

OPEN LETTER FROM (ENVIRONMENTAL) ECONOMISTS - CALL FOR A GENERAL CARBON PRICE

Climate change is the challenge of our time. Worldwide protests, in part inspired by our own Belgian youths and Greta Thunberg, and several calls for the signing of different climate-related engagements show that there finally is a large base of support for effective action. According to the latest IPCC reports, we have little more than a decade left to reduce our greenhouse gas emissions with 50% and avoid the worst effects of global warming. By the next federal and European elections in 2024, that decade is already half past.

We know what needs to happen: a significant and fast reduction of greenhouse gas emissions. Unfortunately, a lot of valuable time is lost in discussions on what activities to promote or discourage, or on what measures should be taken to achieve this. Do we target flying? Charge road transport per kilometer? Abolish company car policy? Discourage meat consumption? Everyone, individuals, governments and companies alike, have a wish list of items they would like to see achieved as well as some 'sacred cows' they would rather not talk about. None of these discussions, however, really help in combating climate change.

Just like in wastewater or solid waste treatment, the - polluter pays - principle should rule. Companies or individuals alike, those polluting the most should be taxed the most. In times of climate change, this principle is best captured by **A GENERALIZED CARBON PRICE**: a widely applicable and **objective tool** that can be a crucial cornerstone on the road to a climate neutral society.

For decades, economists worldwide have been pointing out the advantages of a uniform carbon price, applying to all polluters in all countries with following applicable properties and advantages:

- By putting a price on emitted carbon, polluters are **encouraged to decrease their emissions**. Polluters that can bring down their emissions in an easier (read: cheaper) way will deliver greater efforts than those that can't, leading to a reduction at the lowest possible cost (**cost efficiency**)
- An important feature of this general carbon price is that **no exemptions should be allowed**. Therefore the first step is to phase out those exceptions and favors still included in the current energy and fuel taxation schemes.
- Furthermore, a carbon price creates necessary incentives **for research and development in the field of energy efficiency** and low carbon technologies and innovations. These will get a competitive advantage over the older more carbon intensive higher taxed techniques.
- In addition to this, a carbon price will generate **government revenue** that, **aside from investment in renewable energies, can be used for rebates and/or reductions on labor tax**. By this we mean specific programs to help lower-wage families fulfill their demand for energy and mobility with decreased emissions. With such measures, a carbon tax can be politically attainable as well as widely supported.
- **As a society, we are free to decide the amount of social corrections wish to apply**. Canada recently chose for a system in which 70% of households will have a higher purchasing power



than before. Renowned US economists on both democratic and republican side recently proposed to redistribute carbon tax revenues equally among all citizens as a 'carbon dividend'. Also in Belgium a lot of research concerning the effect of a carbon price on different sectors and income groups has been done.

Last year, the FPS Public Health, Food Chain Safety and Environment organized a national carbon tax debate, with intense involvement of all stakeholders. The results of this debate can be found [on-line](#) and can offer inspiration and support to all parties still looking to include climate measures in their election programs.

To conclude, we would like to emphasize that not one measure can solve all climate issues at once. There is, however, a broadly supported consensus among (environmental) economists and climate experts that a carbon price is without any doubt a necessary and crucial tool to realize a sustainable future.

