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Carbon taxes and cap-and-trade policies would potentially generate more money than would be lost in energy company profits, according to a new study from the Potsdam Institute for Climate Impact Research, co-written by a University of Dayton professor.

Many national governments around the world — including the United States — have committed to limiting global temperature increases to 2 degrees Celsius. In order to achieve this goal, there will have to be a price placed on emissions in the form of a tax or permit trading system, commonly called cap-and-trade, said Bob Brecha, University of Dayton physics professor and coordinator of the University's sustainability, energy and environment initiative.

"There has to be a trade-off with climate policies," Brecha said. "Owners of fossil fuels will lose profits — called 'scarcity rents' — because of decreased demand. On the other hand, climate change mitigation policies like cap-and-trade create new revenue by selling a scarcity of space for emissions in the atmosphere."

The report estimates these new revenues at \$32 trillion dollars, far exceeding the estimated \$12 trillion dollars in lost profits. The big question, however, would be how these revenues are distributed, Brecha said, since fossil fuel resources are not evenly distributed geographically and individual governments would almost certainly have a role to play in international climate agreements.

Existing energy resource owners could be "grandfathered" in to agreements, allowing them to recoup potential losses. Others have proposed distributing the revenue to developing nations to improve their energy infrastructure, thus linking climate and development policies.

Read more about the study from the Potsdam Institute, published online in *Climatic Change*, at the related link.

Brecha has spent his summers since 2006 studying at the Potsdam Institute for Climate Impact Research since 2006. He publishes academic studies frequently on topics including peak oil, nuclear power and the economics of climate change.

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