



NEWS RELEASE

Misguided cost-benefit analysis undermines climate policy

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For Immediate Release

TORONTO—Cost-benefit analysis is a powerful tool for guiding climate policy but easily falls prey to two common errors, finds a new study released today by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

“People often compare the wrong things when trying to decide if a policy is worth pursuing,” said Ross McKittrick, professor of economics at the University of Guelph, Fraser Institute senior fellow and author of *Apples to Apples: Making Valid Cost-Benefit Comparisons in Climate Policy*.

The first error involves comparing the cost of an additional climate policy to the benefits of stopping all climate change.

For example, claiming that a Canadian climate policy would stop all climate change exaggerates its benefits. Since Canada represents about two per cent of global carbon dioxide emissions, policies such as the recently-implemented federal carbon tax will reduce total global emissions only by a fraction of one per cent, which will have a very small effect on the global climate.

The second error involves looking at policies in isolation and ignoring the way they interact with other policies. Economists have devised techniques to adjust cost estimates for this, but the implications are often ignored.

“When debating climate policy, policymakers and advocates should understand the actual costs and benefits of any policy including carbon taxes,” McKittrick said.

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