

Carbon levy

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Irish Architectural Archive

Small short-term emissions effect

- ESRI study 2018 sees small impacts on emission reductions.
- 1.2% for a €5 increase in carbon levy
- 4.7% for a €20 increase, BUT
- these “should be seen as short-term impacts”.

- Changing equipment and homes takes time.
- Missed opportunity in mid-2000s building boom.
- An inner voice “future energy will cost more” was absent.

- Technical note:
We find price elasticity of demand is significant since our studies began in 1970s, if not before.
- Advocates of various hues: as Mankiw, Nordhaus, Stavins, Stiglitz, Weitzman, Pikety, *et cetera*

Macro-economic effects

- Depend on how revenues are recycled.
- New studies are underway.
- Choice of recycling depends on priorities at the time.
- Studies responded to JOBS priority e.g. 2003.
- So, studies recycled revenue to reduce labour taxes (which slightly raised GNP) and to protect vulnerable households via income tax reductions and welfare rises.

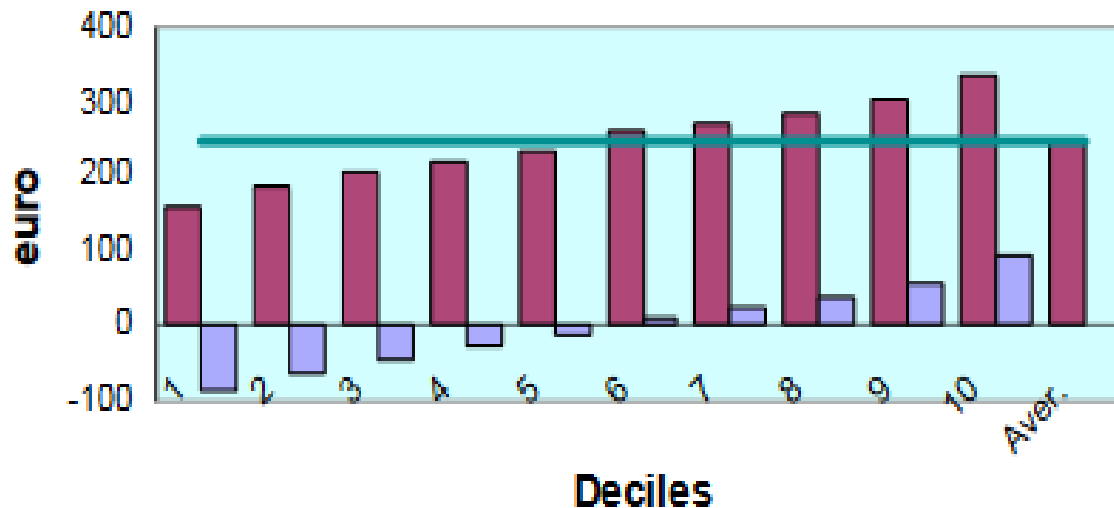
Example: using all the revenue for a uniform dividend

in € / year per household

Red columns show the carbon levy.

Horizontal line is the uniform dividend.

The small blue columns show the NET effect, positive for low deciles (gain) and negative for high deciles



Carbon Tax

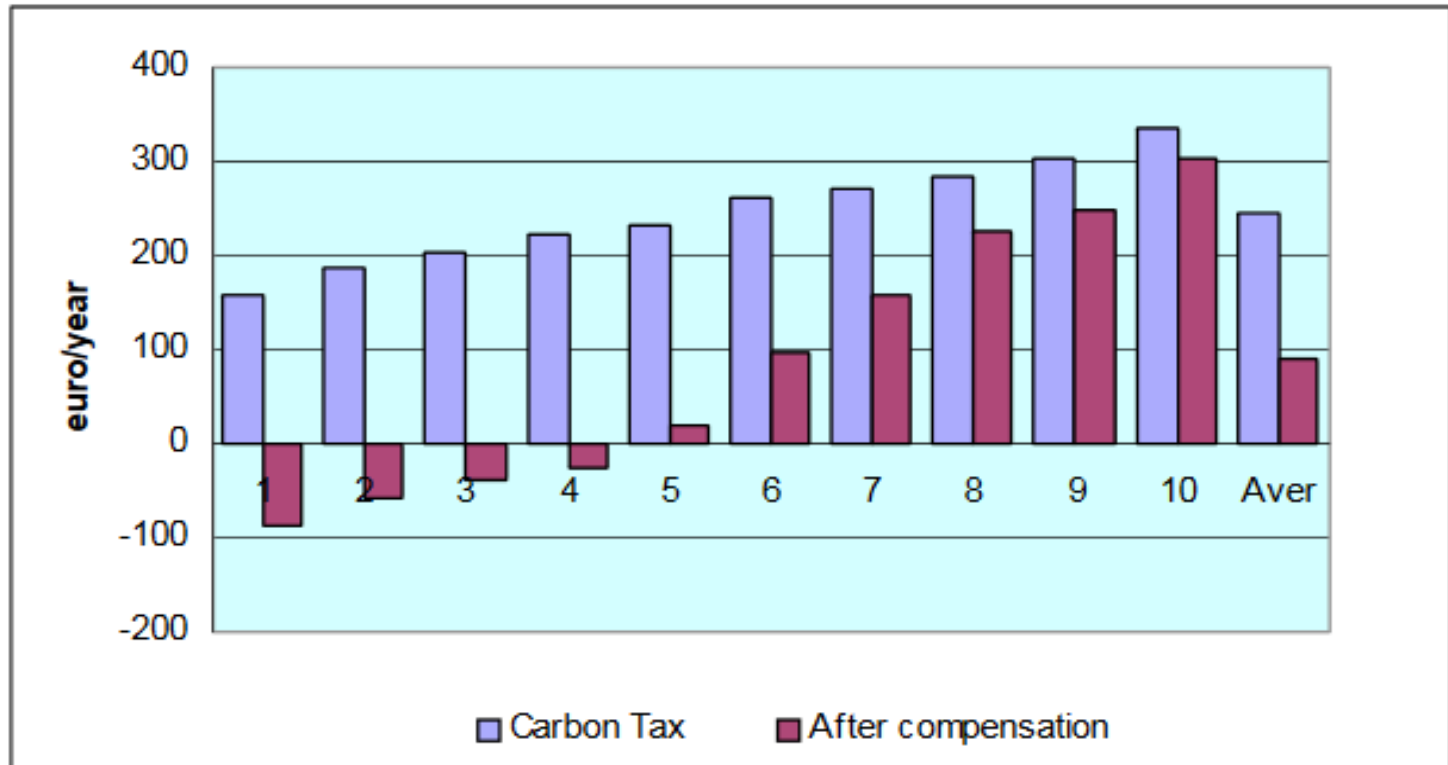
Net Carbon Tax

Lump-sum compensation

Uniform dividend

- Good progressive net impact on households.
- The incentives to reducing emissions prevail.
- Satisfies the argument that:
The atmosphere belongs to everybody,
so the revenue, arguably reflecting damage
done, should be distributed evenly to
compensate the 'owners'. Cheque in the post.

OR give dividends to the most needy and the remaining revenue to reduce labour taxes



Important – targeting issue

(2004)

		Pay income tax:		
		no	yes	Totals
Benefits recipients:	no	72 6%	595 49%	667
	yes	323 26%	231 19%	554
Totals		395	826	Total households 1,221

- When the opportunities afforded by the revenues are explained, resentment of carbon taxes reduces.
- Some poverty researchers and also *Combat Poverty* saw that there were good uses for the revenues, in their anti-fuel-poverty programme.
- Can make the recycling as progressive as you wish. Opportunity to redistribute income.

Issue of trust

- Examples:

British Columbia “revenue neutrality is the way to go”. Needs agreement.

(Prof Kathryn Harrison, Professor of Political Science, University of British Columbia)