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Money That Dare Not Speak Its Name

By David Pierotti, Harvest Power | June 9, 2011

The citizens and politicians of British Columbia are currently having an astonishing debate. Instead of fighting over which program to cut or which teachers to fire, they are actually discussing different ways to spend money. While most of their compatriots south of the border are digging for loose coins between couch cushions and pawing anything that isn't nailed down, elected officials in BC are discussing guidelines on the equitable distribution of monies. And where did they get this windfall? A hidden oil field? A scratch ticket? Leprechauns? No, no and no.

It was a t-t-tax. Yes, that's right, I said the "T" word.

In 2008, a [carbon tax](#) was advanced by a center-right government. It has since been affirmed by citizens, with a poll showing a solid majority favoring an increase and other political parties dropping their opposition. The tax was designed to be revenue neutral, meaning that it was offset by corresponding income and corporate tax reductions. The BC Ministry of Finance claims, "B.C. now has the lowest income tax rates in Canada for people earning up to \$118,000, B.C.'s corporate taxes will be the lowest in the G7 group of countries, and B.C.'s small business tax rates will be the lowest in Canada by 2012."

The tax also contributed to the growth of BC's cleantech sector and was defended by local business leaders in a letter to Premier Christy Clark. The coalition urged her to maintain support for the tax, which has acted like a subsidy, providing stimulus to the growth of alternative energy and energy efficiency companies. According to the Globe Foundation, "the clean energy economy contributed \$15.3 billion to B.C.'s GDP (10.2% of the total) and 166,000 jobs (7.2% of the total) in 2008."

It is easy to forget that taxes are not always bad. Take, for instance, cigarette taxes. Most people not on the board of the Cato Institute or stockholders of Philip Morris do not have an ideological problem with the government charging smokers extra money. This is mainly because we recognize that smoking exacts a societal toll. A preponderance of smokers will require expensive medical care, the cost of which, insured or not, will be borne by everyone.

The next time you swing by the towering smokestack of a utility or heavy industry plant, just squint a little and it's easy to see a really big cigarette. Like the ciggy, the smokestack spews a host of nasty chemicals, the effects of which are not confined to the source. Regardless of the source, carbon emissions like those from the smokestack are socialized consequences. Power plants and heavy industry just happen to be the largest emitters, so they are the biggest free riders. When it comes time to pay for a consequence of climate change, say for instance, higher levees, all of us will pay the bill.

[A carbon tax is the simplest, most direct way to encourage/discourage energy behavior.](#) Unlike an income tax or property taxes, which are passive in that their intention is not to decrease income or the value of a property, there are plenty of ways to actively decrease one's exposure to the carbon tax. And unlike

mandates, for instance, that a coal plant must install a scrubber, this tax allows for a freedom of implementation. Companies and individuals can pursue the methods and technologies that they feel best suit their particular circumstances. Instead of taking money out of the economy, the carbon tax fuels innovation and competition in the free market, while simultaneously generating revenue for other public policy priorities.

It is a debate over those priorities that local mayors in BC are stimulating as they seek some of the revenue for public transit projects. Diverting tax funds for other purposes would necessarily end the tax's revenue-neutrality. It could be used for mass transit, pay for the transition to new fuels and efficiency measures, or simply be mailed to everyone as a rebate check. It remains to be seen if the mayors will get their wish, but isn't a debate over what to do with extra money nicer than what to do with no money? Something to think about if anyone in the U.S. can bring themselves to utter the "T" word.

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