

## **BACKGROUND**

### **How would a Carbon tax work in practice?**

Ontario Power Generation's (OPG) Nanticoke Generating Station is Canada's number one source of GHGs, emitting 17,629,437 tonnes in 2005. At \$30 per tonne, Nanticoke would be sending \$528,883,110 to the 'Carbon Innovation Fund' (CIF) this year. After three years, Nanticoke would have paid around \$1.5 billion to the CIF, and could access these funds at any time to invest in projects that would lower GHG emissions.

OPG could decide to use this money in one of two ways: carbon sequestration and other emission reducing process measures or shut down the plant and put the \$1.5 billion toward the capital costs of lower-carbon in-country electricity generation (natural gas, wind, hydro or biomass), with the provisos that it be fully insurable by free market operators and save an equivalent value of carbon over its lifespan.

The number two emitter in 2005 was TransAlta Utilities Corporation's Sundance Generating Plant, emitting 16,181,007 tonnes of GHGs, which would generate \$485,430,208.41 for the CIF.

The number three emitter in 2005 was Syncrude Canada Ltd's Lake and Aurora North Plant Sites, emitting 10,357,330 tonnes of GHGs, which would generate \$310,719,908.31 for the CIF.

TransAlta and Syncrude could use the CIF to capture the majority of their GHG emissions at these two facilities, link into the carbon pipeline that Alberta will have up and running in the coming years, inject the GHGs into suitable geological terrain, and pay into an insurance fund to protect against the million-year liability associated with the small chance the carbon may leak out at a quicker rate than 0.2 per cent per 5,000 years.

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***Friends of the Earth-Canada** is a voice for the environment, nationally and internationally, working with others to inspire the renewal of our communities and the earth, through research, education and advocacy. It is the Canadian member of Friends of the Earth International now uniting 70 country FOE groups.*