

Carbon Taxes: Why Now?

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April 30, 2021

PREFACE

∞   <https://www.cbc.ca/news/politics/supreme-court-federal-carbon-tax-constitutional-case-1.5962687>

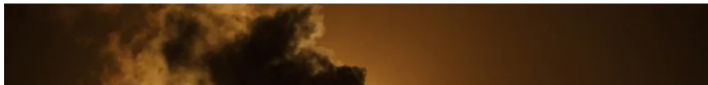
Supreme Court rules Ottawa's carbon tax is constitutional



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



[John Paul Tasker](#) · CBC News · Posted: Mar 25, 2021 4:00 AM ET | Last Updated: March 25



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

OVERVIEW

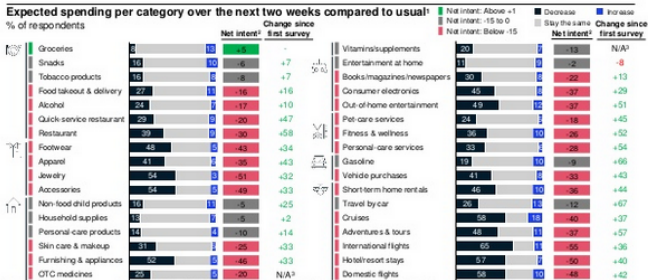
- ▶ We know carbon taxes are constitutional in Canada
- ▶ ... But are they good policy in Canada today?
- 1. The pandemic has strengthened, not weakened, the justifications for carbon taxes
- 2. Two common objections to carbon taxes can be answered:
 - a. Carbon taxes change behaviour
 - b. Carbon taxes won't increase inequality

CARBON TAXES DURING THE PANDEMIC

- ▶ 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



Source: McKinsey & Company COVID-19 Canada Consumer Pulse Survey 14-16/03/2020, n = 1,032. (Net survey 4/3-4/5, n = 1,024; sampled and weighted to match Canada's general population 18+ years) McKinsey & Company 5

(Source: *McKinsey & Company*, September 2020, <https://mck.co/36jqyGn>)

CARBON TAXES DURING THE PANDEMIC

- ▶ 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

PROJECT SYNDICATE



(Source: [Project Syndicate](https://prosyn.org/cL6cNDx), May 7, 2020, <https://prosyn.org/cL6cNDx>)

CLIMATE POLICY

CLIMATE POLICY
<https://doi.org/10.1080/14693062.2020.1831432>



POLICY ANALYSIS ARTICLE



Carbon pricing and COVID-19

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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

ARTICLE HISTORY

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KEYWORDS

Carbon price; carbon tax; climate policy; COVID-19; emissions trading; green recovery

(Source: *Climate Policy*, 2020, <https://doi.org/10.1080/14693062.2020.1831432>)

TWO COMMON CONCERNS

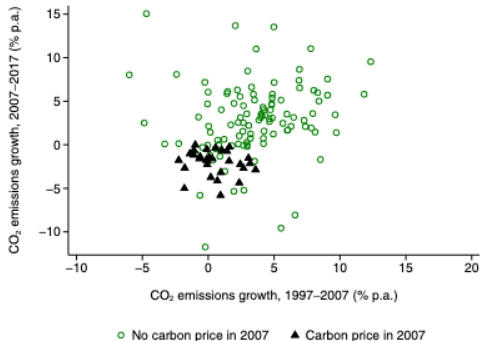
1. Carbon taxes won't change behaviour
2. Carbon taxes will increase inequalities

TWO ANSWERS

1. Evidence that carbon taxes **do change behaviour**

EMISSIONS CORRELATE WITH NO PRICE

Fig. 3 Growth in CO₂ emissions from fuel combustion, annual average, %, for 1997–2007 and 2007–2017. Data: International Energy Agency (2019); World Bank and Ecofys (2018). Emissions are from fuel combustion and include road-sector emissions



(Source: Rohan Best et al. *Env Res Econ*, 2020, <https://doi.org/10.1007/s10640-020-00436-x>)

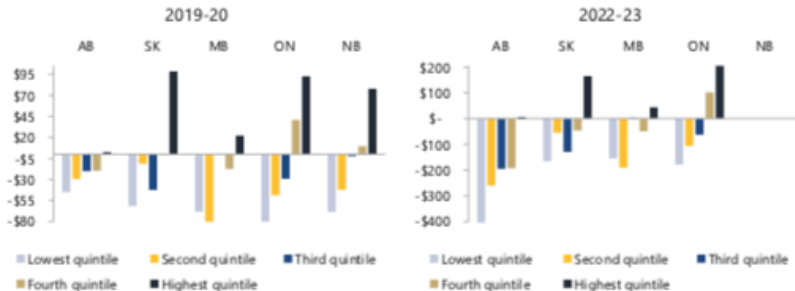
TWO ANSWERS

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

Summary Figure 2

Quintile distribution of household carbon cost net of rebate



Source: PBO calculations.

(Source: Parliamentary Budget Officer — Canada, 2020, <http://www.pbo-dpb.gc.ca/>)

THE ETHICS FORUM

MÉRO 1 HIVER/WINTER 2021

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: (1) 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 (1) that

(Source: *Les atelier de l'éthique / The Ethics Forum*, February 2021, <https://philpapers.org/rec/MINWCT>)

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>
 2. (CI Policy) <https://doi.org/10.1080/14693062.2020.1831432>
 3. (The Ethics Forum) <https://philpapers.org/rec/MINWCT>