

Rebate schemes haven't fixed the politics of carbon pricing

Efforts to recycle carbon tax revenues to publics in Canada and Switzerland haven't increased policy support – at least not yet.

Based on **Matto Mildenberger, Erick Lachapelle, Kathy Harrison and Isabelle Stadelmann-Steffen. 2022. "Limited impacts of carbon tax rebate programs on public support for carbon pricing." *Nature Climate Change*.**

The Policy Problem

The politics of carbon taxation remains challenging. Carbon taxes involve visible, short-term policy costs for the public – reflected in higher energy bills and more expensive gas. By contrast, the policy's benefit - a safe, future climate - only realize over the long-term. In an effort to fix this political economy, advocates argue that carbon tax revenues should be recycled into public rebates. Creating visible, salient, and short-term economic benefits linked to a country's carbon tax could increase political acceptability. Thus far, two countries globally have implemented national carbon tax and rebate schemes: Canada and Switzerland.

Key findings and proposed solutions

- The Canadian and Swiss public remain in the dark about the carbon tax rebates they are receiving: people don't know about their country's policy and they underestimate the size of their rebates
- When people receive customized information about the actual rebates they have received, their support doesn't substantially shift; within some groups, receiving this information even generates a backlash

- Rebates in Canada and Switzerland have been returned to the public in opaque ways – through a health insurance subsidy in Switzerland and via income tax returns in Canada. Governments need to make these benefits more visible. Follow-up work will test whether there are bigger rebate impacts when the Canadian government transitions to a system of mailing the public cheques in summer 2022.

What We Found

Members of both the Canadian and Swiss publics remain ill-informed about the rebates they currently receive, and systematically underestimating the size of benefits they receive. This public ignorance has persisted for more than a decade in Switzerland and, in Canada, a period in which the carbon tax was highly salient by virtue of the policy's implementation, court challenges, federal–provincial conflict and partisan debate during a federal election.

When we randomly revealed to some respondents the true value of their household rebate, this modestly increased support for the current policy in Switzerland but did not increase support for even a small increase in that country's carbon tax rate. In Canada, information about actual rebate size did not increase policy support at all. Instead, this information led conservatives to incorrectly believe the policy imposed net costs on their household. Rather than rebates restructuring public preferences, we instead find evidence that political identities continue to dominate public carbon pricing attitudes.

What We Did

We conducted a five-wave survey that measured the attitudes of the same set of Canadians before, during and after implementation of the Canadian rebate program in 2019 and 2020. We also conducted a survey of the Swiss public in 2020. In both cases, we collected data on public understanding of their countries' energy and climate policies. We also embedded experiments in both countries, randomly showing members of the public customized information on the rebates their household had personally received, to see how learning more about the policy might further shift their attitudes.

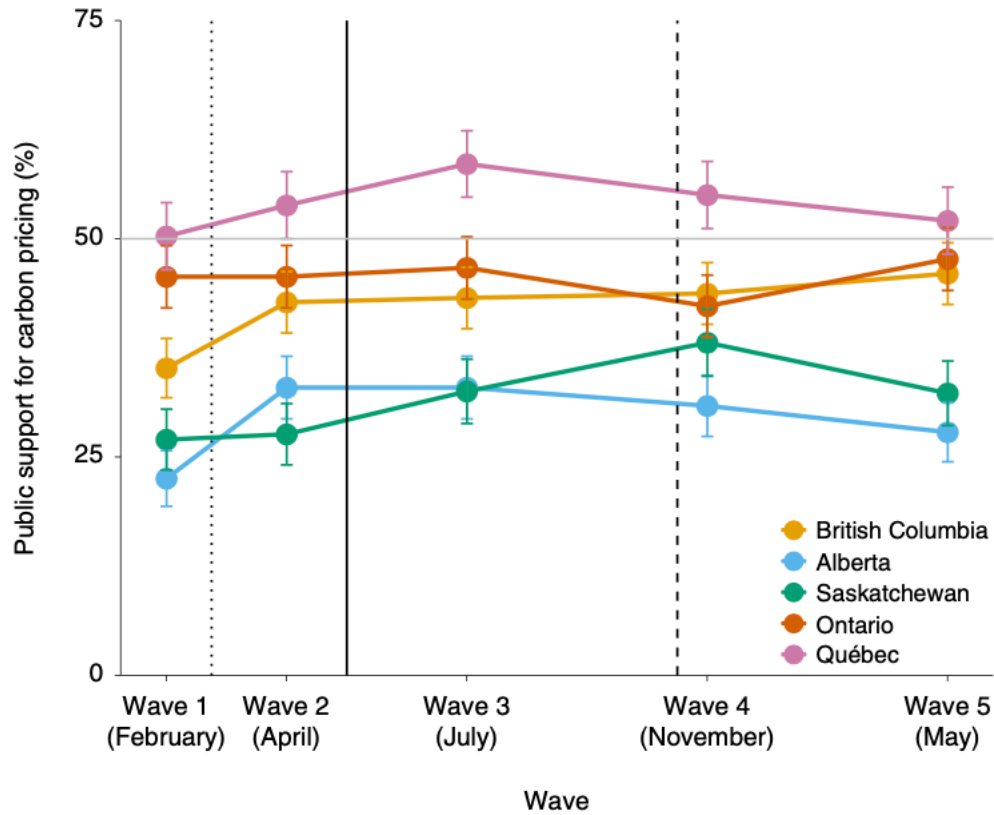


Figure 1. Support for carbon pricing by Canadian province across waves from February 2019 (Wave 1) to May 2020 (Wave 5). The dotted line indicates when the federal carbon tax policy came into effect. The solid line indicates the approximate period during which households received their climate rebates. The dashed line indicates the timing of a federal election in which the carbon tax was highly salient. Respondents in Saskatchewan and Ontario received climate rebates. Data from respondents who completed all five waves ($n = 899$).