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Put a Price on Carbon Now!

May 7, 2020 | **PETER SINGER, KIAN MINTZ-WOO**

MELBOURNE/PRINCETON – Six years ago, oil was selling for over $100 per barrel. Today, thanks to the twin shocks of a price war between Saudi Arabia and Russia, and falling demand caused by the COVID-19 crisis, the price is closer to $20 a barrel. That makes this an ideal time for industrialized countries all over the world that have yet to put a price on carbon to follow the lead of those who have.

Business leaders, media, and economists agree: carbon pricing is needed so that companies and governments price in the full costs of the climate harms resulting from their emissions. The classic justification of the free market rests on voluntary transactions, in which buyers choose to pay prices that cover the costs of production. If some of those costs are imposed on third parties that cannot choose to avoid them, and that are not compensated for them, the market has failed and the transaction is illegitimate.



Put another way, if companies and governments are able to emit carbon dioxide without paying for the resulting harm, they will exceed the quantity that would maximize utility for all who are affected by their decisions. Somewhere, people will be paying for the extra quantity emitted, whether the price is denominated in property damage, loss of life, or the need to adapt to different climatic conditions.

The most commonly discussed forms of carbon pricing are a carbon tax that imposes a set cost per unit of emission, and a cap-and-trade system that divides a target amount of total emissions into emission "allowances" that can be traded among emitters. In both cases, carbon prices produce an incentive to shift away from carbon-intensive activities. The carbon price can rise gradually so that there is time to adopt less carbon-intensive ways of doing things. If done well, carbon pricing can reduce emissions without

handicapping the local economy.

Some worry that carbon pricing is economically regressive, because poorer households spend a larger percentage of their monthly budget on carbon-intensive items, like heating and fuel for their cars. But carbon pricing can follow Canada's model, which includes rebates that offset these costs, making the policy a net gain for most of the population.

So why should carbon pricing be introduced now? One reason is that when energy prices are already low, consumers notice them less. In normal circumstances, raising the cost of energy is bad for our welfare, because it makes travel, whether by car or by plane, more expensive. But during a pandemic, governments want people to travel less to prevent the virus from spreading.
Even when lockdowns do not prohibit travel, individuals are choosing to travel less because they are trying to reduce the risks of being infected and infecting others. So, what would otherwise be a cost becomes a benefit.

The strongest argument for a carbon price, however, isn't about what is happening today, but about what will happen if we don't act now and realize, in a few years' time, that a carbon price is essential to keep our planet livable. Introducing a carbon price now would make the adjustment of our carbon-consuming behavior easier than it would have been previously, when oil prices were much higher and people were traveling more, and easier than it would be in future, when the lockdowns are lifted and business and travel have revived. Given where we are now, it would be less of a shock to come back to a "new normal" in which carbon usage has been lowered by a carbon price, than to introduce a carbon price once consumption has already rebounded fully.

True, to introduce carbon pricing now would add to the significant pain currently borne by oil producers. While a large proportion of fossil-fuel production comes from a few very rich countries in the Middle East, poorer producers like Nigeria, Ghana, Argentina, and Venezuela are also suffering from the collapse in prices and could suffer more if carbon taxes were introduced.

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Although these harms to poor countries are of profound moral importance, they are outweighed by the disastrous consequences climate change will have for the world's poorest people. Many of the most vulnerable are subsistence farmers, who depend on rainfall patterns that are likely to be disrupted by the changes brought about by our continued emissions. Others farm fertile but low-lying delta regions that will be inundated by more intense hurricanes and rising sea levels, both also predicted by climate-change models. None of them can fall back on the social security buffers offered by most affluent countries.

Before the COVID-19 pandemic and the accompanying fall in oil prices, a carbon price would have been immediately painful for the countries that imposed it, but far better for everyone over the longer term. In this unprecedented moment, introducing a carbon price would be beneficial both now and for the future.

PETER SINGER

Peter Singer is Professor of Bioethics at Princeton University and founder of the non-profit organization The Life You Can Save. His books include *Animal Liberation*, *Practical Ethics*, *The Ethics of What We Eat* (with Jim Mason), *Rethinking Life and Death*, *The Point of View of the Universe*, co-authored with Katarzyna de Lazari-Radek, *The Most Good You Can Do*, *Famine, Affluence, and Morality*, *One World Now*, *Ethics in the Real World*, *Why Vegan?*, and *Utilitarianism: A Very Short Introduction*, also with Katarzyna de Lazari-Radek. In 2013, he was named the world's third "most influential contemporary thinker" by the Gottlieb Duttweiler Institute.

KIAN MINTZ-WOO

Kian Mintz-Woo, Lecturer and Postdoctoral Research Associate at Princeton University, will be joining University College Cork in the coming academic year.

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