



THE PREMIER  
GOVERNMENT OF  
NEWFOUNDLAND AND LABRADOR

*Tabled by the Premier  
2022-10-12  
Baines*

September 2, 2022

The Honourable Steven Guilbeault  
Minister of Environment and Climate Change  
Fontaine Building 12th floor  
200 Sacré-Coeur Blvd  
Gatineau QC K1A 0H3  
Email: [ministre-minister@ec.gc.ca](mailto:ministre-minister@ec.gc.ca)

Dear Minister Guilbeault:

Thank you for your reply to the letter that was sent to you on September 1, 2022 by the Chair of the Council of Atlantic Premiers regarding federal carbon pricing requirements. I fully understand your point of view regarding the need to move forward with the implementation of scheduled carbon tax increases next year.

Nevertheless, I must again emphasize the extremely unusual and difficult circumstances that Newfoundland and Labrador and Atlantic Canada are facing in the current economic environment. Canada is experiencing inflation at levels not seen in the last 40 years, and global supply chains are in a state of upheaval that also has not been seen in this century.

A year ago today, the maximum price of furnace oil in the Province was 97.91 cents per litre. Today's price is 155.70, which is an increase of nearly 60 per cent. Your proposed federal carbon tax increase on furnace oil would result in an additional 17.38 cents plus HST. Added to today's price, this would result in a total cost increase of 80 per cent compared to one year ago.

Users of furnace oil in the Province tend to be older, live in rural areas and have lower incomes than the provincial average. An increase in heating costs of 60 per cent in one year already imposes considerable economic hardship and stress on these residents.

A further 20 per cent increase, unlike inflation, can be avoided or postponed by the Federal Government. While measures like federal rebate checks that are provided four times per year can soften the impact of further cost increases, they will be too infrequent for low or fixed-income individuals who lack the financial resources to pay higher bills until those checks arrive.

The current price signal to switch from oil heating to cleaner systems is far stronger than the signal the Federal Government intended to send through carbon tax requirements, and this signal is indeed having the impact that the Federal Government desires. Our off-oil program will be fully subscribed and we expect to switch 1,600 homes to clean heating this year. That is approximately 3.5% of the 44,000 homes in the Province that rely on fuel oil for heat.

Officials in the Department of Environment and Climate Change (ECC) have contacted your department to request additional federal support for our fuel switching program. We project that a federal allocation of \$50 million to match \$50 million in funding from the Provincial government would enable a further 19,000 homes to install clean heating systems.

Your department has indicated that the Federal Government will provide federal funding to Atlantic Canada to transition homes from oil to electric heating starting next year. We would appreciate an understanding of when this funding would be available and the flexibility to ensure it can be directed to homeowners effectively and efficiently over the near term.

While we of course welcome additional federal support, delays in the provision of that support are a principal obstacle to our further progress. Shortages in skilled labour and essential components that have become commonplace in the current economic environment are additional obstacles. In addition, Newfoundland and Labrador faces unique challenges with limited options for fuel switching, particularly in our rural and remote areas.

Therefore, while there is a clear desire on the part of my Government and the residents of the Province to accelerate the switch to clean heating systems, some key factors in this effort are largely beyond our control.

Despite challenges as such these, the Province is working hard in all areas to achieve emissions reductions. We are working toward an electrical grid powered by 98 per cent clean energy. We have expanded our electric vehicle rebate and fuel oil switching programs, and the Province's former refinery is being converted into a facility that will produce biofuel.

We have also worked diligently with your officials over the past year on carbon pricing. On the industry side, our output based performance system (OBPS) program has seen companies exceed their emissions reduction obligations each year from 2019 to 2021, which is a trend we expect to continue.

On April 8, 2022, ECC submitted a letter to your department outlining the elements of the Province's proposed carbon pricing system for the OBPS. ECC officials and officials in your department subsequently agreed on the scope and targets of our OBPS plan. Later today, ECC will send a further letter to your department addressing the final technical questions on our OBPS plan that you sent to Minister of Environment and Climate Change, the Hon. Bernard Davis, on June 29, 2022. We trust this will complete the industry portion of our submission that is due to your department today.

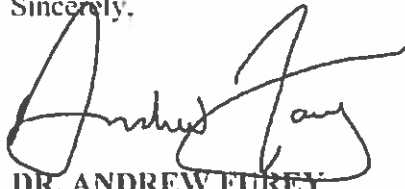
To complete our submission by today's deadline, that letter from ECC will include our carbon pricing plan that came into effect in 2019 as our proposal for other sectors of the economy. This plan retains exemptions for furnace oil and other fuels that the Federal Government agreed to as recently as 2019.

As the example of furnace oil above shows, the current price signals being provided by the market are far stronger than the signals that the removal of these exemptions would have provided under normal economic circumstances, and they are already generating the changes in perspective and behaviour that the Federal Government desires. Further cost increases at this point will only provide diminishing returns in terms of decarbonization while placing undue economic burdens on the people of this province.

I am certain you can appreciate the responsibility that I and my Government have to support the people of Newfoundland and Labrador in times of need, and let us make no mistake, Minister: this is a time of need. While leaders never desire to see such circumstances, they should be prepared to adapt their plans and thinking when such circumstances arise for the sake of those they are entrusted to lead.

So once again, I ask you and your federal colleagues to provide the people of this province with understanding and flexibility in this matter. As per the offer in your letter dated September 1, 2022, we remain open to engagement with you and your department and can discuss specifics over the coming days and weeks.

Sincerely,

A handwritten signature in black ink, appearing to read "Andrew Furey". The signature is fluid and cursive, with a large initial "A" and "F".

**DR. ANDREW FUREY**

Premier of Newfoundland and Labrador

