

# The economics of air pollution from fossil fuels

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## Abstract

The paper sets out the economic theory for addressing externalities such as air pollution from burning fossil fuels and from road transport, and for public bads such as greenhouse gases, taking as examples the *Clean Air Act*, 1956, progress in reducing emissions from power stations, and recent concerns over the number of premature deaths from the rapid growth in diesel cars. That damage can be costed at 15p/litre of diesel on average. The last part discusses the efficacy of taxes, quotas or standards and the EU ETS for mitigating climate damage.

**Keywords** Air pollution, particulates, fossil generation, transport, emissions trading

**JEL Classification** H2, H23, H41, I18, Q51, Q54, Q58

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