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What lessons can be learned from the debates on the carbon tax?

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Triggered by protests against rising fuel prices, the “gilets jaunes” movement has highlighted a certain incomprehension in the general public on the way in which the ecological transition is being implemented in France, and has put the issue of the link between social justice and environmental policies back at the heart of public debate. The freeze on carbon tax announced in early December 2018 kick-started a debate on the future of this tool. While the tax is often presented as an efficient tool for the transition, it is clear that there are many challenges facing its implementation, in France and elsewhere in the world^{[1](#)}. What lessons can be learned from this new crisis? It is the third national level crisis following the Constitutional Council’s ruling

in 2000 on broadening the base of the General Tax on Polluting Activities (TGAP) to include energy and electricity consumption in relation to the fight against climate change, and the Fillon government's renunciation of the carbon tax in 2010.

Firstly, despite the discontent, a strong social expectation regarding the fight against climate change and environmental conservation is emerging, as evidenced by the grievances expressed during the Great National Debate, as well as from current citizen initiatives (the “*L’Affaire du siècle*” petition and climate demonstrations). Facing the growing urgency and continued delay in achieving the defined objectives, which was highlighted by the [evaluation carried out by IDDRI in October 2018](#), the purpose is not therefore to reduce environmental ambition, but to re-examine the balance of tools and measures that are mobilised to implement the ecological transition in France. Many initiatives have emerged in recent weeks to put the energy transition policy back onto the agenda. On 12th March, 86 MPs called for a “fair carbon tax” that would draw inspiration from the earmarking of carbon tax revenues by successful foreign examples, such as in British Columbia (Canada), Sweden and Switzerland. At the end of February, the [I4CE and Terra Nova think-tanks proposed three scenarios to break the stalemate on carbon taxation](#). Last week, a collective of 19 trade unions, under the guidance of Laurent Berger and Nicolas Hulot, proposed a [“social and ecological pact” containing 66 proposals](#), including the setting of a carbon trajectory in line with the Climate Paris Agreement, and the redistribution of the entire revenue to households and to the funding of the transition.

What lessons can be learned from the implementation of this measure, which is theoretically ideal but challenged in practice, to achieve the transition? This is the subject of IDDRI's latest [Policy Brief](#), in which we identify four priorities for relaunching the ecological transition in France. Beyond the necessary transparency regarding the use of revenues from this tax, it seems essential to acknowledge the known limitations of carbon pricing to guide the changes in society and individual choices. While the rising price of fossil fuels remains a central element to the success of the ecological transition, and while it will certainly be necessary to return to an upward trajectory, the priority today is to use this hiatus to rebuild confidence.

To this end, a first priority is to encourage investment in low-carbon solutions enabling society and individuals to adapt. Many solutions appear viable, based on shared observations, and must be grasped: unique opportunities for energy renovation; incentivising the purchase of cleaner and low-carbon vehicles, both new and used; and providing the necessary means for the cycling programme. Moreover, carbon taxation should be made more equitable to avoid the same criticisms being levelled once again. Firstly, there needs to be a debate on the redistribution of an energy transition premium towards the poorest households, thus reducing the regressivity of the carbon tax and protecting the purchasing power of these households: we propose two scenarios to begin paying these premiums now, based on 50% of the current carbon tax revenue. Secondly, all sectors must eventually be involved, which means tackling carbon tax exemptions, particularly those for air and maritime transport, through enhanced cooperation between European countries. The positions adopted by the Netherlands and Belgium in favour of using carbon pricing in the aviation sector open a path that must be followed. Finally, clear development trajectories for every sector, consistent with the achievement of carbon neutrality, should be debated and endorsed by public authorities: what timeframe for the energy renovation of buildings? When should we switch to low-carbon vehicles? Sending clear signals would enable citizens to avoid falling into “technological traps”, of which diesel dependency for long-distance drivers is the latest example. It is by working on these different fronts that trust in transition policies can be restored, and a resumption of the increase in carbon tax eventually envisaged.

Without re-launching transition policies, improvement in French climate performance would be all but illusory, and the very credibility of a policy built on ambitious goals but not accompanied by the necessary means would be called into question. In addition, demonstrating that a transition can be both possible and accessible to all would strengthen the message of ambition that France conveys at the multilateral level, and also to its European partners on climate.

1 For example, the carbon tax was withdrawn in Australia in 2014 after only two years of implementation.