

How to Achieve the Emission Target with Less Impacts on Economy: Implications from Taiwan

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Abstract

To combat the threat of global warming, the carbon pricing is a powerful policy measure for the achievement of emission target. The carbon tax not only raises production costs of firms but also reduces disposable income of households, decreasing economic growth. However, using such a single policy for the target achievement might cause a large economic loss. In practice, a government could launch multiple policies in order to achieve the emission target. Some policies might not only reduce carbon emissions but also bring positive effects to economy. Through the investments in renewable production and energy use, the aggregate demand increases and energy efficiency improves. Thus, these policies might bring benefits to economy in order to reduce emissions. We propose that a governments could launch multiple policies to combat climate changes and reduce the risk of using single policy.

Keywords: Carbon reduction; Carbon pricing; Renewable; Energy efficiency