

Can a Revenue-Neutral Carbon Tax Really Reduce Greenhouse Gas Emissions? New Policy School Report Provides a Definitive Answer

For Immediate Release

February 1st, 2018

Calgary – Policy makers around the world are looking for ways to make good on climate change pledges and reduce carbon footprints. This issue is especially contentious in Canada as various provinces and the federal government are using or considering carbon taxation, or cap and trade mechanisms.

Today, The School of Public Policy with authors Nicholas Rivers and Randall Wigle released a report that considers the cost of alternative approaches to reducing emissions from road passenger travel in Canada. It compares in great detail the various policy options available, and concludes which one actually works best.

According to Rivers, “The best way to reduce greenhouse gas emissions is with a revenue-neutral carbon tax. Policies such as a low carbon fuel standard, vehicle emissions regulations or even a zero emissions mandate are expensive on a standalone basis, and none can match the cost-effectiveness of a carbon tax. The average cost of reducing emissions by **9.1 per cent** over seven years is **\$199 per tonne** for a clean fuel standard, **\$806 per tonne** for a zero emission vehicle mandate, but only **\$76 per tonne** for a revenue-neutral carbon tax. The carbon tax is the most cost-effective policy because it takes advantage of the maximum number of channels to reduce emissions. Also, a revenue-neutral carbon tax can be used to lower other taxes and to provide rebates to consumers. At **\$113 a tonne**, even a carbon tax that is not revenue-neutral is still a more cost-effective policy than anything else.”

However, the carbon tax is also much more politically fraught than any of the other policies. It affects a much broader range of industries than other policies that are restricted to vehicle manufacturing. This is why the federal government intends to take a multi-pronged approach to emissions reduction efforts in its new Pan-Canadian Framework on Clean Growth and Climate Change. The Framework is still a work in progress, but will include a carbon price, clean fuel standard and electric vehicle strategy, combined with older regulations about greenhouse gas intensity in fuels.

No other policy offers as many incentives to reduce greenhouse gas emissions as does the carbon tax. It encourages people to travel less often, to switch from private vehicles to car-pooling, public transportation, cycling or walking, to use lower carbon fuels and to buy vehicles that are more fuel-efficient. The federal government should keep this in mind while diffusing the onus of emissions reductions by combining the tax with other regulations for the optimal emission reduction scenario.

The paper can be downloaded at <https://www.policyschool.ca/publications/>

-30-

Media contact:

Morten Paulsen

morten.paulsen2@ucalgary.ca

403.220.2540