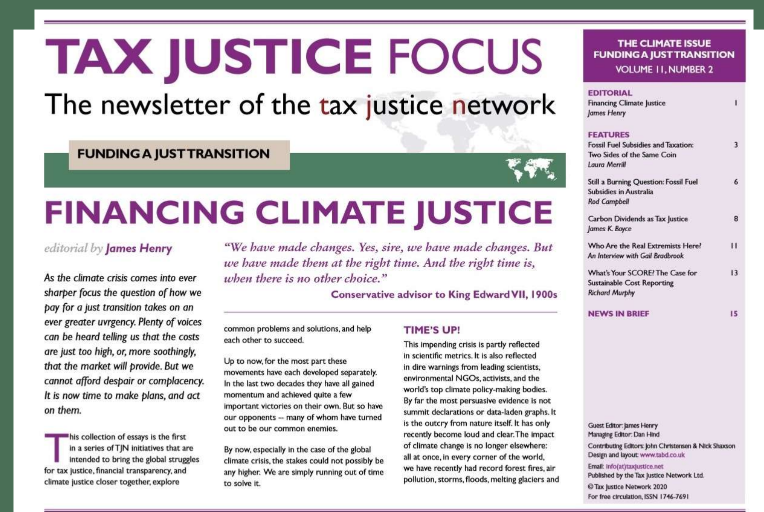
Reading International Solidarity Centre , 11th March 2020

CLIMATE EMERGENCY
Financing the Transition to Sustainability

John Christensen

Tax Justice Focus:
The Climate Crisis Issue



TAX JUSTICE FOCUS

The newsletter of the tax justice network

THE CLIMATE ISSUE
FUNDING A JUST TRANSITION
VOLUME 11, NUMBER 2

FUNDING A JUST TRANSITION

FINANCING CLIMATE JUSTICE

editorial by **James Henry**

"We have made changes. Yes, sire, we have made changes. But we have made them at the right time. And the right time is, when there is no other choice."
Conservative advisor to King Edward VII, 1900s

As the climate crisis comes into ever sharper focus the question of how we pay for a just transition takes on an ever greater uvrgency. Plenty of voices can be heard telling us that the costs are just too high, or, more soothingly, that the market will provide. But we cannot afford despair or complacency. It is now time to make plans, and act on them.

This collection of essays is the first in a series of TJN initiatives that are intended to bring the global struggles for tax justice, financial transparency, and climate justice closer together, explore common problems and solutions, and help each other to succeed.

Up to now, for the most part these movements have each developed separately. In the last two decades they have all gained momentum and achieved quite a few important victories on their own. But so have our opponents -- many of whom have turned out to be our common enemies.

By now, especially in the case of the global climate crisis, the stakes could not possibly be any higher. We are simply running out of time to solve it.

TIME'S UP!

This impending crisis is partly reflected in scientific metrics. It is also reflected in dire warnings from leading scientists, environmental NGOs, activists, and the world's top climate policy-making bodies. By far the most persuasive evidence is not summit declarations or data-laden graphs. It is the outcry from nature itself. It has only recently become loud and clear. The impact of climate change is no longer elsewhere: all at once, in every corner of the world, we have recently had record forest fires, air pollution, storms, floods, melting glaciers and

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Design and layout: www.tabd.co.uk
Email: info(at)taxjustice.net
Published by the Tax Justice Network Ltd.

For free circulation, ISSN 1746-7691

Available to download from www.taxjustice.net on 12th March 2020

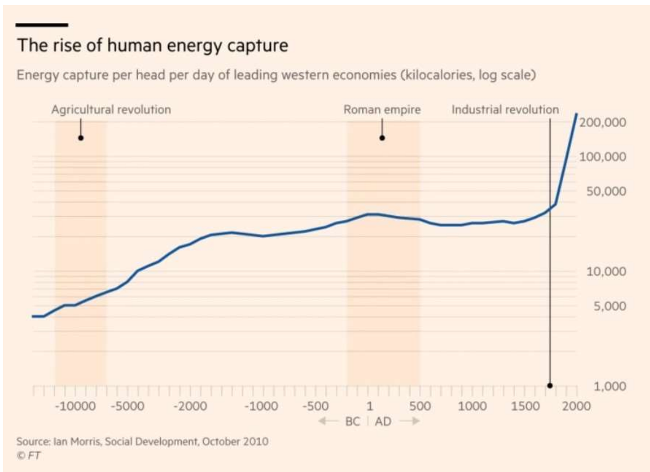
The Macron Masterclass

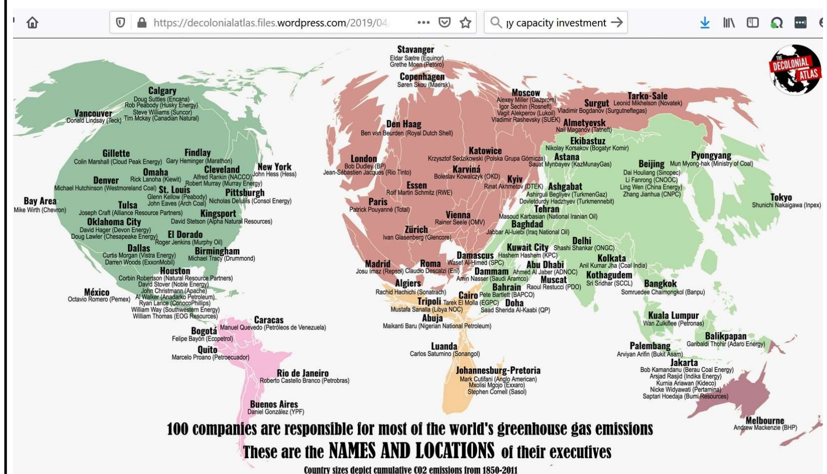
How NOT to Implement Pro-Environment Taxes

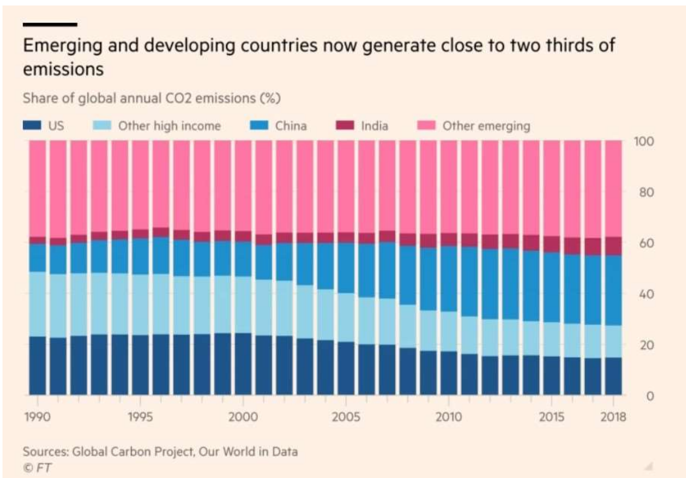
" wealth tax cuts for plutocrats . . increased fuel duties for car drivers, but total exemption for owners of yachts and private jets . ."

https://www.taxjustice.net/taxcast/edition-84-december-18/

1. A brief history of energy capture (and inequality)
2. Market failures and harmful subsidies
3. Improved technology and falling costs
4. Public v Private – shaking off the ghost of *Schwarze Null* (Black Zero)
5. The Carbon Dividend – putting low income households first
6. Sustainable cost reporting: companies must publish reliable data about their greenhouse gas (GHG) emissions and take steps to reduce them


The rise of human energy capture
Energy capture per head per day of leading western economies (kilocalories, log scale)
Agricultural revolution
Roman empire
Industrial revolution
200,000
100,000
50,000
10,000
5,000
1,000
-10000
-5000
-2000
-1000
-500
1
500
1000
1500
2000
BC
AD
Source: Ian Morris, Social Development, October 2010
© FT


https://decolonialatlas.files.wordpress.com/2019/04
100 companies are responsible for most of the world's greenhouse gas emissions
These are the NAMES AND LOCATIONS of their executives
Country sizes depict cumulative CO2 emissions from 1850-2011



" . . Just seven percent of the world's population (approximately 500 million people) are responsible for fifty percent of all greenhouse gas emissions in the world."

Stephen Pacala

Lecture: Equitable Climate Solutions

https://www.youtube.com/watch?v=2X2u7-R3Wrc

The Externality Issue:

A centuries old market failure

Externalities lead to market failure because a product or service's price equilibrium does not accurately reflect the true costs and benefits of that product or service – in the case of fossil fuels, the market price takes no account of pollution harms and climate change harms

The Subsidy Issue

The wrong kind of government intervention

World Trade Organisation defines a subsidy as any direct or indirect financial contribution by government or a govt agency which confers a benefit on its recipient that is not available to other market participants.

Subsidies can include: direct payments, tax breaks, risk-sharing (e.g. equity, low cost loans), state investment in infrastructure

Global commitments to lower emissions and ‘climate-resilient development

- 2018 Paris Agreement: make *“finance flows consistent with a pathway towards GHG emissions and climate-resilient development”*
- G20 countries are responsible for 79 percent of GHG emissions
- G20 countries have pledged to end fossil fuel subsidies ‘in the medium term’ but have not clarified which subsidies will be included, not a timeline for the phase-out
- SDG 12 commits to ‘rationalising fossil fuel subsidies to ensure sustainable production and consumption

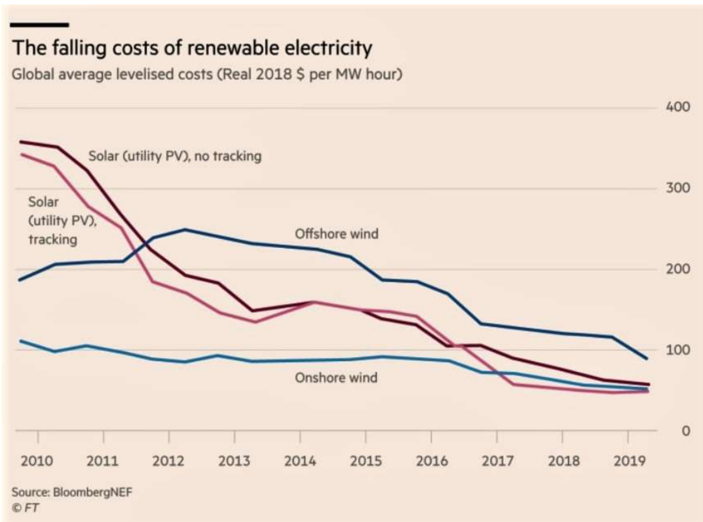
“Global revenue gains from the removal of subsidies and the efficient taxation of fossil fuels could be around US$2.8 trillion to governments, equivalent to 3.8 percent of GDP”

Laura Merrill
Tax Justice Focus
March 2020

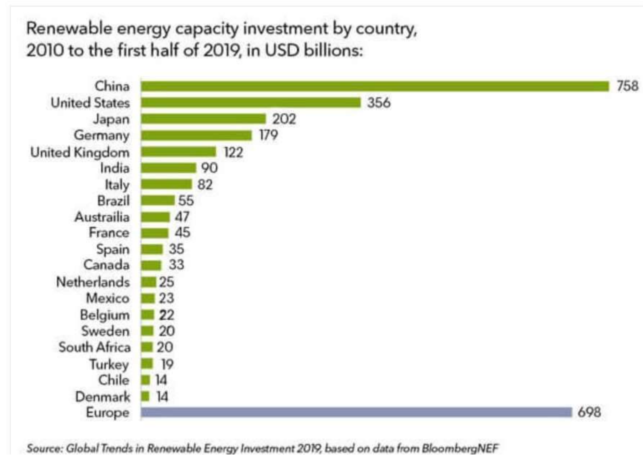
Some governments still subsidise the prices of petrol and diesel bought at the pump, coal and gas prices are also subsidised. These forms of price subsidies cost $400 billion in 2018.

Tax breaks, government funded infrastructure, and exploration and production subsidies cost $100 billion annually worldwide.

If you include the health impacts of fossil fuel pollution, and the damage caused by extreme climate events linked to global warming, the true cost of subsidies to the fossil fuel sector runs to $5.2 trillion a year, or $10 million every minute of every day of the year.



Last Decade of Investment Quadrupled Renewables Capacity



The ghost of Schwarze Null

"Government borrowing is by far the best way to pay for the green transformation . . But there is an obstacle . . a mindset which says that governments must not borrow. We Germans call this Schwarze Null."

Economist Peter Bofinger
Tax Justice Focus
26th March 2020

Carbon Pricing and Tax Justice

Pricing carbon output must meet two key tests:

1. It must be effective; priced sufficiently high to ensure a rapid transition. Strict limits on carbon quotas will keep prices high
2. It must be equitable; priority needs to be given to ensure that working people's lives are improved at every stage of the transition

Equity: The Carbon Dividend

1. Everyone receives the same dividend
2. Heavy fossil fuel users will pay more in higher prices than they receive in dividends
3. The majority of households come out ahead because the average is pulled upwards by the outsized carbon footprints of the top one percent
4. Everyone benefits from environmental gain

Sustainable Cost Reporting

1. A mandatory accounting standard which will require businesses to disclose their GHG emissions
2. This information will cover upstream and downstream GHG emissions
3. Disclosure will be accompanied by a costed plan to move to net zero carbon emissions
4. This information will be provided on accounts available to workers, creditors, investors, etc

"The policy analysis and solutions that tax justice and transparency advocates have to offer is precisely what the environmental doctors should have long since ordered – had they not spent so much time under the influence of free-market ideology. With respect, there is just no substitute for the kinds of fiscal, regulatory, and transparency policies that can only be deployed by governments."

James Henry, Senior Fellow, Columbia University
Guest Editor *Tax Justice Focus*, March 2020

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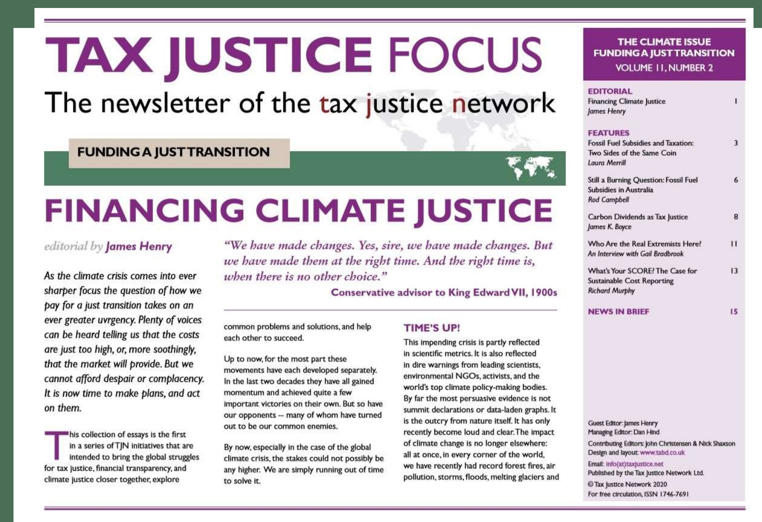

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