

A Global Greenhouse Tax

Report

by Shannon Brincat

WITH the era of fossil fuels drawing to a close and the threat of global warming looming, specialists from around the world met at the University of Helsinki to discuss the idea of a Draft Treaty for a Global Greenhouse Gas Tax (January, 2011). Hosted by the Centre of Excellence in Global Governance Research, this workshop explored the possibilities for the establishment of an international treaty that would effectively tax greenhouse gas (GHG) emissions. The workshop also recognized the innovative civilizational possibilities opened up by accelerating the transformation towards a post-fossil fuel era, including the need for global democracy.

Based on the theory of targeted environmental taxation reform, the Global Greenhouse Gas Tax (GGGT) would set a price on all GHG emissions. This price would reduce GHG emissions, decrease the commercial desirability of fossil fuels and encourage the development of more energy efficient technologies and clean sources of energy, at the level of individual consumption and corporate investment. The GGGT would provide an ongoing market-incentive for the transition from fossil fuels to 'green power,' and would do so globally. By providing price stability, the GGGT would signal the commercial viability of clean tech-

nologies/energies for future investments.

The revenue derived from the GGGT could be used for further mitigation and adaptation measures to climate change. As compared to the Green Climate Fund launched by the Cancún Agreement (December, 2010), the GGGT offers a more ambitious means to develop a fund for the 'global common good' and to do so via the democratisation of the institution of the GGGT itself. This revenue would be particularly useful for developing safe and renewable technologies and in the international sharing of such knowledge that is essential for any successful response to climate change. As the first global tax of its kind, the GGGT could be a fundamental building block for the democratisation of global governance and help initiate this process.

The Purposes of 'Global' GHG Taxation

Discussions began by a comparison of carbon taxation against emissions trading schemes (ETS). Based on the criteria of environmental effectiveness and economic efficiency, it was found there were considerable benefits for adopting the taxation model at the global level. The predictable price of carbon taxes could spur investments in clean technologies/energies and the ease by which a GGGT could be implemented through existing state tax-administration capacities were seen to be of key benefit. Moreover, as a publicly transparent

mechanism it would be less prone to market manipulations than ETS and its revenue could be allocated for the purposes of the 'global common good'.

Debate focused on whether the purpose of the GGGT was primarily a form of 'soft law' to induce behavioural changes away from the consumption of fossil fuels, whether it was as a levy to source revenue, or whether it was to promote the development of green technologies and sources of energy. These questions were central to the *effectiveness* of the GGGT and how it was to be *designed*. It was suggested the GGGT could offer all three benefits simultaneously to be reflected in a broadly articulated *Preamble*, though its primary goal was to be the immediate reduction in GHG emissions and the consumption of fossil fuels.

Previous developments in the Currency Transaction Tax (CTT) (Tobin Tax) suggested the GGGT Draft Treaty should follow a focused approach that proposed definite criteria that could be systematically tested. In this way, the GGGT was something truly innovative as it sought not the transference of the sovereignty of taxation away from the state but the sharing of the right to tax between national and global forms of political community. In this context, calling it a 'Planetary Tax' was suggested to emphasise its environmental goal that could not be achieved by states acting alone or regionally.

It was felt that some important elements would be lost if the intention of the GGGT was solely the reduction of GHG emissions, particularly in regards to concerns of global justice, the transformation of international political economy and the need for democratisation in world politics. The ambitiously wide ambit for democratisation through the GGGT would allow debate on the technical, justice, environmental and economic concerns of the tax through the institutions of an International Democracy (of states) and a House of Democracy (a parliamentary form of world representatives). This would achieve the principle of 'no taxation without representation' in which the world's population would

be able to both decide the tax-rate and the expenditure of the revenue in the global fund. Moreover, drafting the GGGT in broad terms would allow the democratic body to expand the purview of the tax that would initially focus on carbon and then comprehensively cover all GHGs alongside other pre-existing regulatory frameworks.

Economic Research Findings

Dependent on the context, recent research was shown to dispel the common assumption that a carbon tax would be regressive. Research based on Indonesia showed that forms of taxation as envisaged under the GGGT could actually be progressive for rural, peasant and poorer communities in the developing world. This indicated that the GGGT needed to be paralleled with a just-transition agenda that looked to the mitigation, adaptation and distributional impact of global warming, both amongst states and within them.

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economies but offered benefits related to income and public goods dependent on how the revenue was recycled. In this way, the GGGT would help support developing states' transition to cleaner technologies and sources of energy as an incentive for sustainable development and rejection of the Western pattern of intense reliance on fossil fuels. It was argued that the GGGT

would therefore offer a 'triple dividend' by adding prosperity to economic efficiency and environmental improvements.

A key question in climate change policy has been the commensuration of GHG emissions. The quantitative approach of ETS models had reduced complex socio-environmental issues to apolitical, technical solutions that shifted decision-making power from citizens into a private 'right to emit'. The GGGT would reject such approaches and offer a wider focus on justice, sustainability and democracy. The key was to not fix-

ate on setting the ‘right’ price on GHG emissions but in making it increasingly higher to promote ongoing incentives for the just-transition to the post-fossil fuel era.

Moreover, the GGGT was to be open to other complementary policy instruments and work alongside them in combatting climate change. For example, it was found that F-gases and other ozone depleting gases may be more appropriately categorised under the Montreal Protocol.

Nevertheless, the GGGT could be implemented based on a phase-in approach that began with CO₂ emissions and, at some later stage, made other GHGs also subject to the tax. Pegging the GGGT in this way would maintain a broad level to capture all GHGs and ensure ease of implementation.

The ending of all domestic subsidies to fossil fuel industries was seen as something to be necessarily included in the GGGT. This objective could be then linked with the fund for the ‘global common good’ that would reflect the historical use/enjoyment of emission by having different contributing rates; developed states would contribute 80% of revenues with the poorest developing countries retaining 90% of the revenues for their own use. This was considered more workable and desirable than the Hansen ‘fee-dividend’ model that lacked the benefits of the fund for the ‘global common good’ and the democratisation of global governance.

One of the technical issues debated was the *point* of taxation; whether it should be at extraction or consumption. It was suggested by some that mid-stream—at refinery or entry into consumption market—would retain the simplicity of the tax without unduly impacting international trade, particularly for developing states. Others favoured taxing fossil fuel at source positing that rendering the GGGT like a consumption tax would become very complicated. This also highlighted that the transition to a new energy paradigm of sustainability required corresponding changes to the international trading system itself as one of the major contributors to GHG emissions.

The GGGT Campaign

A focus of discussions concerned an international

campaign for a GGGT supported by transnational civil society. It was argued that the transformative potential of the GGGT should be emphasised with the socio-environmental benefits positioned as central.

The democratic basis of the GGGT was crucial to establish appropriate checks and balances, uphold the intentions of the GGGT and ensure people—at local and global levels—had a voice in the decision-making process and the use of revenue. This would also allow the democratic body to examine the target-rate of the GGGT based on the required reduction of fossil fuels, the just-transition to the post-fossil fuel era, and that the disbursement of the funds reflected historical responsibility for climate change.

An example of such a globally coordinated response with differing levels of contribution to the common fund was found in the Swiss Model Bali Action Plan (2008). It was suggested the model of the Land Mines Treaty and formation of the International Criminal Court could be followed as an effective means to campaign for the GGGT. The GGGT could be implemented by a coalition of the willing (at first 20–30 countries) and be used alongside existing forms of regulation.

The Road Ahead

The workshop has acted as a catalyst for future developments and a small group has formed to continue the work of developing the Draft Treaty for a GGGT, with input from a wide array of specialists and activists. It is expected that an interdisciplinary volume focused on the political, economic, environmental and taxation issues of the GGGT will be developed. In addition, advocacy for the GGGT as an effective, internationally coordinated response to global warming will begin alongside further discussions and analysis of the GGGT at the international level. ●

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This report reflects the views only of the author and not the participants of the workshop. For further information or to get involved, please email the author of this report at shannonbrincat@yahoo.com.au.