

Cost burden of Quebec's carbon market seen as modest

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The cost burden of Quebec's carbon-pricing policy, is likely to be modest across income groups and industries, according to a McGill University research team.

The policy, which began to be implemented in 2013, provides a model for capping [emissions](#) "without undue hardship for the population," the researchers conclude. If anything, they suggest, the program could be more aggressive in seeking to cut emissions. Their findings are reported in the December issue of *Canadian Public Policy*.

Quebec is one of the only jurisdictions in North America that has adopted a carbon-pricing policy as a way to reduce greenhouse-gas emissions. If the Quebec carbon market - which is linked to California's - develops successfully, this approach could attract other provinces and states seeking to curb emissions in the wake of the recent Paris climate-change agreement, the researchers note.

One political stumbling block to such initiatives is their potential to create uneven costs for different sectors and income groups. To assess the risk of that happening with Quebec's program, the McGill team analyzed its expected short-run impacts on households, industries and regions.

Lead author Christopher Barrington-Leigh, an economist at McGill's School of Environment, notes that the Quebec program combines a rising price floor—to assure a minimum return on carbon-efficiency investments—with a price ceiling to ensure against high short-run economic costs. "As a result, everyone in Quebec has an idea of future costs in the medium run, is ensured against too sudden a transition, and has an incentive to invest in transitioning toward more climate-friendly consumption and production," he says.

One potential inequity: the province's "generous" plan to hand out free emissions permits to incumbent industries is likely to result in some windfall profits for companies and shareholders, according to the researchers. "Future policy platforms from the Quebec government could offset this by including higher subsidies or energy efficiency

rebate programs" to help lower-income families adjust to rising fuel prices, they suggest.

Overall, however, "the [policy](#) appears tuned to provide a balance of price predictability, steady decarbonisation, and manageable transition costs," they conclude.

More information: Christopher Barrington-Leigh et al. The Short-Run Household, Industrial, and Labour Impacts of the Quebec Carbon Market, *Canadian Public Policy* (2015). [DOI: 10.3138/cpp.2015-015](https://doi.org/10.3138/cpp.2015-015)

Provided by McGill University

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