

CANADA'S **ECOFISCAL** COMMISSION
Practical solutions for growing prosperity



COMMISSION DE L'**ÉCOFISCALITÉ** DU CANADA
Une fiscalité responsable pour une prospérité durable

Christopher Ragan



McGill



**MAX BELL SCHOOL
of PUBLIC POLICY**

How to explain why carbon pricing makes sense?

START HERE:

**Economists Aren't
Normal People!**

Uphill Slog #1

1. Carbon pricing reduces GHG emissions

Normal people:

“this is just a tax grab;
it won't change anything”

Why does it work?

Think of how you respond to price changes:
(food – vacations – clothing – cars – houses)

carbon price → changes consumer behaviour
→ **changes production methods**
→ reduces emissions



**Nice theory ... but does it
actually work?**

Yes.

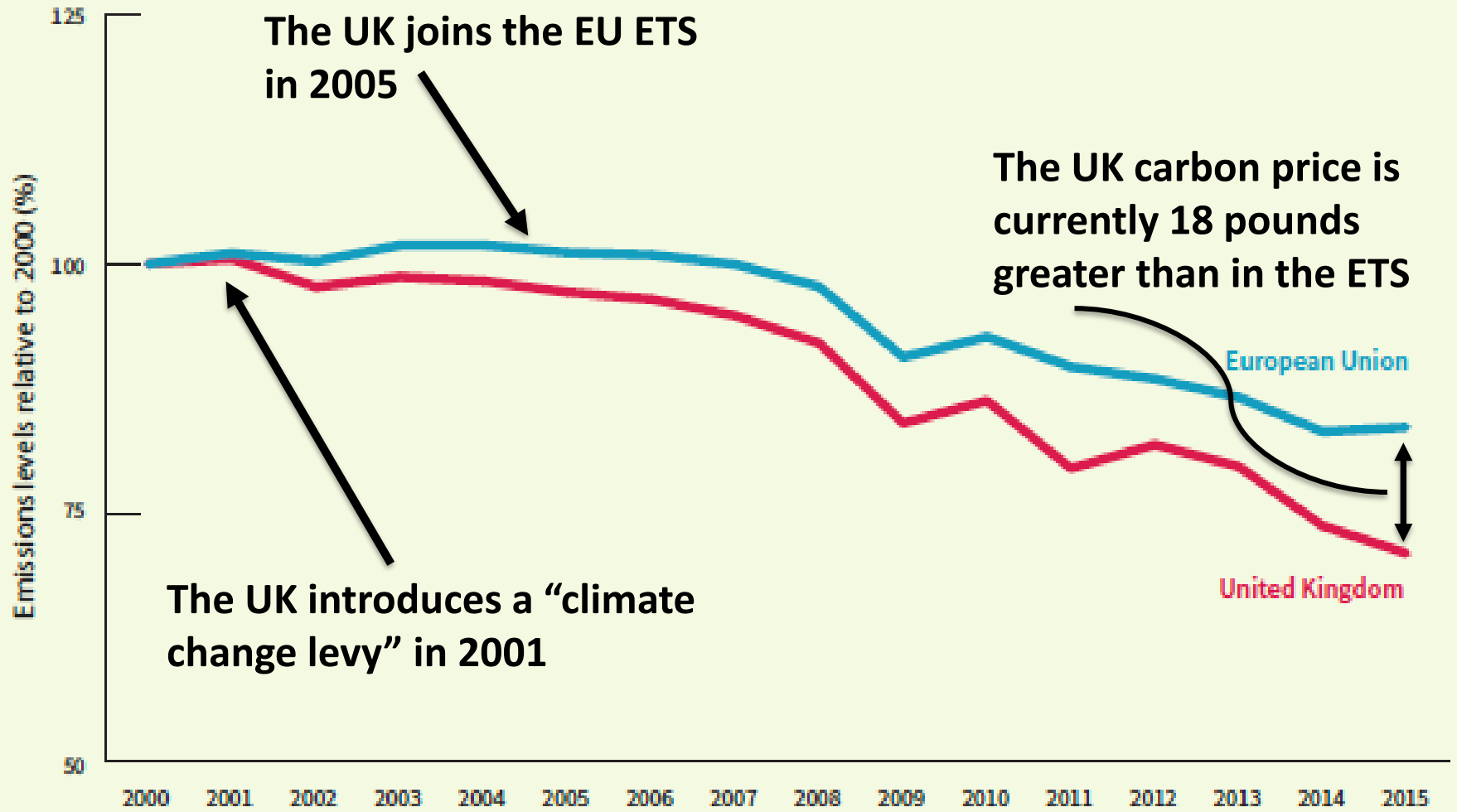
British Columbia.

California.

The United Kingdom.

(and others too!)

Figure 1: GHG Emissions Trends in the UK and the EU (2000 levels = 1.00)



Uphill Slog #2

2. A carbon price is economically better than prescriptive regulations.

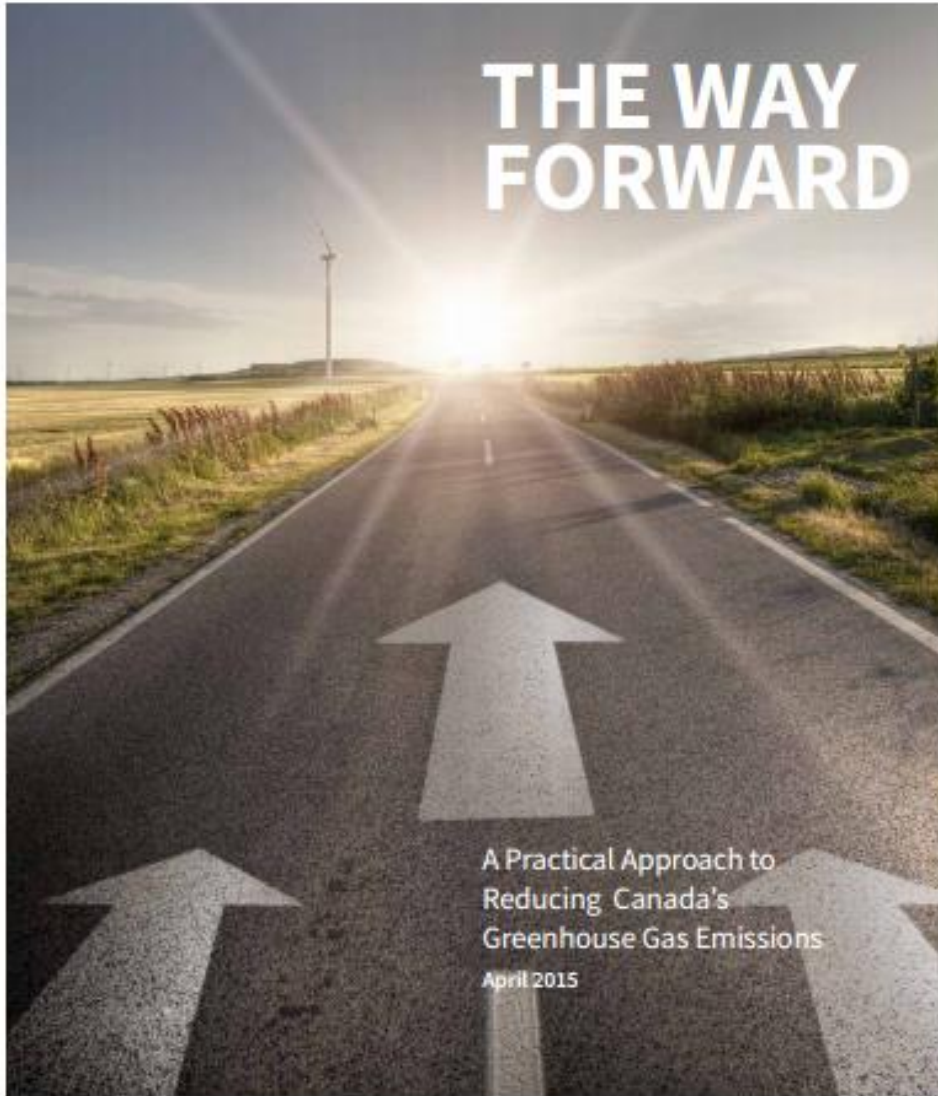
Normal people: “regulations make sense”

Governments: “regulations don’t impact the public purse”



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THE WAY FORWARD



A Practical Approach to
Reducing Canada's
Greenhouse Gas Emissions
April 2015

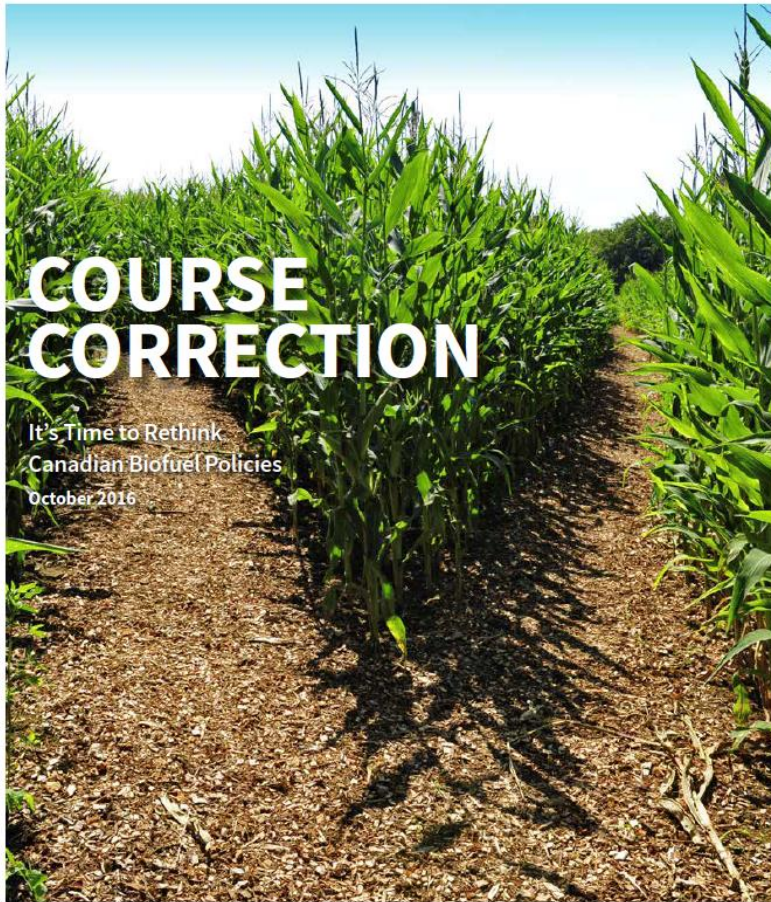
“Flexibility”
→ low cost



**Is 3.7% of
GDP a big
difference?**



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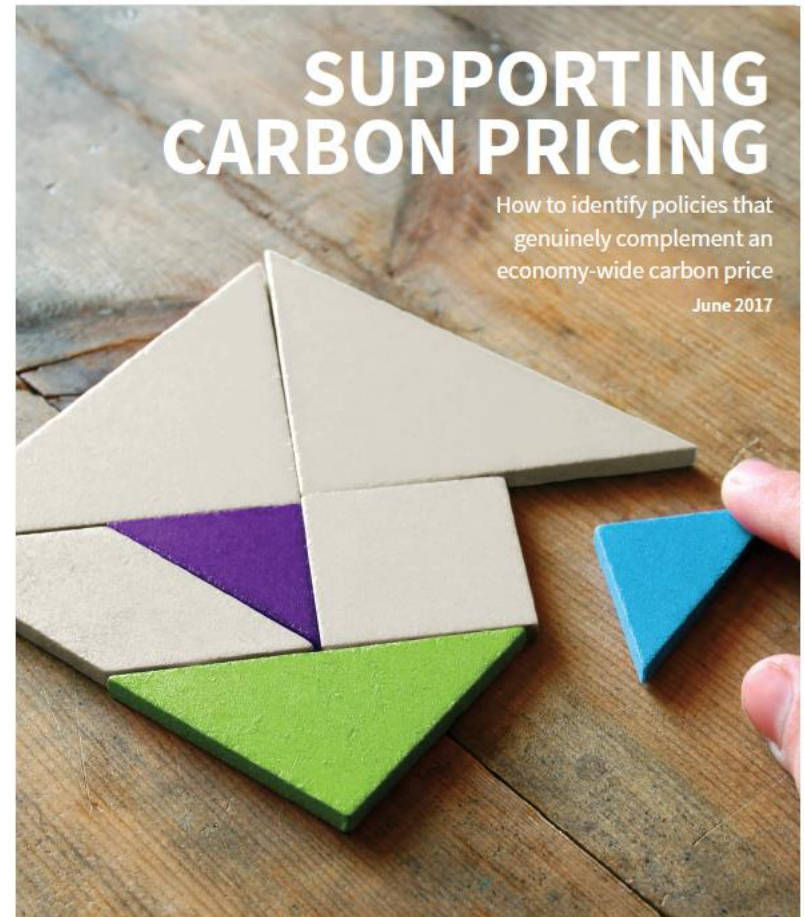


COURSE CORRECTION

It's Time to Rethink
Canadian Biofuel Policies
October 2016



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SUPPORTING CARBON PRICING

How to identify policies that
genuinely complement an
economy-wide carbon price

June 2017

Subsidies tend to be **VERY** expensive ways to reduce emissions!

Uphill Slog #3

3. A carbon price + rebates to households is sensible.

Normal people:

“It is CRAZY to take with one hand and give with the other”



**Alberta's carbon price:
cash rebates to ~ 2/3 of households**

Uphill Slog #4

4. A carbon price + rebates to businesses is also sensible.

Environmentalists:

“exempting large GHG emitters undermines the policy”



**Alberta's carbon price:
OBA "rebates" to large final emitters**

Uphill Slog #5

5. Carbon pricing is not about larger government.

Higher carbon price → reduce GHG emissions

**Lower income taxes → increase investment
and income**

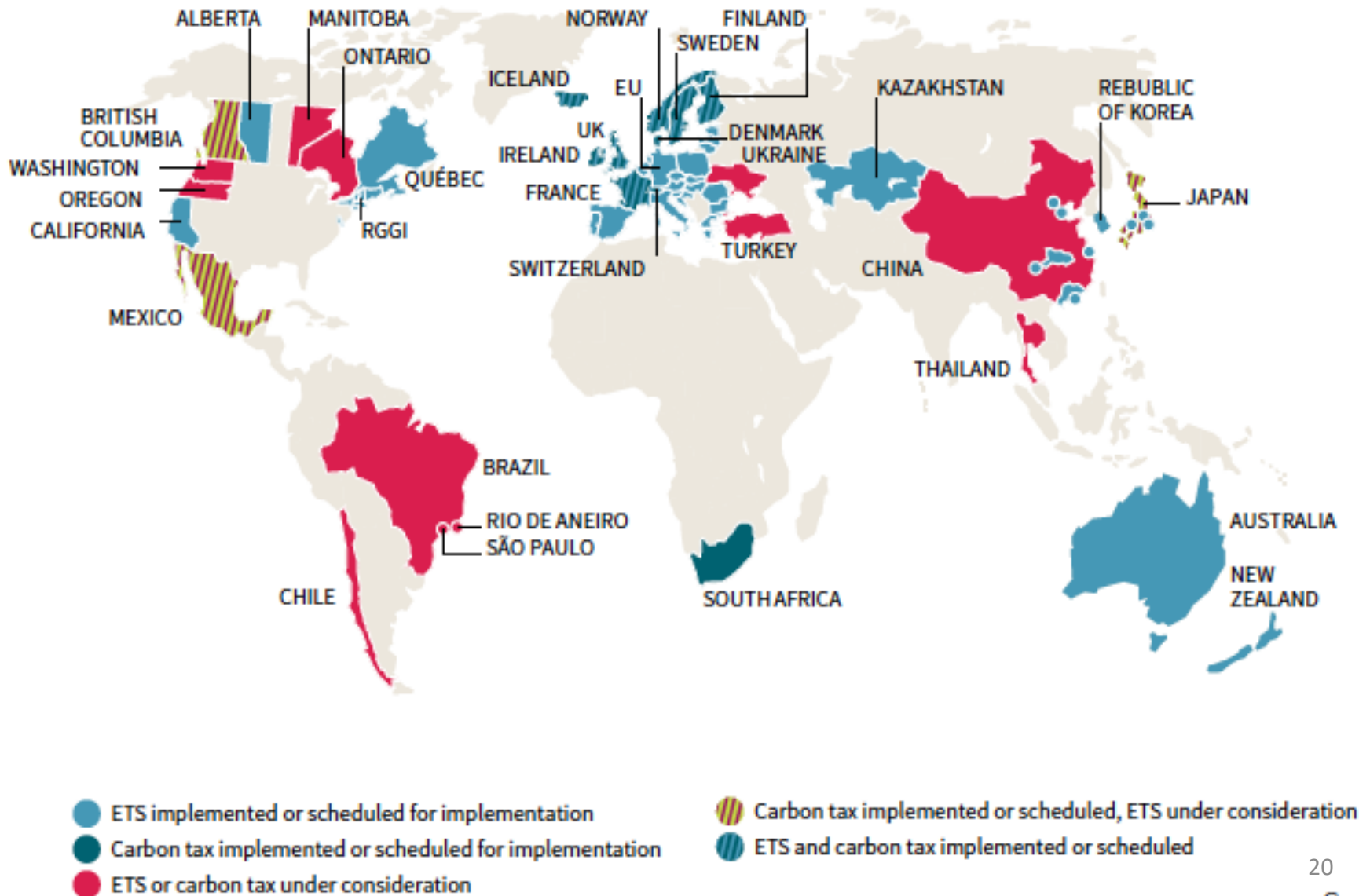
Revenue Neutral



A photograph of a glowing orange and yellow tent pitched on a dark, pebbly shore next to a calm lake at night. In the background, a range of dark, rugged mountains with patches of snow is silhouetted against a deep blue twilight sky. The overall mood is serene and isolated.

Singing the praises of carbon pricing is a lonely business...

...but global support is rising ...



... including from some “unusual” voices!






CLEARING THE AIR: HOW CARBON PRICING HELPS CANADA FIGHT CLIMATE CHANGE



April 2018

Dale Beugin
Brendan Frank
Glen Hodgson
Richard Lipsey
Nancy Olewiler
Chris Ragan

WHEN EVERYTHING FEELS
LIKE AN UPHILL **SLOG**,
JUST THINK OF THE
VIEW FROM THE TOP.

A person in dark clothing stands on a rocky mountain peak, looking out over a vast, hazy valley. The scene is captured in a wide-angle shot, emphasizing the scale of the landscape. The sky is a pale, hazy blue, and the mountains in the distance are layered and soft. The overall mood is one of solitude and achievement.

Thanks for listening.

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