

**MEMORANDUM** *et* **NOTE DE SERVICE**



Department of Finance Canada / Ministère des Finances Canada

TO / À : Paul Rochon

FROM / DE : Diane Lafleur

SUBJECT / OBJET : Equalization [REDACTED]

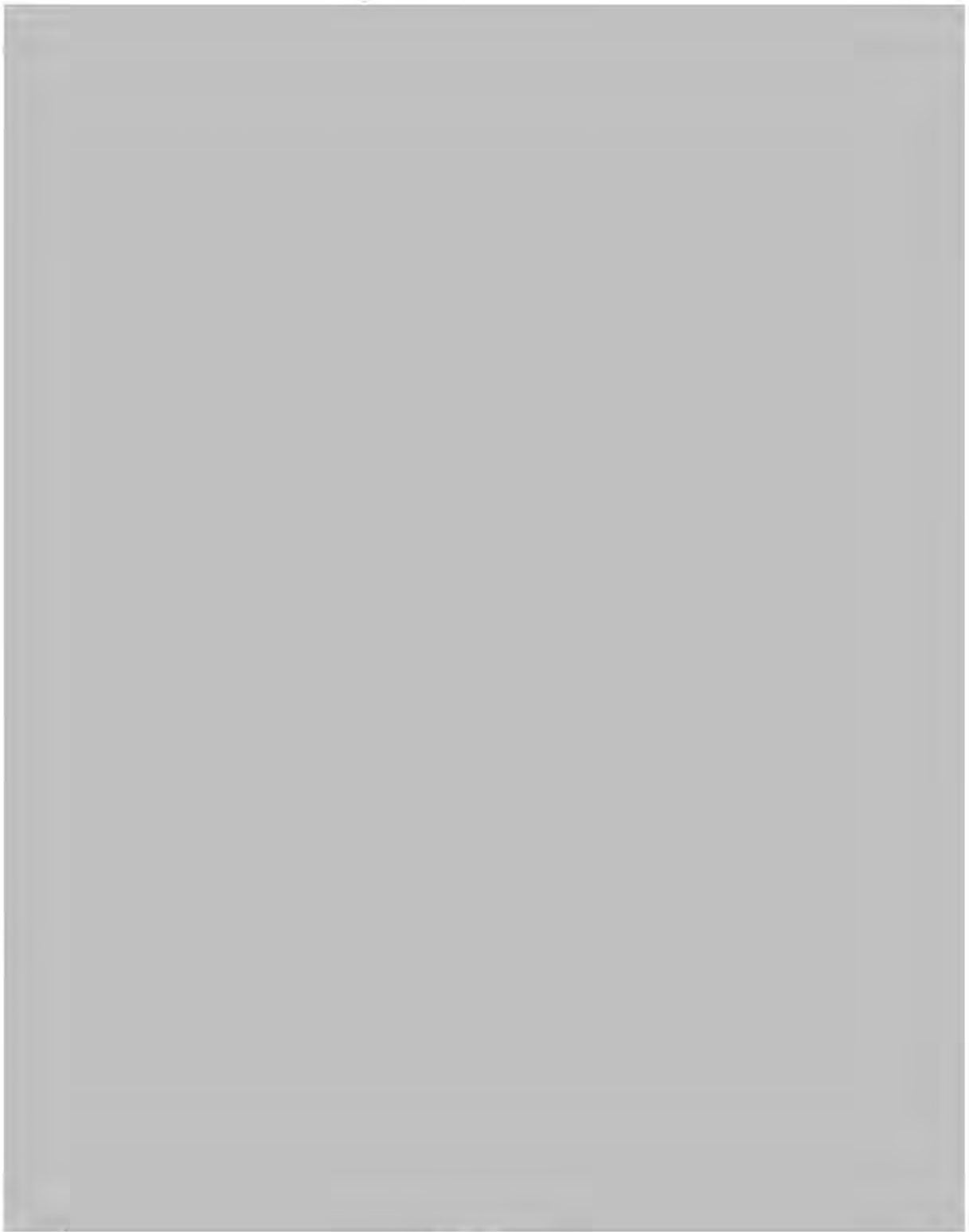
Security classification / Classification de sécurité
<b>SECRET</b>
Originator / Telephone number / Auteur / Numéro de téléphone
Arndt Vermaeten
Our file / Notre référence
Your file / Votre référence
2015FIN427395
Date
JAN 08 2016

**This memo is for information and possible discussion.**  
[REDACTED]

**Issue**  
[REDACTED]

s.14(b)  
s.21(1)(a)  
s.21(1)(b)

**Background**



s.14(b)  
s.21(1)(a)  
s.21(1)(b)

**Pages 3 to / à 6  
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**14(b), 21(1)(a), 21(1)(b)**

**of the Access to Information Act  
de la Loi sur l'accès à l'information**

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Department of Finance  
Canada

Ministère des Finances  
Canada

For Signature by / Information of À signer par / Pour l'information de	
Prepared by (name/initials/division) Préparé par (nom/initiales/division) Arndt Vermaeten A.V.	
In consultation with (name/initials/branch(es)/division(s)) En consultation avec (nom/initiales/direction(s)/division(s))	
Approved by / Approuvé par	
Director Directeur	Roger Charland <i>RC</i>
General director Directeur général	Catherine Adam
Assistant Deputy Minister Sous-ministre adjoint	Diane Lafleur
Associate Deputy Minister & G7 Deputy for Canada Sous-ministre délégué et représentant du Canada au G7	Timothy Sargent
Associate Deputy Minister Sous-ministre déléguée	Marta Morgan
Deputy Minister Sous-ministre	Paul Rochon
Remarks / Remarques:	
File no. / No de dossier 2015FIN427395	Date JAN 08 2016

Associate Deputy Minister & G7 Deputy for Canada Sous-ministre délégué et représentant ( Sign on behalf of DM ) du Canada au G7 ( Signer au nom du SM )	<input type="checkbox"/>
Associate Deputy Minister Sous-ministre déléguée ( Sign on behalf of DM ) ( Signer au nom du SM )	<input type="checkbox"/>
Assistant Deputy Minister Sous-ministre adjoint(e) ( Sign on behalf of DM ) ( Signer au nom du SM )	<input type="checkbox"/>

**June 20, 2016****Carbon Pricing****2:00 p.m. – 2:30 p.m.****Context**

- First Ministers committed to transition to a low carbon economy by adopting a broad range of domestic measures, including carbon pricing mechanisms, adapted to each province's and territory's specific circumstances, in particular the realities of Canada's Indigenous peoples and Arctic and sub-Arctic regions.
- A Working Group on Carbon Pricing Mechanisms, co-chaired by the Department of Finance Canada and Quebec's Ministry of Sustainable Development, Environment and the Fight against Climate Change, will provide a report with options on the role of carbon pricing mechanisms in meeting Canada's emissions reduction targets, including different design options taking into consideration existing and planned provincial and territorial systems.

**Objectives**

- To present and discuss the interim report produced by the Working Group on Carbon Pricing Mechanisms.
- This work is being completed as part of the Pan-Canadian Framework on Clean Growth and Climate Change.

**Outcomes**

- That Ministers accept the interim report of the Working Group on Carbon Pricing Mechanisms.
- That Ministers instruct Working Group members to continue their work as per the proposed structure of the final report.

**NOTES**

- Sean Keenan, Director, Sales Tax Division, Tax Policy will speak on the interim report for the Working Group on Carbon Pricing Mechanisms.

**KEY MESSAGES**

- In the Vancouver Declaration, First Ministers have asked us to do some work on carbon pricing. In that context, a federal-provincial-territorial working group on carbon pricing has been established.

- The Working Group is well on its way to developing options to be presented in the final report for our consideration so that we, along with Environment Ministers, can make recommendations to First Ministers about the role of carbon pricing in creating a plan to achieve Canada's greenhouse gas emissions reduction targets.
- Carbon pricing helps internalize the cost of carbon and encourages firms and households to find the most cost-effective means of lowering emissions given their circumstances.
- Carbon pricing should play a central role in the pan-Canadian Framework on Clean Growth and Climate Change as an efficient and cost-effective means of reducing greenhouse gas emissions.
- I'd like to introduce Sean Keenan, Director, Sales Tax Division, Tax Policy Branch of Finance Canada. Sean is also the federal co-chair of the Working Group on Carbon Pricing Mechanisms, and he will make a presentation on the interim report produced by the Working Group.

*[Following the presentation]*

- Sean: thank you very much.
- It is evident from the interim report that there are a number of important policy issues related to carbon pricing, including: distributional and regional challenges (e.g., northern and remote communities), competitiveness issues and the use of revenues.
- Interested to hear your views on the interim report.

*[If pressed on the impact of Carbon pricing on Equalization]*

- As you know, the Equalization program must be renewed by April 2019.

- Federal-provincial officials are engaged in discussions on how to improve the program with respect to a number of issues including the treatment of carbon taxes.
- These discussions are still at an early stage; but they will inform our reflection as we approach the 2019 renewal.

*[Following the discussion]*

- Do we have unanimous agreement on:
  - accepting the interim report of the Working Group; and,
  - encouraging members of the WG to continue their work as per the proposed structure of the final report?

### **BACKGROUND**

- In March, First Ministers met in Vancouver and agreed to develop a pan-Canadian Framework on Clean Growth and Climate Change.
- As part of this initiative, four Federal-Provincial-Territorial working groups were established to identify measures that governments could take to reduce emissions and grow the economy, and prepare reports to be publicly released, in the following areas: Mitigation, Innovation, Adaptation and Carbon Pricing.
- The Working Group on Carbon Pricing Mechanisms is tasked with reviewing the role of carbon pricing policy in meeting Canada's emissions reductions targets.
  - Its work is jointly overseen by Ministers of Finance and Ministers of the Environment.
  - The expectation is that the final report would be completed by next Fall, in advance of a follow-up First Ministers' Meeting on climate change.



**Page 11**

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**14, 21(1)(a), 21(1)(b)**

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### **MESSAGES CLÉS**

- *Dans la Déclaration de Vancouver, les premiers ministres nous ont demandé de travailler sur la tarification du carbone. Dans ce contexte, un groupe de travail fédéral-provincial-territorial sur la tarification du carbone a été créé.*
- *Le Groupe de travail est en bonne voie de formuler des options à présenter dans le rapport final qui sera soumis à notre étude, pour que nous, de même que les ministres de l'Environnement, puissions formuler des recommandations à l'intention des premiers ministres sur le rôle de la tarification du carbone au moment d'élaborer un plan destiné à atteindre les cibles canadiennes de réduction des gaz à effet de serre.*
- *La tarification du carbone contribue à internaliser le coût du carbone et encourage les entreprises et les ménages à trouver les moyens les plus rentables de réduire leurs émissions, compte tenu de leurs circonstances.*

- *La tarification du carbone se trouve au cœur du cadre pancanadien en matière de croissance propre et de changement climatique, et devrait constituer un moyen efficient et économique de réduire les émissions de gaz à effet de serre.*

*[Après la présentation]*

- *D'après le rapport provisoire, il est évident qu'un certain nombre de questions stratégiques importantes sont liées à la tarification du carbone, dont les défis en matière de distribution et les défis régionaux (par exemple, les collectivités nordiques et éloignées), les questions liées à la concurrence et l'utilisation des revenus.*

**September 12, 2016**

**Carbon Pricing**

**2:15 p.m. – 3:30 p.m.**

**Objectives**

- Introduce Alberta DM Lorna Rosen who will chair the discussion on carbon pricing.
- To have a productive discussion regarding considerations for carbon pricing in the pan Canadian context and its potential role in helping Canada meet its 2030 emissions reduction target, including a presentation from Chris Ragan, Chair of Canada's Ecofiscal Commission.
- To discuss the final report of the Working Group on Carbon Pricing Mechanisms and determine whether there is any consensus as to whether one of the options in the report could form a recommendation to First Ministers.

**Notes**

- This session is scheduled to last an hour and 15 minutes.
- Turn over to Alberta DM Lorna Rosen who has agreed to chair the discussion.
- Dr. Ragan will be in attendance for his presentation which will provide an overview of issues related to the current uncoordinated approach to carbon pricing in Canada, and options/considerations for comparing and integrating different systems. He will not be attending for the remainder of the day.
- There will be time set aside for discussion following Dr. Ragan's presentation.
- Aim to end by 3:30 p.m. for closing remarks.

**KEY MESSAGES**

*Opening remarks*

- On carbon pricing, I would like to turn it over to Alberta and invite Lorna Rosen to chair the discussion.

*After the presentation*

- I would first like to thank Dr. Ragan for his very informative presentation on carbon pricing in Canada and for highlighting potential considerations and options moving forward.

- As Chris's presentation has shown, there is a large gap between Canada's existing level of GHG emissions and the 2030 GHG target of 524 megatonnes. How we meet this target is an issue for all Canadians, and all levels of government.
- It seems evident that broad-based carbon pricing should play a central role in the pan-Canadian Framework on Clean Growth and Climate Change as an efficient and cost-effective means of reducing greenhouse gas emissions.
- As Chris noted in his presentation, there are some key challenges that need to be considered – particularly related to fairness and competitiveness.
- Recognizing that different broad-based pricing mechanisms already exist in some jurisdictions, with differing levels of coverage and price, and some jurisdictions rely on other non-pricing policies, I am interested in hearing your views on the role that carbon pricing could play in a pan-Canadian framework, as well as any concerns you have.

*[If pressed on the Report on the Working Group on Carbon Pricing Mechanisms]*

- The report presents three broad options on the role that carbon pricing could play in a pan-Canadian framework in meeting Canada's 2030 emissions reduction target.
- I would be interested in hearing your views as to whether one of the options presented could form the basis for a recommendation to First Ministers.

*[If pressed on the Process for bringing the Report to Ministers of Finance]*

- The substance of the report has now been finalized but some editing work, as well as the review of the French version, still needs to be done before it is final and can

officially be delivered to Ministers of Finance and Ministers of the Environment.

- Once the report has been finalized, it will be circulated to departments of Finance through Andrew Marsland's Tax Committee for delivery to Finance Ministers.
- Once Ministers have had a chance to review the report, we would be happy to hear any specific messages received from your respective Ministers.

## **BACKGROUND**

### **Working Group on Carbon Pricing Mechanism**

- In March, First Ministers met in Vancouver and released the "Vancouver Declaration" on clean growth and climate change.
- The Vancouver Declaration contains a number of commitments from First Ministers, such as a commitment to transition to a low carbon economy by adopting a broad range of domestic measures, including carbon pricing.
- In order to meet these commitments, First Ministers agreed to work together to develop a pan-Canadian framework on clean growth and climate change, and implement it by 2017. It will build on measures that the provinces and territories have taken.
- As part of this initiative, four Federal-Provincial-Territorial working groups were established to identify measures that governments could take to reduce emissions and grow the economy, and prepare reports to be publicly released, in the following areas: Mitigation, Innovation, Adaptation and Carbon Pricing.
  - First Ministers directed that these reports identify options for action, and should assess impacts on economic and environmental outcomes.
  - The Working Group on Carbon Pricing Mechanisms was tasked with reviewing the role of carbon pricing policy in meeting Canada's emissions reductions targets.
  - Its work is jointly overseen by Ministers of Finance and Ministers of the Environment. Ministers are to review these reports and provide recommendations to First Ministers by October 2016.



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s.21(1)(a)  
s.21(1)(b)



**June 2016**



# Outline

- **Timeline and Current Landscape**
- **Key Considerations**



s.21(1)(a)  
s.21(1)(b)

**Page 23**

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**21(1)(a), 21(1)(b)**

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**Next steps**



s.14  
s.21(1)(a)  
s.21(1)(b)

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**18(d), 21(1)(a), 21(1)(b)**

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**14, 18(d), 21(1)(a), 21(1)(b)**


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Department of Finance Canada  
Ministère des Finances Canada

**MEMORANDUM NOTE DE SERVICE**

TO  
À **Tim Sargent**

FROM  
DE **Andrew Marsland** 

Security classification / Classification de sécurité	<b>SECRET</b>
Originator/Telephone number / Auteur/Numéro de téléphone	<b>Jean-Philippe Bernier</b>
Our file / Notre référence	
Your file / Votre référence	<b>2016FIN442443</b>
Date	<b>SEP 07 2016</b>

SUBJECT  
OBJET **Meeting [redacted] with Stephen Lucas and Serge Dupont on September 7, 2016**

**For information. In preparation for your discussion [redacted] with the Deputy Clerk and Stephen Lucas from ECCC on September 7, 2016.**

**Background**



SADM: Andrew Marsland (613-369-3739)  
Director: Sean Keenan (613-369-3766)

s.14  
s.21(1)(a)  
s.21(1)(b)



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**21(1)(a), 21(1)(b)**

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de la Loi sur l'accès à l'information**

**Coulombe, Gervais (FIN)**

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**Subject:** FW: URGENT: WebCims 442443 - Briefing Request: Discussion [REDACTED]

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**From:** Cousineau, Cecile (FIN)  
**Sent:** September-06-16 3:41 PM  
**To:** Rozon, Roxanne (FIN); Santos2, Tina (FIN); Anderson, Brian K (FIN)  
**Cc:** O'Brien, Erin (FIN); Ievers, Erin (FIN); Taylor, Tasha (FIN)  
**Subject:** RE: Briefing Request: Discussion [REDACTED]

Same request for Tim Sargent for a call tomorrow at 5:30 with Serge Dupont and Stephen Lucas [REDACTED]

*Cécile Cousineau*

Executive Assistant to the Associate Deputy Minister and G7 Deputy for Canada /  
Adjointe exécutive au sous-ministre délégué et représentant du Canada auprès du G7  
Department of Finance/Ministère des Finances  
Deputy Minister's Office/Cabinet du Sous-ministre  
90 Elgin Street, 16<sup>th</sup> Floor/90 rue Elgin, 16<sup>ième</sup> étage  
Ottawa, Ontario K1A 0G5  
Tel: 613-369-3207  
[cecile.cousineau@canada.ca](mailto:cecile.cousineau@canada.ca)

---

**From:** Rozon, Roxanne (FIN)  
**Sent:** September-06-16 3:29 PM  
**To:** Santos2, Tina (FIN); Anderson, Brian K (FIN)  
**Cc:** O'Brien, Erin (FIN); Ievers, Erin (FIN); Taylor, Tasha (FIN); Cousineau, Cecile (FIN)  
**Subject:** Briefing Request: Discussion [REDACTED]

The DM will be meeting with JF Tremblay, DM of Environment Canada on Friday September 9 [REDACTED]

Not sure, if this is for Tax or EDCF. Erin can you please confirm? Once confirmed please task appropriate Branch for briefing material.

Tank you

Roxanne

-----Original Appointment-----

**From:** Lucas, Stephen (EC)  
**Sent:** September-06-16 3:22 PM  
**To:** Lucas, Stephen (EC); Rochon, Paul (FIN); Moffet, John (EC); Sargent, Timothy (FIN); O'Brien, Erin (FIN)  
**Subject:** Discussion [REDACTED]  
**When:** September-09-16 2:30 PM-3:15 PM (UTC-05:00) Eastern Time (US & Canada).  
**Where:** 90 Elgin, 16th Floor



Department of Finance Canada / Ministère des Finances Canada

Signature by / For Information of À signer par / Pour l'information de <b>Associate DM, Timothy Sargent</b>	
Prepared by (name/initials/division) Préparé par (nom/initiales/division) <b>Jean-Philippe Bernier/369-9343</b>	
Chief / Chef <b>Gervais Coulombe/369-3773</b>	
In consultation with (name/initials/branch(es)/division(s)) En consultation avec (nom/initiales/direction(s)/division(s)) <b>Adam Martin/369-3770</b>	
Approved by / Approuvé par	
Director Directeur	<b>Sean Keenan</b>
General Director Directeur général	<b>Miodrag Jovanovic</b>
General Director Directeur général	<b>Brian Ernewein</b>
Assistant Deputy Minister Sous-ministre adjoint	
Senior Assistant Deputy Minister Sous-ministre adjoint principal	<b>Andrew Marsland</b>
Clifford Clark V.E. Économiste invité Clifford-Clark	
Associate Deputy Minister & G7 Deputy for Canada Sous-ministre délégué et représentant du Canada au G7	<b>Timothy Sargent</b>
Associate Deputy Minister Sous-ministre déléguée	
Deputy Minister Sous-ministre	<b>Paul Rochon</b>
Remarks / Remarques:	
File no. / No de dossier <b>2016FIN442443</b>	Date <b>SEP 07 2016</b>

Associate Deputy Minister & G7 Deputy for Canada Sous-ministre délégué et représentant du Canada au G7	(Sign on behalf of DM ) (Signer au nom du SM)	<input type="checkbox"/>
Associate Deputy Minister Sous-ministre déléguée	(Sign on behalf of DM ) (Signer au nom du SM)	<input type="checkbox"/>
Assistant Deputy Minister Sous-ministre adjoint(e)	(Sign on behalf of DM ) (Signer au nom du SM)	<input type="checkbox"/>

Tax: TPB

File location: [REDACTED]

**Canada**



Department of Finance Canada  
Ministère des Finances Canada

MEMORANDUM NOTE DE SERVICE

TO  
À Paul Rochon

Memo to Deputy Minister

DMO (Original + 3)  
Assoc. DM & G7 Deputy TS (1)  
ADM - EFF (1)  
ADM - C&C (1)  
ADM - Law (1)  
Sr. ADM - Tax Policy (8)

FROM  
DE Andrew Marsland

Security classification / Classification de sécurité
<b>SECRET</b>
Originator/Telephone number / Auteur/Numéro de téléphone
Shane Baddeley
Our file / Notre référence
Your file / Votre référence
2016FIN442446
Date
SEP 08 2016

SUBJECT / OBJET Meeting [redacted] with Stephen Lucas on September 9, 2016

**For information. In preparation for your discussion [redacted] with Stephen Lucas on September 9, 2016.**

**Background**



SADM: Andrew Marsland (613-369-3739)  
Director: Sean Keenan (613-369-3766)

s.14  
s.21(1)(a)  
s.21(1)(b)



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**21(1)(a), 21(1)(b)**

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**Coulombe, Gervais (FIN)**

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**Subject:** FW: Urgent - 442446 - Deputy Minister Briefing Request: Discussion [REDACTED]  
Meeting on September 9

---

**From:** Santos2, Tina (FIN)

**Sent:** September-06-16 4:33 PM

**To:** Anderson, Megan (FIN); Doiron, Sue (FIN); Friesen, George (FIN)

**Cc:** O'Brien, Erin (FIN); Ievers, Erin (FIN); Taylor, Tasha (FIN); Anderson, Brian K (FIN); Rozon, Roxanne (FIN)

**Subject:** WebCims 442446 - Deputy Minister Briefing Request: Discussion [REDACTED] - Meeting on September 9

WebCims 442446 - TP- Briefing Note required for **DM** 06/9 - Due by Noon, September 8.

Thank you.

Tina Santos  
Correspondence Officer / Agente à la correspondance  
Deputy Minister's Office / Cabinet du sous-ministre  
Department of Finance Canada / Ministère des Finances Canada  
Telephone / Téléphone 613-369-3816  
Teletypewriter / Téléimprimeur 613-995-1455  
Government of Canada / Gouvernement du Canada  
90 Elgin - 16039  
[Tina.Santos2@canada.ca](mailto:Tina.Santos2@canada.ca)

s.21(1)(b)

---

**From:** Rozon, Roxanne (FIN)

**Sent:** September-06-16 3:29 PM

**To:** Santos2, Tina (FIN); Anderson, Brian K (FIN)

**Cc:** O'Brien, Erin (FIN); Ievers, Erin (FIN); Taylor, Tasha (FIN); Cousineau, Cecile (FIN)

**Subject:** Briefing Request: Discussion [REDACTED]

Duplicate of page 44



Department of Finance Canada / Ministère des Finances Canada

Signature by / For information of À signer par / Pour l'information de <b>Paul Rochon</b>	
Prepared by (name/initials/division) Préparé par (nom/initiales/division) <b>Shane Baddeley/369-3782</b>	
Chief / Chef <b>Gervais Coulombe/369-3773</b>	
In consultation with (name/initials/branch(es)/division(s)) En consultation avec (nom/initiales/direction(s)/division(s))	
Approved by / Approuvé par	
Director Directeur	<b>Sean Keenan</b>
General Director Directeur général	<b>Miodrag Jovanovic</b>
General Director Directeur général	<b>Brian Ernewein</b>
Assistant Deputy Minister Sous-ministre adjoint	
Senior Assistant Deputy Minister Sous-ministre adjoint principal	<b>Andrew Marsland</b>
Clifford Clark V.E. Économiste invité Clifford-Clark	
Associate Deputy Minister & G7 Deputy for Canada Sous-ministre délégué et représentant du Canada au G7	<b>Timothy Sargent</b>
Associate Deputy Minister Sous-ministre déléguée	
Deputy Minister Sous-ministre	<b>Paul Rochon</b>
Remarks / Remarques:	
File no. / No de dossier <b>2016FIN442446</b>	Date <b>SEP 08 2016</b>

Associate Deputy Minister & G7 Deputy for Canada Sous-ministre délégué et représentant du Canada au G7	(Sign on behalf of DM ) (Signer au nom du SM)	<input type="checkbox"/>
Associate Deputy Minister Sous-ministre déléguée	(Sign on behalf of DM ) (Signer au nom du SM)	<input type="checkbox"/>
Assistant Deputy Minister Sous-ministre adjoint(c)	(Sign on behalf of DM ) (Signer au nom du SM)	<input type="checkbox"/>

Tax: TPB

File location: [REDACTED]

s.16(2)(c)

**Canada**



**Pages 63 to / à 69  
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sont des duplicatas**