

Notice to Natural Gas Producers and Processors: Flared or Incinerated Natural Gas, and Acid or Waste Gas

Carbon Tax Act

This notice explains how carbon tax applies to natural gas, and acid or waste gas (acid gas) when flared or incinerated at a wellhead or processing facility. This notice also advises **that the ministry will not be moving forward with the change to the definition of natural gas that was previously announced as part of Budget 2010.**

For the purpose of this notice, the term natural gas means:

- between, July 1, 2008 and December 31, 2009, raw natural gas or marketable gas, and
- on, or after, January 1, 2010, natural gas.

Natural Gas

The carbon tax rate for natural gas is based on the carbon dioxide equivalent (CO₂e) emissions generated by combustion and has historically been adjusted to account for naturally occurring CO₂ (formation CO₂) in a typical natural gas stream. When natural gas is flared or incinerated at a wellhead or in a processing facility, you must self-assess and remit carbon tax on the total volume of natural gas, including the acid gas that is contained in the natural gas. However, the volume of any CO₂ that is injected into a well to stimulate the production of natural gas, which is then flared or incinerated with the natural gas, may be subtracted from your self-assessment.

Acid Gas

Acid gas is typically removed during the processing of natural gas and is disposed of by using several methods, including incineration. Acid gas that has been separated from natural gas is comprised primarily of formation CO₂, which is not subject to carbon tax, and hydrogen sulphide (H₂S), which does not produce CO₂e emissions when combusted.

Therefore, when acid gas is separated from natural gas and is incinerated at a processing facility, it is not subject to carbon tax as it does not produce taxable CO₂e emissions. However, any fuel that is used to lift, or assist, in the combustion of acid gas is subject to carbon tax.

Revised Returns and Refunds

Combusted, Flared or Incinerated Natural Gas

If you did not include the volume of acid gas in your self-assessments, you must submit revised returns and remit the additional carbon tax owing.

If you included the volume of CO₂ that is injected into the well to stimulate natural gas production in your self-assessments, you may submit revised returns or apply for a refund.

Combusted, Flared or Incinerated Acid Gas that was Separated from Natural Gas

If you did not include the volume of fuel used to lift, or assist, in the combustion of acid gas in your self-assessments, you must submit revised returns and remit the additional carbon tax owing.

If you included the volume of separated acid gas in your self-assessments, you may submit revised returns or apply for a refund.

You can find period specific carbon tax returns and refund application forms on our webpage at www.sbr.gov.bc.ca/business/Consumer_Taxes/Carbon_Tax/carbon_tax.htm

Further Information

If you have any questions, please call us toll-free at 1 877 388-4440, or e-mail your questions to CTBTaxQuestions@gov.bc.ca

You can also find information on our website at www.sbr.gov.bc.ca/business/Consumer_Taxes/Carbon_Tax/carbon_tax.htm

The information in this notice is for your convenience and guidance and is not a replacement for the legislation. The *Carbon Tax Act* and Regulations are on our website at www.sbr.gov.bc.ca/business/Consumer_Taxes/Carbon_Tax/carbon_tax.htm