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Editorial: Time for a global carbon tax

Included in the 1300 pages of the recently passed *American Recovery and Reinvestment Act 2009* are budget figures that anticipate the implementation of a cap-&-trade atmospheric carbon reduction system to provide incentives to Americans to reduce their greenhouse gas (GHG) emissions.

Calculations, from figures included in the *Act*, give an average price of around \$11 per tonne. However that price, as in Europe, appears to be too low to provide the necessary incentive for carbon emissions reduction.

At an estimated additional 1¢/kWh on the cost of coal-generated electricity, and around 2¢/litre for gasoline, the US plan is clearly not sufficient to provide an incentive to significantly reduce CO₂, either by improved technology or reduced consumption.

With all due respect to the new US President, a reconsideration of this cap-&-trade proposal is needed. It's not too late to change course and lead the world to an international carbon emissions taxation system.

A carbon tax, applicable to all US emitters, including industry, would be infinitely simpler to administer than cap-&-trade and would not encourage speculation on the carbon credit market. It would inevitably result in harmonization within NAFTA for Canada. But it could be fixed at rates which would ensure adequate incentives and provide some certainty about future government revenues.

Revenues raised by the tax could then be allocated to assist in a variety of ways with the costs of reducing GHG emissions, the development of alternative energy sources, and 'tax shifting'—reductions in personal income tax.

Imports from countries without equivalent GHG charges could be taxed on entry—a clearly fair and easily collectable tariff. The result could well be an international system of carbon taxes—far more effective than any *Kyoto Protocol*.

Now is the time to embark on such a path and if the US's ineffective, cumbersome cap-&-trade scheme is implemented the moment for a worldwide move on climate change will be lost. ✍

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