

# Carbon taxation is necessary (and sufficient)

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# What is not needed

- What is not needed is **more discussion on the need** to radically reduce global greenhouse gas emissions.
  - Scientific consensus: emissions cause global warming, which is harmful!
- What is not needed is **blaming and shaming for not being radical enough in one's views** in this area (i.e., if one's preferred warming is 1.5, 2, or 3 degrees or preferred carbon tax \$50, \$100, or \$500 per ton of C).
  - The average global carbon tax is currently, if anything, negative (because of government subsidies to coal plants, etc.).
  - Without action, warming will climb much above 3 degrees!
- What is not needed is **more plans to be fossil-free** (in sector abc in year xyz).
  - We live in market economies. Central planning: at best wishful thinking.

# What is needed

- What is (desperately) needed: a discussion on

## HOW

- What suggestions have been put forth for HOW?
  - Quotas/bans (applied to sectors, goods, ...)
  - Quotas and trading in emission rights
  - Various measures to push green energy forward
  - Carbon taxes
  - CCS, geoengineering
- What is needed: economists – we need to step up and analyze and compare these options, it's our job!

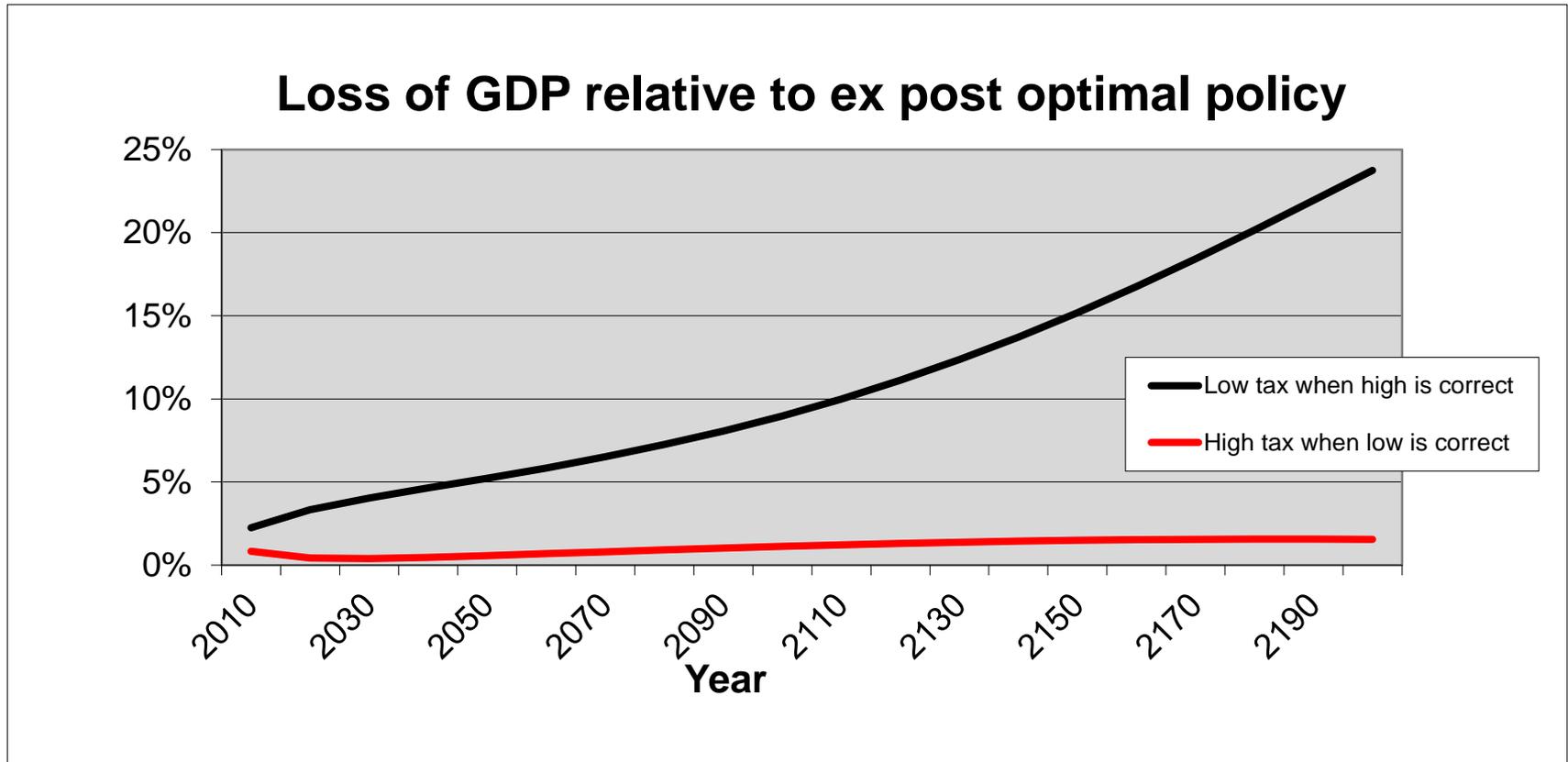
# Why are carbon taxes necessary?

- All the other options (with one exception, commented on below) are
  - highly **hazardous** – they may not work, i.e., manage to reduce emissions sufficiently
  - or so **costly** that they will not be adopted broadly enough
- Too costly: quotas/bans, CCS (so far)
- Hazardous: geoengineering; as for green energy,
  - we will, of course, eventually need green energy, but if coal-based energy remains in use, all green energy does is increase energy use: it does not help the climate!
  - The key question: will green technology stop coal? Economists estimate that it is very difficult to substitute across different energy sources – especially across space – ...
  - ... so to hope these efforts will work is, precisely, hazardous
  - So please, **let's keep our eyes on the ball: stop global fossil-fuel use!**

# The global carbon tax

- Main features of a global carbon tax:
  - (**Sufficiency**) It **works!** Even a relatively modest tax will make coal and non-conventional oil and gas stay in the ground. Then warming is contained.
  - (**Necessity**) Unlike the alternatives, it works **very efficiently**: it minimizes the costs of reducing emissions
    - This is key not because of a general need to save on costs/be thrifty, but because the **propensity to adopt the measure rises when it is cheaper!** Adoption is the most important thing of all!
    - Especially important in developing economies where monetary income is crucial!
  - It is so efficient that we can afford **a higher ambition level**
- A global ETS, at best, works just like a tax!

# If we use smart policy we can afford to be cautious



Source: Hassler, Krusell, and Olovsson (2018)

# It is up to **you** now

YOU (and only you) – **people at finance ministries around the world** – have the solution. Others don't. It is necessary (and sufficient) that you act.



Join demonstrations? No, use all your available time on getting us the tax.

It's a **golden opportunity**.

On the other hand, if you don't do this, well then...

# SHAME ON YOU

