

Impact of BC Carbon Tax on Cement Manufacturing Costs

Carbon Tax:

On February 19, 2008, the Province of British Columbia announced their intention to establish, through legislation, a carbon tax on the emissions from fossil fuels.

The tax base includes fossil fuels used for transportation by individuals and in all industries, including as well as road, rail, marine and air transportation. As well, the tax base includes fuel used to create heat for households and industrial processes, including cement manufacturing.

Notionally, the tax is being applied on the carbon equivalent emissions associated with the fuel combustions, starting at a rate of \$10 per tonne of associated carbon-equivalent emissions generated, but rising by \$5 a year for each of the next four years.

Administratively, however, the carbon tax will be applied and collected at the wholesale level "in essentially the same way that motor fuel taxes are currently applied and collected".

The carbon tax is proposed to take effect July 1, 2008.

Taxation rates are listed in the table below. (Rates to take effect July 1, 2008 are specified in the Provincial Budget. Potential taxation rates in future years have been estimated here on the basis of the schedule provided in the budget.)

Selected Carbon Tax Rates by Fuel Type						
	Units for Tax Rates	Tax Rate July 1, 2008	Tax Rate July 1, 2009*	Tax Rate July 1, 2010*	Tax Rate July 1, 2011*	Tax Rate July 1, 2012*
Gasoline	¢/ litre	2.41	3.62	4.82	6.03	7.24
Diesel	¢/ litre	2.76	4.14	5.52	6.89	8.27
Natural gas	¢/ gigajoule	49.88	74.82	99.76	124.70	149.64
Propane	¢/ litre	1.53	2.30	3.06	3.83	4.60
Whole Tires	\$/tonne	20.80	31.20	41.60	52.00	62.40
Shredded Tires	\$/tonne	23.91	35.87	47.82	59.78	71.73
Coke	\$/tonne	24.87	37.30	49.74	62.17	74.60
Coal (bituminous)	\$/tonne	20.79	31.19	41.58	51.98	62.37
Coal (sub-bituminous)	\$/tonne	17.72	26.58	35.44	44.30	53.16

The tax will directly affect cement kiln fuel costs as well as fuel costs for operating site mobile equipment and trucking, rail and vessel transportation, with the potential for increasing all shipping costs, not just of finished products but material input costs.

Industrial process CO₂ emissions are exempt, at this time.