

78% of fossil fuel companies are in favor of carbon taxes

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In a surprising finding, 78% of fossil fuel companies are in favor of carbon taxes, research from ESSEC Business School finds. Professor Alain Naef explores the reasons behind fossil fuel companies' support of carbon taxes.

To understand where fossil fuel companies stand on carbon taxes, Professor Naef analysed how the 100 largest oil and gas companies communicate on carbon taxes. In order to do this, he conducted a survey to gain a better understanding of their take on carbon taxes.

In asking why fossil fuel companies support carbon taxes, Professor Naef uncovered six different potential explanations. They are:

1. **Winners and losers:** Stopping the competition from coal and other higher emitters, as many fossil fuel companies do not deal with coal. This would stop competition from coal companies.
2. **Inelastic demand:** The idea of inelastic demand is based on basic economic theory. The consumption of some goods is highly affected by their price. Other goods are completely inelastic to the price. Energy is a necessity and cannot be withheld so the demand for energy will not fall.
3. **Level Playing Field:** A global carbon tax would create a level playing field for all fossil fuel companies. Currently, Canadian fossil fuel companies are subject to a carbon tax while American companies are not. This puts Canadian companies at a disadvantage.
4. **Belief that international coordination will fail or take time:** A carbon tax needs to be international and agreed upon by most nations, or it will lead to carbon leakage. However, the political economy of finding such a global agreement is complex at best.
5. **Removing uncertainty:** Currently, oil and gas companies do not know if, when, or where a carbon tax could be implemented globally. Knowing this would help plan investment with less risk.
6. **Shifting responsibility to the consumer and voter:** A carbon tax could be a way for fossil fuel companies to shift their responsibility in climate change.

This paper has shown that the majority of large oil and gas companies favor the introduction of a carbon tax, even if it could go against their interests. Among the 50 largest oil and gas companies that have spoken on the issue, 78% support a carbon tax. Among the whole sample of the 100 largest oil and gas companies, the majority have yet to take a position. The rest is equally split between support and opposition to carbon taxes.

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