



NEWS RELEASE

Carbon taxes poorly designed in all 14 high-income countries with such taxes, including Canada

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For immediate release

VANCOUVER—Carbon taxes in high-income countries around the world are poorly designed, finds a new study released today by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

“Overall, no high-income OECD country with a carbon tax has implemented it based on sound design,” said Elmira Aliakbari, associate director of natural resource studies at the Fraser Institute and co-author of *Carbon Pricing in High-Income OECD Countries*.

The study examines 31 high-income countries in the Organization for Economic Co-operation and Development (OECD), including Canada, that have implemented a carbon tax, a carbon emissions trading system, or a combination of both.

Of the 14 countries in the analysis that have implemented a carbon tax, all fail with respect to key design aspects of a well-functioning carbon tax, including using the carbon tax revenue to reduce more economically harmful taxes such as personal income taxes, removing other emission-related regulations, and ending government subsidies to alternative energy sources.

Crucially, on average, 74 per cent of carbon tax revenues in high-income OECD countries go directly into general revenues for government with no specific use, 12 per cent are earmarked for environmental spending, and only 14 per cent are returned to taxpayers.

The study also notes that when other emissions regulations are layered on top of carbon taxes, and when governments continue to subsidize alternative sources of energy, it reduces the effectiveness of the carbon tax.

“Poorly designed carbon taxes, like those in all high-income countries around the world, do not deliver on the promise of cost-effective emissions reduction,” Aliakbari said.

“Instead, poorly designed carbon taxes cause serious and harmful economic effects that increase costs, scare away investment, and deter entrepreneurship.”

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