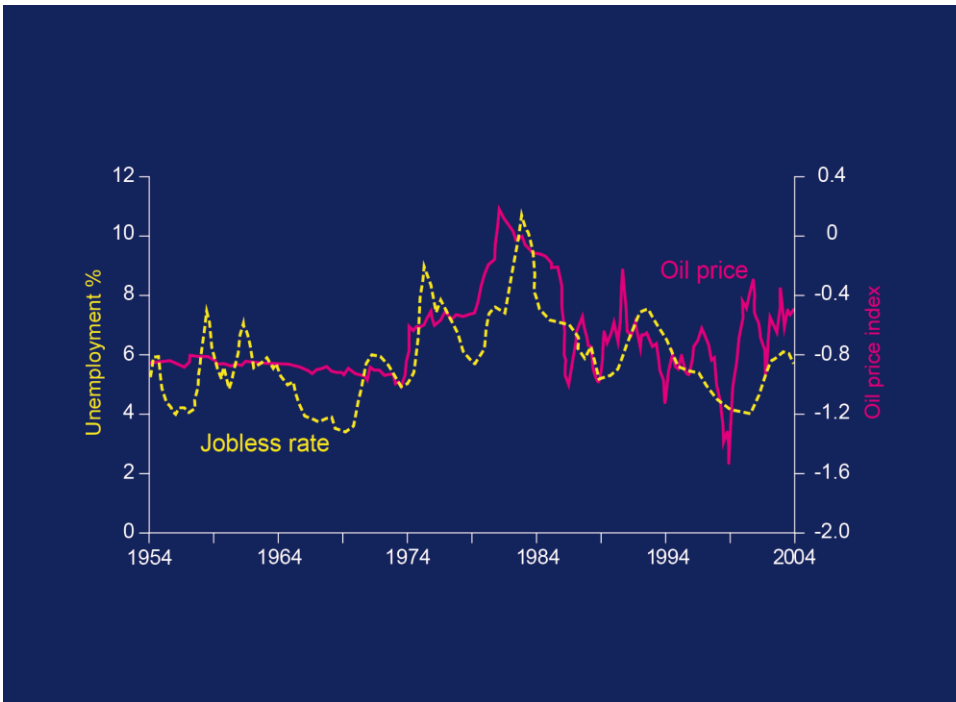


Dear Herman, Aubrey and all

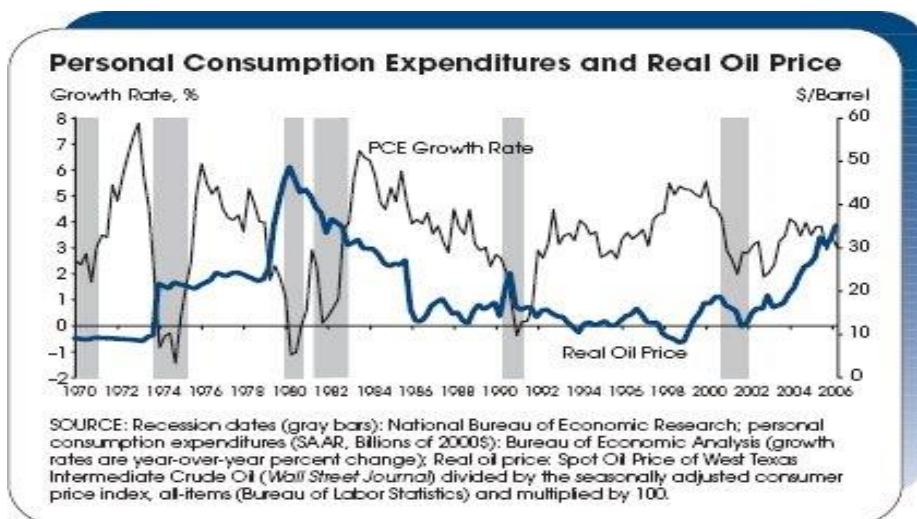
I feel a little intimidated at butting into a conversation between such great thinkers but I would like to point out what would be likely to happen if a carbon tax were to be used as a main plank in a long-term carbon reduction strategy. I am a fan of carbon taxes, and believe that they can provide an instant and significant incentive to change.

If we consider that sudden rises in oil price have an approximately equivalent effect on the economy as a carbon tax, we can learn from past experience.

This graph is reproduced from David Strahan's accessible book about the permanent decline in oil reserves, 'The Last Oil Shock' (2007). It shows the impact on economies by comparing the oil price (purple line) and the health of the economy, using the proxy of unemployment rate (yellow dashes). As the price of oil rose, so did unemployment.

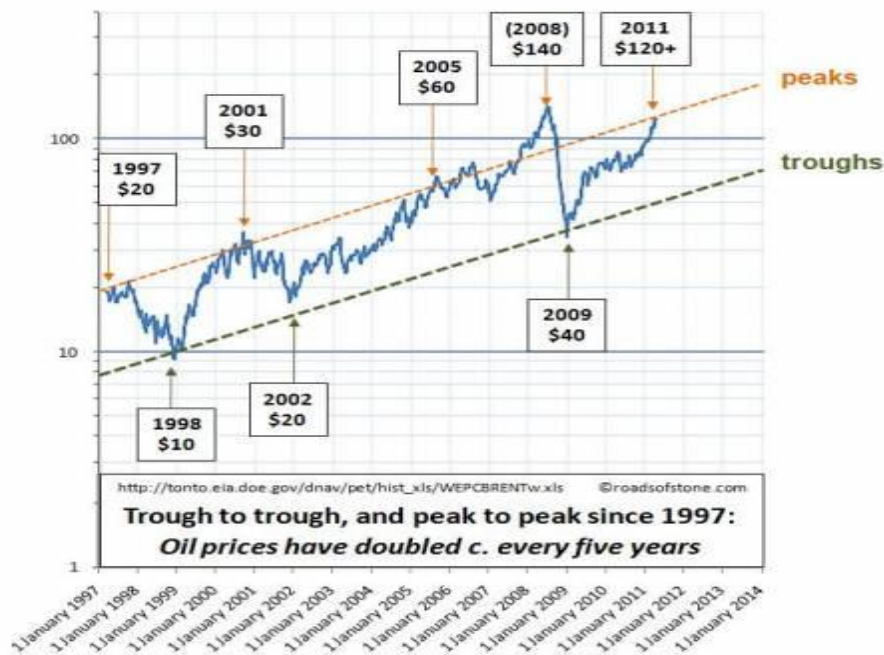


The second graph (from The Oil Drum [www.theoil Drum.com](http://www.theoil Drum.com)) shows the oil price (dark blue line), spending (gray line) and recessions (grey vertical bars). Each time the price of oil has risen, the economy has been hit, therefore demand for oil has dropped, then prices have begun to drop. In other words, normal supply & demand dynamics.



The price of oil has risen consistently for several decades (for reasons not discussed here), and each time the economy has recovered as the oil price has gone down, but it has not gone down to the level it was before the crash; it has always been higher.

The third graph shows how the oil price continues to rise. The key point is that the price has increased but economies have been healthy. The increased oil price has been absorbed into new growth. The 2009 trough is about the same as the price peak in 2001, which triggered a recession.



So my take home message from this is that a carbon tax can be very useful, though let's hope a level can be determined where it will have an effect on fossil fuel consumption but will not lead to a major economic crash, but whatever occurs, its long term effect will be minor. That is just one more reason why we need a controlling model in the form of Contraction and Convergence.

Thanks for lasting to the end.

Regards, Tom