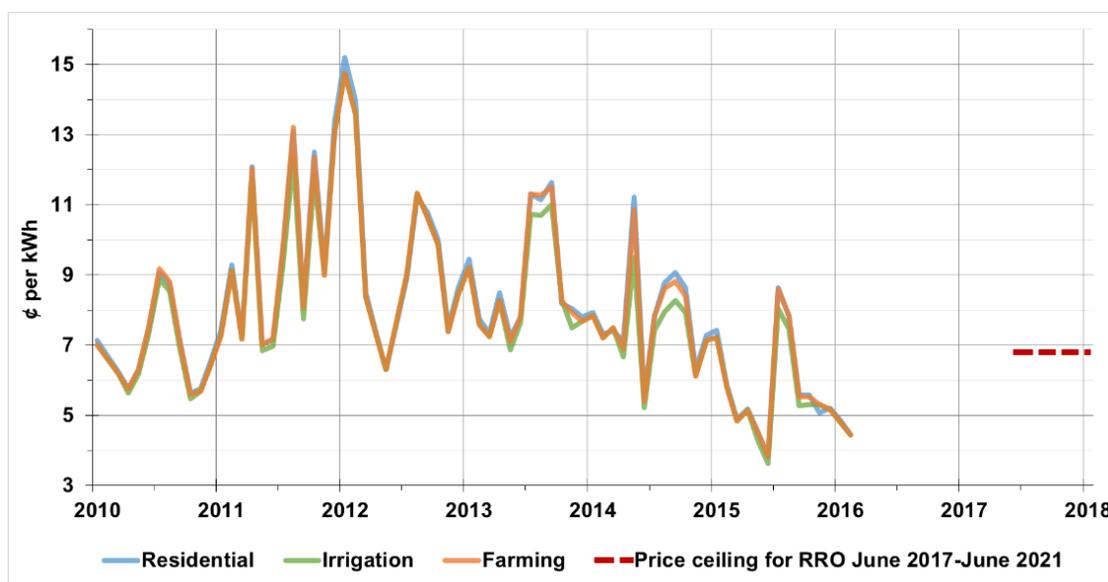
Note: The carbon levy rate in 2018 is in addition to the rate in 2017.

Carbon pricing isn't new to Alberta; it has existed since the Specified Gas Emitters Regulation (SGER) was introduced in 2007. This regulation put a price on carbon of \$15/t CO₂ equivalent for large industrial operations with emissions of 100,000 tonnes or more of CO₂e per year. The compliance rate under the SGER increased to \$20 / tonne in 2016, and \$30 / tonne in 2017. The SGER will be replaced in 2018 with a new regulation based on a product specific emissions benchmark.

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Electricity under the Carbon Leadership Plan

Alberta's electricity providers pay as final emitters under the SGER. This means that Albertans won't pay a carbon levy directly on their bill. However, they may notice a small increase in electricity rates from 2016 prices as electrical providers will be subject to an increase in the compliance rate under the SGER. To help stabilize prices, a ceiling of 6.8¢/kWh has been established from 2017 until 2021. This caps prices at the low end of what electricity prices have been in Alberta since 2010.



So what will the carbon levy cost your farm?

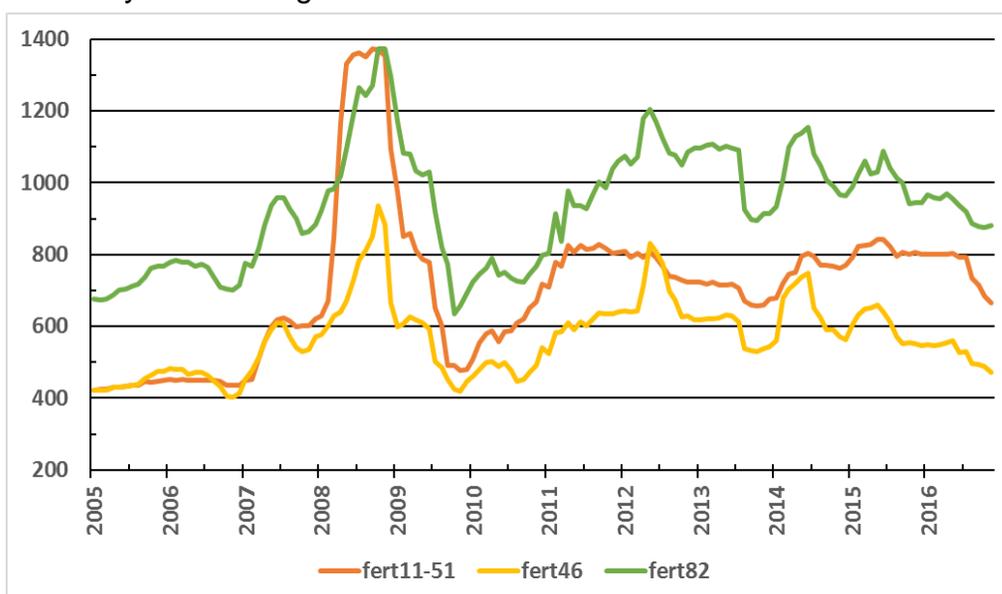
The most obvious costs to farmers and ranchers will be for heating fuel and grain drying. To estimate the increased costs look at your last few years' heating fuel bills and multiply the total GJ per year consumed by the factor in the carbon levy table to estimate your annual cost. If you are using natural gas or propane for other uses like irrigation drives or grain drying, be sure to include those as well. Keep in mind that administrative, distribution, and transmission charges are not subject to the carbon levy as the levy is only charged on the actual GJ of natural gas consumed.

You can also use the calculator in the following website to help estimate the annual cost of the levy: www.alberta.ca/calculate-carbon-levy-rebate-and-costs.aspx

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Fertilizer prices

Like electricity, fertilizer producers have been paying under the SGER since 2007. Their overall costs will increase marginally as the carbon price increases in 2017 and 2018. Fertilizer manufacturers, like farmers, are price takers competing in an international market and are limited in their ability to pass on increased operational costs. As seen in the chart below fertilizer prices have fluctuated significantly since 2005. However, the carbon levy coming into effect is not the only contributing factor in fertilizer rates.



Grain drying

Based on several actual examples from the fall of 2016, the levy cost of drying grain in 2017 will range from approximately 0.6¢/bu to 1.2¢/bu. It is also important to keep in mind that grain dryers may not be used every year as the weather fluctuates.

Farm freight costs

While fuel costs will increase with the carbon levy, the added carbon levy for diesel of 5-8¢/L represents about one per cent of the freight bill. To provide an example, a trucking bill of \$500 should only increase by \$5 as a result of the carbon levy. Fuel is not the only cost associated with freight. Like any other business, trucking companies have more than one set of costs that are included in what they charge for their service, including, wages, equipment, insurance, maintenance, and other associated costs in addition to fuel.

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Zero-till cropping

Carbon offset credits for sequestering carbon in the soil through zero-till have been available since 2007 and will continue to be available. The value of these carbon offset credits will increase as the price of carbon increases.

Indirect costs

As businesses pass on their increased operating costs from the levy to their consumers it may not be clear what the specific cost of the levy may be. In some cases the costs will be built into the price of the product or service, others will itemize it as a separate surcharge in much the same way GST is reflected on sales receipts or invoices. Some businesses may not be completely clear on what their increased costs will be and there may be some that overestimate the impact of the carbon levy on their operation. While passing on production costs is a perfectly normal part of business/consumer relationships, it is important that you as the purchaser be aware of what constitutes a reasonable added cost and protect yourself from price gouging.

More Information:

The Alberta government has provided additional funds from the Climate Leadership Plan revenues to supplement the following Growing Forward 2 Programs: On-Farm Energy Efficiency, On-Farm Solar Photovoltaics, Irrigation Efficiency and Accelerating Innovation. These programs can help producers improve the efficiency of their operations and reduce energy consumption and emissions. Subscribe to the Growing Forward website for the latest program information.

Alberta Climate Leadership Plan: www.climate.alberta.ca or call **1-888-279-2422**

Carbon Levy FAQ for Producers in Alberta: www.agriculture.alberta.ca/clevyinfo

Alberta Farm Fuel Benefit Program: www1.agric.gov.ab.ca/general/progserv.nsf/all/pgmsrv9

Carbon Levy Rates on Fuels: www.finance.alberta.ca/publications/tax_rebates/rates/carbon-levy-rates.html

Growing Forward Programs: www.growingforward.alberta.ca

Energy Efficiency Alberta Programs: www.encyalberta.ca

Agricultural Carbon Offsets: www.agriculture.alberta.ca/agcarbonoffsets

Alberta Agriculture and Forestry's website: www.agriculture.alberta.ca

Or call the Ag-Info Centre: **310-FARM (3276)**