

# France, Germany, Canada call on world to put price on carbon

December 1 2015, by Seth Borenstein

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French President Francois Hollande and German Chancellor Angela Merkel attend the Carbon Price conference at the COP21, United Nations Climate Change Conference, in Le Bourget, outside Paris, Monday, Nov. 30, 2015. (AP Photo/Francois Mori)

One of the smartest ways to fight global warming is putting a price on carbon dioxide pollution, according to key world leaders at the international climate summit, including U.S. President Barack Obama.

Either a tax on carbon dioxide emissions or putting a price on carbon and trading carbon pollution like pork bellies, will help use capitalism to get closer to a day when the world isn't adding heat-trapping gases to the atmosphere, said leaders of France, Germany, Canada, Chile, Mexico and Ethiopia, as well as heads of the World Bank, International Monetary Fund and Organization of Economic Cooperation and Development on Monday.

"I have long believed that the most elegant way to drive innovation and to reduce carbon emissions is to put a price on it," Obama added at a Tuesday news conference in Paris. "Obviously I'm not under any illusion that this Congress will impose something like this."

The number of countries, provinces, states or cities putting a price on carbon has tripled in the past year and is now at 40, including some U.S. states, said World Bank Group President Jim Young Kim said Monday. Kim and others pointed to straight carbon taxes in British Columbia, Sweden and France as examples of what works.



From the left, Canadian Prime Minister Justin Trudeau, Australian Prime

Minister Malcolm Turnbull, French President Francois Hollande, Brazilian President Dilma Roussef, and Chilean President Michelle Bachelet attend the 'Mission Innovation: Accelerating the Clean Energy Revolution' meeting at the COP21, United Nations Climate Change Conference, in Le Bourget, north of Paris, Monday, Nov. 30 2015. (Ian Langsdon, Pool photo via AP)

Economists have known since 1923 that "smart economics puts a tax on bad things and not on good things," said World Resources Institute President Andrew Steer, a former Wharton economist who wasn't part of the multi-nation initiative on carbon pricing. He compared it to taxing cigarettes to reducing consumption, although other methods of trading carbon pollution credits aren't quite the same, he added.

Obama called it something out of "an Econ 101 textbook."

"We simply cannot afford to continue polluting the planet at the current pace," World Bank Group President Jim Yong Kim said. "Carbon pricing is critical for reducing emissions, preserving our environment and protecting the most vulnerable."

New Canadian Prime Minister Justin Trudeau said British Columbia's "world class" carbon tax proves such a device doesn't harm the economy.

There are already costs—called externalities—to burning fossil fuels in terms of public health and deaths, costs that the U.S. Supreme Court has recognized, said Wesleyan University economist Gary Yohe, who was not part of the Paris event.

"Cheap and dirty energy is not cheap for the planet or the health of our people," Chilean President Michelle Bachelet said at the Paris climate summit. "When green taxes are incorporated into our climate policies,

we can harness market forces that can lead to profound changes in our emissions patterns."

Europe has carbon pricing and the key in the future is that that every nation has to have some kind of uniform carbon pricing, so that energy interests don't go to another nation for dirty power, German Chancellor Angela Merkel said.

Kim said carbon trading can work as well as a carbon tax, but OECD Secretary-General Angel Gurría said that a tax, even if it doesn't raise new funds and replaces other taxes, clearly works best: "We should put a big fat price on (carbon) in order to penalize it."

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