

## **Designing carbon-pricing policy to drive innovation and limit emissions**

*Carbon management research in Canada receives a \$3.75 M boost*

**WATERLOO, ON, JANUARY 16, 2013** -- Researchers are developing economic models that aim to reduce the economic costs associated with implementing policies to reduce carbon dioxide emissions and encourage low-carbon innovation.

"The idea is to try to develop some models regarding carbon policy that can tell a story from a sound academic basis rather than the extreme views on both sides," says one of the lead investigators, Dr. Randall Wigle, associate director of the PhD Program in Global Governance in the Department of Economics at the Balsillie School of International Affairs (BSIA) at Wilfrid Laurier. A key goal of the project is to encourage low-carbon innovation by showing both the positive and negative impacts of policies.

Dr. Wigle and his team from BSIA, the University of Calgary and the University of Ottawa will receive \$400,000 over two years from Carbon Management Canada (CMC-NCE), a national Network of Centres of Excellence supporting game-changing research to reduce CO<sub>2</sub> emissions in the fossil energy industry as well as from other large stationary emitters. The award is part of CMC-NCE's third round of funding which saw a total of \$3.75 awarded to eight projects.

Wigle and his team are using general equilibrium models to examine the multitude of factors that will be affected by a policies to reduce carbon dioxide emissions.

"You start from the simple things," he says. "Chemicals and refining and steel production are going to be affected a lot and the service sector won't be affected very much. We try to keep track of all these interrelations so we can give an answer at the end of the day."

The team, which includes University of Wisconsin-Madison Professor Tom Rutherford, an international leader in computational equilibrium modelling, will build on existing models supplied by Environment Canada.

"There are a number of features that are already in the model that we want to refine," says Wigle. "We are hoping to look at the impacts of alternative policy measures and the interaction of demographic change and Canada's fiscal change, as it relates to climate policy."

He says there are improvements in modeling techniques as well as better data available to help answer questions about the effects of carbon policy on the economy.

“With a modest carbon tax or, selling allowances at a very modest price—even if you sell a subset of the allowances at a pretty modest price—still you could be talking a fair amount of revenue, like billions.”

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**About Carbon Management Canada**

Carbon Management Canada (CMC) is a national network that funds research and promotes the transfer to practice of knowledge and technologies to reduce CO<sub>2</sub> emissions in the fossil energy industry and other large stationary emitters. CMC has over 160 investigators, network agreements with 27 Canadian universities, and has invested \$22 million in 44 research projects.