

To save climate, tax carbon at \$75 per ton: IMF

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An iceberg in Antarctica's McMurdo Sound photographed by A NASA

The world's biggest carbon polluting nations should jointly agree to tax emissions at \$75 per ton in the next decade to keep climate change at safe levels, the International Monetary Fund said Thursday.

The global crisis lender's call for immediate action confronts a policy dilemma that has left [major economies](#) rife with discord in recent years as they battle to prevent catastrophic warming of the planet.

"Carbon taxes are the most powerful and efficient tools but only if they are implemented in a fair and growth-friendly way," IMF researchers said in a blog post.

After violent protests last year, France suspended plans to raise carbon taxes beyond \$50 per ton. Meanwhile, US President Donald Trump has moved to withdraw the United States from the 2015 Paris Agreement and some American lawmakers have advanced a "Green New Deal" to invest in de-carbonizing the economy.

The report was released ahead of next week's annual meetings of the IMF and World Bank at which newly installed IMF Managing Director Kristalina Georgieva is expected to urge [member countries](#) to action.

A common approach

Taxing emissions—raising the cost of carbon-intensive energy for electricity, travel, manufacturing, shipping and food—is the most efficient way to prevent global average temperatures from rising more than 2 degrees Celsius (3.6 Fahrenheit) above pre-industrial levels, the goal set in the Paris accord, according to the IMF research published Thursday.

While the current global average cost is \$2 per ton, a coordinated increase to \$75 by 2030 among the largest emitters in the Group of 20 economies would be the most likely to succeed.

A common approach would prevent "free-rider" countries from benefiting from reforms made by other nations and allow industries

within countries to remain competitive with those in other nations, the report said.

But IMF researchers acknowledge the daunting and unequal [costs](#) this could impose.

Coal prices would more than triple. Electricity would shoot up by more than 30 percent in Canada and by between 70 and 90 percent in Australia. Gasoline prices would rise by between five and 15 percent in most countries, according to the report.

But environmental benefits would more than offset such costs—by 2030, a \$75 per ton tax would prevent an estimated 725,000 premature air pollution deaths, mainly in China, according to the report.

And consumers and firms eager to keep costs will have an immediate incentive to avoid emissions and invest in cleaner energy.

Tax revenues could be used to make such changes politically acceptable: targeted assistance to poor and vulnerable households, displaced workers and regions hit disproportionately by the transition.

Offsetting cuts to payroll and income taxes, combined with dividends to the public, could make the transition more politically palatable, the report said.

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