Carbon Taxes: International Experiences

Prof. Janet Milne
Vermont Law School
British Columbia has done it—and very simply.
Tax base \times Tax rate = Revenue
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Fossil fuels
CO_{2}-e

Limited exemptions
Tax base \times \text{Tax rate} = \text{Revenue}

- Fossil fuels \text{CO}_2-e
  - Limited exemptions
  - $10/\text{ton} \ 2008
  - $30/\text{ton} \ 2012
Tax base x Tax rate = Revenue

Fossil fuels $10/ton 2008
CO₂-e $30/ton 2012
Limited exemptions

"Upstream" tax collection
Tax base \times \text{Tax rate} = \text{Revenue}

Fossil fuels CO_2-e

Limited exemptions

\begin{align*}
\text{Revenue} & \text{ neutral tax relief} \\
\text{$10/ton 2008$} & \downarrow \text{=} \\
\text{$30/ton 2012$} & \end{align*}
\[ \text{Tax rate} \times \text{Tax rate} = \text{Revenue} \]

Comprehensive
Simple
Quick
Effective
Here to stay
“The CO$_2$ tax is a good idea.”

Swedish Prime Minister Fredrik Reinfeldt
EU President
June 9, 2009
Sweden
Ireland
Denmark
Norway
Australia
Japan
China?
Italy?
IRS

price

taxpayers

EPA

New commodities

trading market

covered entities
EPA cap GHG registry distributes emissions allowances to covered entities. Trading market is created where entities submit allowances and are subject to oversight.
Offset allowance trading market

Emissions allowance trading market

covered entities submit allowances
A carbon tax can be elegantly simple.