Carbon Taxes: Why Now?

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Preface

Supreme Court rules Ottawa's carbon tax is constitutional

In 6-3 decision, top court finds federal government can impose nationwide pricing standards

(Source: Canadian Broadcasting Corporation, March 25, 2021)
Overview

- We know carbon taxes are constitutional in Canada
- …But are they good policy in Canada today?

1. The pandemic has strengthened, not weakened, the justifications for carbon taxes
2. Two common objections to carbon taxes can be answered:
   a. Carbon taxes change behaviour
   b. Carbon taxes won’t increase inequality
You might think that the pandemic is a bad time to introduce or strengthen carbon taxes.

We argue no!

1. Low oil prices, due to OPEC and demand shocks
2. Demand shocks not about prices
Buying Safe, Not Cheap

While spending on discretionary categories remains below precrisis levels, it has started to rebound in almost all categories.

You might think that the pandemic is a bad time to introduce or strengthen carbon taxes

We argue no!

1. Low oil prices, due to OPEC and demand shocks
2. Demand shocks not about prices
3. Supply shocks are already unavoidable
4. We want signals that will build Canada back better
(Source: Project Syndicate, May 7, 2020, https://prosyn.org/cL6cNDx)
Climate Policy

Carbon Pricing and COVID-19

Kian Mintz-Woo, Francis Dennig, Hongxun Liu, and Thomas Schinko

ABSTRACT
A question arising from the COVID-19 crisis is whether the merits of cases for climate policies have been affected. This article focuses on carbon pricing, in the form of either carbon taxes or emissions trading. It discusses the extent to which relative costs and benefits of introducing carbon pricing may have changed in the context of COVID-19, during both the crisis and the recovery period to follow. In several ways, the case for introducing a carbon price is stronger during the COVID-19 crisis than under normal conditions. Oil costs are lower than normal, so we would expect less harm to consumers compared to normal conditions. Governments have

(Source: Climate Policy, 2020, https://doi.org/10.1080/14693062.2020.1831432)
TWO COMMON CONCERNS

1. Carbon taxes won’t change behaviour
2. Carbon taxes will increase inequalities
TWO ANSWERS

1. Evidence that carbon taxes do change behaviour
Emissions Correlate With No Price

TWO ANSWERS

1. Evidence that carbon taxes do change behaviour
2. With the right revenue-neutral lump-sum refunds to citizens, carbon taxes are net progressive
PBO Progressive Carbon Tax Effects

THE ETHICS FORUM

WILL CARBON TAXES HELP ADDRESS CLIMATE CHANGE?

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ABSTRACT:
The coronavirus disease 2019 (COVID-19) crisis ought to serve as a reminder about the costs of failure to consider another long-term risk, climate change. For this reason, it is imperative to consider the merits of policies that may help to limit climate damages. This essay rebuts three common objections to carbon taxes: (i) that they do not change behaviour, (2) that they generate unfair burdens and increase inequality, and (3) that fundamental, systemic change is needed instead of carbon taxes. The responses are (i) that

HOW AND WHY TO USE THIS RESEARCH

- Sometimes it is helpful to back up arguments with peer-reviewed academic literature
- If people ask “Why now?”, you can refer to the Project Syndicate (general audience) or to the Climate Policy (technical) article
- If people ask “Will it work?” or “Why carbon taxes?”, you can refer to The Ethics Forum article
- I wrote both PS and EF pieces very accessibly, for the public with mostly open-access sources
- Project Syndicate, Ethics Forum will always be free; the Climate Policy is free but for an indeterminate time
LINKS FOR SHARING

- Please **Tweet**, use and share them and
- **Ask me** if you have have further questions!
- For your reference:
  1. (Project Syndicate) [https://prosyn.org/cL6cNDx](https://prosyn.org/cL6cNDx)
  2. (Cl Policy) [https://doi.org/10.1080/14693062.2020.1831432](https://doi.org/10.1080/14693062.2020.1831432)
  3. (The Ethics Forum) [https://philpapers.org/rec/MINWCT](https://philpapers.org/rec/MINWCT)