

CONCLUSION

For a Balanced and Pragmatic Approach to the Problem of Climate Change

The Paris Conference constitutes a turning point in the fight against climate change. Reaching a binding agreement that applies to all countries and that is effective in meeting the 2°C target is unquestionably the most ambitious goal since the early days of the United Nations Framework Convention on Climate Change. If this goal is attained, the implementation of measures to meet the targets that are set will feed discussion for years to come. Even if the opposite occurs, debate will persist in the Canadian political arena.

Whatever the result on December 11, public conversation will continue, and we can hope it will rest on a clear understanding of the facts and on the available data. The importance of fighting climate change is unquestionable, and denying it to avoid discussion is no longer possible. Similarly, a doom-mongering attitude used to justify draconian solutions regardless of the economic impacts also serves to prevent a productive dialogue. Canadians are prepared to make an effort, but not to give up their quality of life.

This balanced approach is also something to strive for in the public policies to be adopted. Many means can be considered for reducing Canada's carbon footprint. We have analyzed the advantages and drawbacks of a wide variety of tools: carbon markets, carbon taxes, fuel taxes, regulations, subsidies, and so on. The essential contribution from the field of economics to the discussion, simple in principle, consists of using cost-benefit analysis as a basis, paying special attention to the unwanted effects of public policies, and assessing these policies regularly.

The aim of this *Research Paper* was not to propose an action plan or specific solutions, but to review existing approaches. Nevertheless, it is worth recalling here three interrelated principles that can guide us in our collective choices:

1. **ENVIRONMENTAL EFFECTIVENESS:** The measures adopted should produce real reductions in global greenhouse gas emissions at the best possible price, in other words, the greatest reductions for a given amount. Market mechanisms favouring decentralized decision-making present a significant advantage in this regard.
2. **TAX NEUTRALITY FOR CITIZENS:** The measures adopted should give consumers and businesses an incentive to make choices that offer lower carbon intensity without impoverishing them. This suggests that measures leading to higher government revenue should be offset by an equivalent reduction in other tax levies, such as personal and corporate income taxes.
3. **MINIMAL ECONOMIC IMPACT:** The measures adopted should limit unwanted economic distortions, minimize carbon leakage, and take companies' competitiveness into account.

These three principles are directly inspired by the balanced approach discussed here. They call for citizens' ability to pay to be respected while contributing to our planet's health.

The adoption of binding measures to fight climate change inevitably goes together with a short- and medium-term economic cost. To think otherwise is incompatible with a clear understanding of how the economy works. There are three reasons economic prosperity should not be disregarded.

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First, the most vigorous economies are the ones best able to support substantial research and development to find technological solutions. Whether conducted at government research centres, universities, or businesses, current research is highly promising. In the decades to come, its potential will be more fully appreciated, but we already know it will help mitigate our impact on the environment without completely sacrificing our comfort and standard of living.

Second, prosperity plays a decisive role in the adaptation needed to deal with unavoidable climate change. Poor countries are the ones that are most threatened by the effects of weather and environmental disasters, due primarily to their poverty. Countries that get richer see a very significant decline in key factors such as deaths due to climate change, not to mention that economic prosperity goes together with huge benefits in health, education and other indicators of human development.

Third, it is the more affluent societies that show concern for the environment and, consequently, are willing to fight climate change. This popular awareness is not something to be taken lightly since it is a key motivation for many politicians and businesses.

For all these reasons, a healthier environment and greater prosperity are not contradictory goals, provided that the political choices we make are reasonable. This is why it seems to us both possible, and essential, to fight climate change with determination, but also with intelligence and rationality.