

NEWS RELEASE

Flawed Alberta carbon tax will likely lead to emissions 'leakage' and potential job loss

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CALGARY—Alberta's carbon tax is unlikely to meaningfully reduce global carbon emissions but could send industry and jobs to competing jurisdictions, finds a new study released today by the Fraser Institute, an independent, non-partisan Canadian policy think-tank.

“Even if you agree that pricing carbon is the most effective way to reduce emissions, Alberta's carbon tax is flawed and will likely fail to deliver the promised results,” said Robert P. Murphy, Fraser Institute senior fellow and author of *Carbon Pricing in Alberta*.

In 2015, the Alberta government introduced its Climate Leadership Plan, which includes an expected tax on carbon of \$30/tonne next year rising to \$50/tonne in 2022. Crucially, this carbon tax will likely not produce the theoretical benefits of a well-designed carbon-pricing scheme for several important reasons:

- A local carbon tax—such as one at the provincial level—increases the likelihood of “leakage,” wherein industry taxed in one jurisdiction moves to another tax-free jurisdiction and continues emitting there, taking jobs and investment with it. In this scenario, Albertans suffer the economic pain of higher energy prices, but global emissions stay the same, or even increase as a result of higher transportation emissions.
- Alberta's carbon tax doesn't replace existing regulations, which distort the market pressures a tax would place on emissions.
- Despite government claims, Alberta's carbon tax is not revenue neutral—that is, revenue generated by the tax is used to subsidize other so-called “green” initiatives rather than freeing up fiscal room to reduce personal and/or corporate income taxes.
- For carbon-pricing schemes to work efficiently, governments cannot subsidize substitutes for carbon-emitting activities such as solar and wind power. The idea of the carbon pricing is to allow the pricing mechanism rather than government subsidies to pick energy winners and losers.


“The market must be allowed to operate as a force on emissions, if a carbon tax is going to work theoretically, but as it stands now, the Alberta carbon tax is primarily a revenue tool for government that will likely fail to achieve its stated goals,” Murphy said.

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MEDIA CONTACT:

Robert P. Murphy, Senior Fellow
Fraser Institute

To arrange media interviews or for more information, please contact:
Bryn Weese, Senior Media Relations Specialist, Fraser Institute
Tel: (604) 688-0221 ext. 589
E-mail: bryn.weese@fraserinstitute.org



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