Delivering climate justice using the principles of tax justice

A guide for climate justice advocates

Position paper

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TAX JUSTICE NETWORK

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Introduction

To prevent and mitigate the most extreme climate crisis trajectory, the climate justice movement must achieve nothing less than the root-and-branch reform of our economic systems. At both the national and global level, these systems can be just as complex and intricate as our planet's climate.

Initial proposals for a Green New Deal advocated for large-scale industrial policy and fiscal interventions to transition carbon-intensive economies in the Global North to less environmentally and socially harmful versions. In these proposals, many entrenched inequalities within and across countries were left largely unaddressed[1], falling short of making the sort of decolonial progressive asks needed to tackle extreme inequality and to make historic polluters pay. In what is sometimes called climate colonialism, communities in countries like Morocco have remained cut off from energy access while their solar energy is captured for use in the Global North.[2] Carbon offset schemes have involved land grabs in poor countries[3] inhabited by vulnerable groups – yet they are growing in volume and expected to exceed $250 USD billion by 2050[4]. Mining for resources needed to power renewable energies, such as cobalt, leaves behind a destruction of biodiversity and serious human rights abuses[5].

Recent proposals for a feminist, intersectional and decolonial Global Green New Deal, and proposals from the climate justice movement more widely, have put historic and overlapping inequalities of the climate crisis front and centre of climate justice. This new generation of proposals have identified a wider and more comprehensive range of environmental, social and economic policies to pursue as part of the realisation of a rights-based agenda.

They involve making far bigger changes to how our local and global economies work compared to initial proposals for a Green New Deal in the Global North, which to this day reflect a paradigm of economic growth at all cost. While the flagship policies of the latter - like carbon pricing[6] - mostly served as course corrections for extractive systems, this new generation of climate justice proposals requires a reconfiguration of the engines humming at the heart of our economies in order to succeed and realise its full potential.

Against the backdrop of rising austerity measures around the world[7], a reconfiguration of this size and depth can't be achieved by advocating for specific policies only, even if they are necessary building blocks for a fair green transition. Rather, the climate justice movement will need to mobilise cohesive and comprehensive fiscal frameworks that

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[1] Bhumika Muchhala, 'Towards a Decolonial and Feminist Global Green New Deal - Rosa-Luxemburg-Stiftung', 2020 <https://www.rosalux.de/en/news/id/43146/towards-a-decolonial-and-feminist-global-green-new-deal> [accessed 19 June 2023].
[2] Olúfẹ́mi O. Táíwò, 'How a Green New Deal Could Exploit Developing Countries', *The Conversation*, 2019 <http://theconversation.com/how-a-green-new-deal-could-exploit-developing-countries-111726> [accessed 15 June 2023].
[3] Nafeez Ahmed, 'Carbon Colonialism: How the Fight Against Climate Change Is Displacing Africans', *Vice*, 2014 <https://www.vice.com/en/article/kbzn9w/carbon-colonialism-the-new-scramble-for-africa> [accessed 15 June 2023].
[4] 'Carbon-Offsets Market Set to Surge', *Morgan Stanley* <https://www.morganstanley.com/ideas/carbon-offset-market-growth> [accessed 20 June 2023].
[5] Aphra Murray, 'Cobalt Mining: The Dark Side of the Renewable Energy Transition', *Earth.Org*, 2022 <https://earth.org/cobalt-mining/> [accessed 22 June 2023].
[6] 'Which Countries Have Put a Price on Carbon?', *Our World in Data* <https://ourworldindata.org/carbon-pricing> [accessed 19 June 2023].
[7] Isabel Ortiz and Matthew Cummings, 'End Austerity: A Global Report on Budget Cuts and Harmful Social Reforms in 2022-25', *Eurodad*, 2022 <https://www.eurodad.org/end_austerity_a_global_report> [accessed 20 June 2023].

support rather than work against the movement's proposals. It is these very frameworks that the tax justice movement has been building over the past 20 years.

Tax justice solutions for climate justice challenges

The tax justice and climate justice movements are both committed to overcoming the deeply entrenched dynamics of the unequal economic and ecological relationship between low and middle income countries on the one hand, and high income countries on the other, as well as horizontal forms of inequality[8]. Yet still, both movements tend to operate in isolation from each other.

From carbon footprint and net zero initiatives that misdirect responsibility away from the biggest corporate polluters to regressive indirect taxes[9] that disproportionately shift the tax burden onto low income earners, our economies have been programmed to prioritise the desires of the wealthiest over the environmental and economic needs of everyone else. It's the same thread that connects billionaires paying lower tax rates than their secretaries to lower income countries suffering the effects of rich countries cumulative carbon emission. Undoing this injustice – reprogramming our economies – has been a central aim of the tax justice movement.

The tax justice movement has shaped tax[10] into a tool for reprogramming economies to treat the needs of all members of society as equally important. This has included progress in tax transparency rules that help make sure that the finances of the wealthiest corporations and members of society adhere to the rule of law, and legal arguments that embed human rights obligations in tax policy.

Tax can be a powerful tool for climate justice to prioritise people's environmental and economic needs instead of the incentives of the biggest and wealthiest polluters and extractors. A UN tax convention for example could offer the Global South an equal say on global tax policy design and support the longstanding work of the United Nations Framework Convention on Climate Change. Put simply, tax justice policies can reprogramme economies to be compatible with and conducive to climate justice policies.

This position paper will present a range of tax policies to meet some of the challenges facing the climate justice movement, such as the climate finance gap, ongoing imbalances between those responsible for the climate crisis and those most affected, the legacies of historic climate injustice, political inertia, and a lack of global cooperation. The solutions are based on the five principles of tax justice – **revenue, redistribution,**

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8 Decolonising Economics, 'Tax as a Tool for Racial Justice', 2022 <https://issuu.com/decolonisingeconomics/docs/tax_as_a_tool_for_racial_justice_report_2022> [accessed 19 June 2023].
9 European Data Journalism, 'How VAT Hinders Effective Redistribution of Wealth' <https://www.europeandatajournalism.eu/cp_data_news/how-vat-hinders-effective-redistribution-of-wealth/> [accessed 19 June 2023].
10 Tax Justice Network, State of Tax Justice 2022 <https://taxjustice.net/reports/state-of-tax-justice-2022/> [accessed 19 June 2023].

repricing, representation and reparation. The paper uses the Global Green New Deal as a policy example.

This current moment in time is opportune for linking up the climate justice and tax justice movements. The tax justice movement has made big strides in recent years and is on the cusp of landing historic policy wins this year. These successes, from transparency on the profits and taxes of the biggest multinational corporations to a possible democratic revolution in how global tax rules are determined, have huge impacts and potential for the climate justice movement.

The five R’s of tax justice:

Revenue to fund universal public services and sustainable infrastructure.

Redistribution to curb inequality between individuals and between groups.

Repricing to limit public “bads” like carbon-intensive consumption or investment

Representation to strengthen democratic processes and improve democratic governance.

Reparation to redress the historical legacies of colonisation and ecological damage.

The paper draws on what the Tax Justice Network refers to as “carbon tax justice”: A just transition seeking to redress the various historic and ongoing inequalities in the exploitation of carbon resources, and in the unfair distribution of the ongoing costs.

Crucially, carbon tax justice requires broad, systemic change that aims at something bigger and more cohesive than carbon pricing as a flagship climate policy. It seeks to secure reparations for the historical legacies of colonialism and ecological damage, introduce redistributive policies to reduce inequalities and emissions and increase revenue for climate finance.

Going beyond repricing carbon

Carbon pricing is an example of the tax justice principle of "repricing" – the ability of taxes to limit public "bads" such as tobacco consumption and carbon emissions by making them more expensive. While carbon pricing has a necessary role to play[11], repricing is a narrow slice of what tax policy can do for climate justice, not to mention the risk of its regressive impacts on vulnerable groups.

In many countries, carbon pricing has become a flagship climate policy through either emissions trading systems, carbon taxes or a combination thereof, all the while fossil fuel subsidies remain in place, and are even expected to rise[12]. Carbon pricing captures the external costs of greenhouse gas emissions, such as damage to crops or health care costs from heat waves and droughts, and ties them to their sources, usually in the form of an incrementally increasing price on the carbon dioxide emitted.

Their market price does not reflect the true cost of burning fossil fuels. No one advocating for climate justice would argue that emissions should stay cheap, or that governments should not interfere with carbon-intensive consumption and production.

However, treating repricing as flagship climate policy in the way that multilateral institutions like the OECD, IMF and many governments do[13], leaves deep structural inequalities intact – in fact, it risks worsening them. Repricing is emblematic of the following shortcomings:

- It reflects how climate and environmental policy is often drafted in relative isolation across ministries of economy and finance, with little to no input from civil society and communication with the public, making it politically unsustainable and putting it at risk of unintended consequences.
- Several meta reviews[14] [15] [16] have found small impacts of existing carbon pricing schemes, not commensurate with the speed and scale of the transition that is needed to limit catastrophic global warming. This growing body of evidence suggests that while these schemes do have measurable effect, they have not reduced emissions fast enough or in large enough quantities to stay within allocated carbon budgets.
- While carbon pricing can protect and compensate vulnerable groups[17] who consume a higher share of their income than richer groups, repricing fails to tackle the underlying unequal distribution of emissions that make a much higher carbon price necessary in the first place. There is no consensus on the practical

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[11] Joseph E. Stiglitz, 'Addressing Climate Change through Price and Non-Price Interventions', *European Economic Review*, 119 (2019), 594–612.
[12] 'Fossil Fuel Subsidies: IMF Snapshots', *IMF* <https://www.imf.org/en/Topics/climate-change/energy-subsidies> [accessed 19 June 2023].
[13] 'Pricing Greenhouse Gas Emissions: Turning Climate Targets into Climate Action - OECD' <https://www.oecd.org/tax/tax-policy/pricing-greenhouse-gas-emissions-turning-climate-targets-into-climate-action.htm> [accessed 19 June 2023].
[14] 'The Macroeconomic Impact of Europe's Carbon Taxes - American Economic Association' <https://www.aeaweb.org/articles?id=10.1257/mac.20210052> [accessed 19 June 2023].
[15] Jessica F. Green, 'Does Carbon Pricing Reduce Emissions? A Review of Ex-Post Analyses', *Environmental Research Letters*, 16/4 (2021), 043004.
[16] Rohan Best, Paul J. Burke and Frank Jotzo, 'Carbon Pricing Efficacy: Cross-Country Evidence', *Environmental and Resource Economics*, 77/1 (2020), 69–94.
[17] 'Carbon Tax Guide: A Handbook for Policy Makers' <https://openknowledge.worldbank.org/entities/publication/c31d9298-30bf-55fb-acad-ad0605b06e9c> [accessed 19 June 2023].

and political reality of compensation mechanisms to avoid adverse effects on poorer groups, especially across countries, as different systems have different capacities to implement them. This is on top of a concerted effort by, among others, the IMF, to push VAT, a regressive tax which burdens women, and those least able to pay, the most[18].

- The US alone is responsible for a quarter of historic emissions since 1800[19]. Carbon repricing should thus be seen in the context of policies necessary to making historic polluters pay, yet it fails to address unequal and outsized cumulative emissions. A host of radical fiscal and regulatory efforts are needed to redeem the climate-related effects of this historic inequality. This reality puts the brunt of the burden of climate financing, including for loss and damage, on historic emitters.
- Repricing is only efficient in a relative sense. Because of the speed at which the climate crisis is worsening, returns of any climate policy should be high and happen fast. Other progressive interventions can multiply the effects of pricing mechanisms, for example, fairly phasing out subsidies for fossil fuel industries.

Because it can correct a glaring market inefficiency, repricing has been hailed as the cheapest and hence best way to reduce emissions according to the OECD[20]. But unlike the decolonial and radical ideas in the Global Green New Deal, this approach to environmental taxation is not just technocratic, but also fails to account for historic emission and climate injustice, missing a chance for deeper, systemic transformations to reprogramme tax systems.

The Tax Justice Network therefore recommends the following:

- Focus the discussion on repricing carbon around a triple emissions reduction nexus of sufficient speed, large enough scale and distributional advantage to vulnerable groups.

Options for how to reframe these discussions, and to restructure tax systems to address the challenges facing the climate justice movement are discussed in more detail in the following sections.

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[18] Katherine Lahey, Gender Taxation and Equality in Developing Countries <https://gender-financing.unwomen.org/en/resources/g/e/n/gender-and-taxation-discussion-paper> [accessed 19 June 2023].
[19] 'U.S. Historical CO2 Emissions 1800-2021', Statista <https://www.statista.com/statistics/1224630/cumulative-co2-emissions-united-states-historical/> [accessed 19 June 2023].
[20] 'Carbon Taxes and Emissions Trading Are Cheapest Ways of Reducing CO2, OECD Says - OECD', 2013 <https://www.oecd.org/newsroom/carbon-taxes-and-emissions-trading-are-cheapest-ways-of-reducing-co2.htm> [accessed 19 June 2023].

Challenge 1: The climate finance funding gap

One of the primary challenges for the climate justice movement lies in securing the funding required to implement broad-scale systemic change to the way climate finance is allocated. This includes compensation for affected communities for adaptation and mitigation purposes. Pledges are currently pooled in a variety of multilateral climate funds but fall far short of the scale needed. High income countries woefully underdeliver on their pledges[21].

At a minimum, loss and damage funding to compensate the most vulnerable communities for the unavoidable impacts of the climate crisis, like rising sea levels, is estimated at over US$400 billion per year by 2030[22]. Estimates on how much initiatives like the Global Green New Deal will cost vary, as it is not a single, institutionally defined plan. A just transition is hugely expensive, requiring the decarbonisation of the energy and transport systems, investment in housing and green industrial plans, social services, healthcare and more – all of which jointly aim to decarbonize and address inequality.

The costs are significant - but are insignificant compared to the cost of inaction.

This is where the value of tax justice to the climate justice movement is most obvious. The first ‘R’ of tax justice, revenue, is the most widely understood way tax policy can be used to shape society to achieve common goals. That is, by raising public funding to provide the public services and infrastructure a society needs and values.

Tax revenues are the primary source of funding for most governments. When tax revenues fall short, governments are unable to meet their obligations and deliver on their mandates – including funding for climate policy. Abusive tax practices by multinational companies is one of the most significant contributors to governments not being able to collect the taxes that should reasonably be paid. A key funding solution thus lies in closing the gaps that allow for abusive tax practices by multinational companies, which would result in the mobilisation of significant additional tax revenues.

Governments around the world lose an estimated US$483 billion in tax revenue a year to tax havens[23] – the equivalent of losing one nurse’s yearly salary to a tax haven every second. Tax justice policies can curb this tax loss. The climate justice movement’s advocacy of financing reforms can greatly benefit from calling for a crackdown on global tax abuse and the introduction or expansion of good taxes.

Specific tax justice policies that can contribute dramatically to addressing the climate funding gap include:

- Curbing abusive profit shifting practices that reduce the amount of corporate tax payable, through the implementation of automatic exchange of financial information between countries[24], beneficial ownership registers[25], country by country reporting for multinational companies[26], and unitary taxation of income

[21] Climate Finance Shadow Report 2023: Assessing the Delivery of the $100 Billion Commitment <https://policy-practice.oxfam.org/resources/climate-finance-shadow-report-2023-621500/> [accessed 19 June 2023].
[22] Florent Baarsch, ‘Impacts of Low Aggregate INDCs Ambition: Research Commissioned by Oxfam’.
[23] *The State of Tax Justice 2021* <https://taxjustice.net/reports/the-state-of-tax-justice-2021/> [accessed 19 June 2023].
[24] https://taxjustice.net/topics/automatic-exchange-of-information/
[25] https://taxjustice.net/topics/beneficial-ownership/
[26] https://taxjustice.net/topics/country-by-country-reporting/

with a global minimum tax rate[27]. Repeatedly, polling across countries shows overwhelming public support for government action on tax abuse[28]. This indicates potentially powerful opportunities for climate justice campaigners to draw on popular tax policy solutions.

- Upholding and expanding good taxes at the corporate level, like windfall and excess profit taxes paid by fossil fuel companies. This is relatively low hanging fruit considering the ease of implementation and high returns. The EU Tax Observatory has found that taxing the January 2022 to September 2022 valuation gains of energy firms at a rate of 33 per cent would generate around €80 billion in revenue for the European Union[29].
- A progressive tax on extreme wealth on those individuals with assets worth over US$100 million could generate an estimated US$295 billion annually according to the World Inequality Lab[30]. Consistently, polls show high levels of public support for ‘ringfencing’ the revenue from such taxes at the margin of the economic distribution for climate spending[31].
- Introducing targeted sectorial levies such as on aviation and shipping[32], the latter alone being estimated to contribute 3 per cent of global emissions. If all 195 state signatories to the Paris Agreement[33] imposed both levies, and air passenger travel fully returns to pre-pandemic levels, the levies are estimated to generate between US$132–392 billion annually[34].

Together, and in a coordinated push to pair tax policy with relieving poorer countries of their debt burdens[35], these could form one sustainable revenue source from polluters for those countries and communities most affected by the climate crisis.

The Tax Justice Network recommends the following:

- Mainstream combatting global tax abuse with tax justice solutions into climate finance advocacy to strengthen an emerging policy space for raising revenue.
- Source from the rich and varied tax toolbox to show how the radical reprogramming of tax systems has significant climate finance potential by way of good taxes.

[27] https://taxjustice.net/topics/unitary-taxation/
[28] ‘Polling Shows near Total Public Support for Measures to End Corporate Tax Haven Use’, *Tax Justice Network* <https://taxjustice.net/press/polling-shows-near-total-public-support-for-measures-to-end-corporate-tax-haven-use/> [accessed 21 June 2023].
[29] Manon François and others, *A Modern Excess Profit Tax*, November 2022 <https://www.taxobservatory.eu/wp-content/uploads/2022/11/EU-Tax-Observatory_Note_A-Modern-Excess-Profit-Tax_November-2022-2.pdf> [accessed 19 June 2023].
[30] Lucas Chancel, Philipp Bothe and Tancrède Voituriez, *Climate Inequality Report 2023* (January 2023) <https://wid.world/news-article/climate-inequality-report-2023-fair-taxes-for-a-sustainable-future-in-the-global-south/> [accessed 19 June 2023].
[31] Adrien Fabre, Thomas Douenne and Linus Mattauch, ‘International Attitudes Toward Global Policies’ (Rochester, NY, 2023) <https://papers.ssrn.com/abstract=4448523> [accessed 20 June 2023].
[32] ‘Air Travel and Maritime Shipping Levies: Making Polluters Pay for Climate Loss, Damages and Adaptation’, 2021 <https://www.lossanddamagecollaboration.org/publication/air-travel-and-maritime-shipping-levies-making-polluters-pay-for-climate-loss-damages-and-adaptation> [accessed 19 June 2023].
[33] ‘The Paris Agreement | UNFCCC’ <https://unfccc.int/process-and-meetings/the-paris-agreement> [accessed 22 June 2023].
[34] Chancel, Bothe and Voituriez, *Climate Inequality Report 2023*.
[35] ‘The Climate Emergency: What’s Debt Got to Do with It?’, *Eurodad*, 2021 <https://www.eurodad.org/climate_debt_faqs> [accessed 19 June 2023].

Challenge 2: Legacies of historic injustice

Another challenge for the climate justice movement lies in how best to address the legacies of historic climate injustice. Industrialised nations have exploited the natural resources of colonised regions without considering the long-term environmental consequences, in the process contributing to deforestation, loss of biodiversity and land degradation, and impacting indigenous communities and local ecosystems[36]. Alongside this, higher income countries with a longer history of industrialisation have historically emitted outsized amounts of greenhouse gases[37], in the process disproportionately impacting poorer communities.

These same communities facing historic climate injustice also face the brunt of a legacy of tax injustice[38] perpetuated by the same former colonial powers and outsized emitters, a further area where the tax and climate justice movements converge.

The current international tax order, with its striking inequalities in the power countries have to exercise their taxing rights [39], has been forged to create advantages for the richest nations of the world. The pervasive legacies of colonial structures did not end with the creation of independent democratic states but were transformed into a tax haven network that perpetuates the logics of plunder and extraction in its financial form. This exploitation of lower income countries through abusive international tax practices is ongoing, as global tax frameworks facilitate massive outflows of revenue from lower income countries and into the financial centres of high-income countries.

An obvious example is the extractives sector, where governments in producer countries have not been able to collect appropriate revenue from multinationals sourcing and exporting their resources[40]. This model of extraction, which among other things allows multinationals to shift profits away from where these real economic activities take place[41] now continues for materials required for renewable technologies, such as cobalt.

A further illustration of this continued legacy is the transformation of the UK's Crown Dependencies and British Overseas Territories from the 1950's on, into a network of tax havens dubbed the UK's "second empire". This network is collectively responsible for facilitating nearly 40 per cent of the tax revenue losses that countries around the world suffer annually to global tax abuse[42]. The resulting tax revenue loss amounts to over US$189 billion a year, which is more than three times the humanitarian aid budget the UN requested in 2023.

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[36] 'Confronting Injustice: Racism and the Environmental Emergency', *Greenpeace UK* <https://www.greenpeace.org.uk/challenges/environmental-justice/race-environmental-emergency-report/> [accessed 19 June 2023].
[37] 'Who Has Contributed Most to Global CO2 Emissions?', *Our World in Data* <https://ourworldindata.org/contributed-most-global-co2> [accessed 19 June 2023].
[38] Gurminder K. Bhambra, 'Webs of Reciprocity: Colonial Taxation and the Need for Reparations' <https://onlinelibrary.wiley.com/doi/10.1111/1468-4446.12908> [accessed 19 June 2023].
[39] Alex Cobham, 'Imperial Extraction and "Tax Havens"', in *Imperial Inequalities* (2022), 280–98 <https://www.manchesterhive.com/display/9781526166159/9781526166159.00025.xml> [accessed 20 June 2023].
[40] Ricardo Soares De Oliveira, 'Researching Africa and the Offshore World', *The Journal of Modern African Studies*, 60/3 (2022), 265–96.
[41] Giorgia Albertin Thakoor Boriana Yontcheva,Dan Devlin,Hilary Devine,Marc Gerard,Sebastian Beer,Irena Jankulov Suljagic,Vimal V., *Tax Avoidance in Sub-Saharan Africa's Mining Sector* <https://www.imf.org/en/Publications/Departmental-Papers-Policy-Papers/Issues/2021/09/27/Tax-Avoidance-in-Sub-Saharan-Africas-Mining-Sector-464850> [accessed 19 June 2023].
[42] *The State of Tax Justice 2021*.

The fifth ‘R’ of tax justice, reparations, seeks to redress the historical legacies of colonisation and ecological damage by reforming global tax frameworks and mainstreaming discussions on reparations.

Demands for historical reparations between countries have emphasised mechanisms such as debt restructuring or cancellation. However, there is an emerging reparations agenda dealing with taxation. This agenda should reinforce current and future funding commitments that richer countries have made under the Paris Agreement through measures to not only eliminate loopholes that deprive lower income countries of substantial tax revenue, but to ensure that source countries capture a larger fraction of the global tax base.

This entails shifting to a system that taxes multinationals as a unit, rather than as separate entities, under a distributional formula that allow lower income countries to capture a larger fraction of the global tax base. By requiring a multinational corporation to pay tax on its profit in the places where it employs staff, uses machinery and does the real work that creates its profit, unitary tax reprogrammes our tax systems to give recognition to every person and every country involved in the process of creating wealth, not just those who syphon it off at the end of the process – who tend to be based in former colonial powers in the Global North.

The Tax Justice Network therefore recommends the following:

- Invest in the newly emerging policy space that views global tax structures, climate justice asks and colonial reparations as closely inter-linked.
- Reframe tax, other fiscal and non-fiscal policies, including the demand for a truly inclusive global tax governance and the shift towards unitary taxation, as the realisation of overdue climate reparations.

Challenge 3: Extreme inequalities in emissions and wealth

Those communities facing the worst of the climate crisis also struggle with overlapping inequalities, such as religious or ethnic minorities, women and displaced people living in poverty. Climate activists face a daunting task in addressing the ongoing imbalances between those responsible for the climate crisis, and those most affected by it.

Generally, the more purchasing power there is, the higher carbon emissions will be. The distributions of wealth and emissions closely correlate and are often mirror images of each other. Since 1990, the bottom 50 per cent of the world population has been responsible for only 16 per cent of all emissions. By contrast, the top 1 per cent is responsible for 23 per cent of the total[43]. Total carbon emissions by the top 1 per cent or global polluter elite exceed emissions by the entire bottom half of the global population[44]. The bulk of total emissions from this group is estimated to come from their investments rather than from their consumption[45] (and so individual and corporate level emissions intermesh).

What is needed now are policies that actively redistribute away from the top end of the economic distribution of people – and the companies and assets they control – to both tackle extreme economic and emissions inequality.

The Global Green New Deal is explicitly built on redistributive principles, since a transfer of power between privileged and excluded groups is essential to its decolonial, intersectional spirit. But beyond those general principles, tax justice offers some specific policies to help mainstream what the Climate Inequality Report calls a necessary "inequality check" for all decarbonisation policies, meaning analyses of the effects on different groups. These tools are based on the second 'R' of tax justice, redistribution, which aims to curb inequality between individuals and between groups.

Without wide-reaching redistribution, the promise of green jobs and net-zero infrastructure runs the risk of perpetuating a pattern – still exposing the millions of communities facing overlapping inequalities to the worst consequences of polluters. Therefore, climate justice advocates should promote good taxes that not only collect revenue, but double down on both carbon emissions and inequality. Redistributive tax justice policies include:

- Taxes targeted at consumption linked to extreme wealth, as well as financial assets, for which feasibility will hinge on coordinated and thoughtful policy design, including exit taxes to prevent capital flight. Progressive wealth taxes on investments can penalise carbon intensive portfolios, especially those that "lock in" emissions for years to come, like energy and transport projects. Advocates should push for a carbon wealth tax[46] that curtails investments in high carbon financial assets in dirty sectors and instead incentivise more sustainable

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[43] Lucas Chancel, 'Global Carbon Inequality over 1990–2019', *Nature Sustainability*, 5/11 (2022), 931–38.
[44] Tim Gore, *Confronting Carbon Inequality* (September 2020) <https://www.oxfam.org/en/research/confronting-carbon-inequality> [accessed 19 June 2023].
[45] Chancel, 'Global Carbon Inequality over 1990–2019', 931–38.
[46] Jose Pedro Bastos Neves and Willi Semmler, 'A Proposal for a Carbon Wealth Tax: Modelling, Empirics, and Policy', 2022 <https://papers.ssrn.com/abstract=4114243> [accessed 19 June 2023].

portfolios, while also reducing extreme wealth inequality. Various proposals for carbon wealth taxes are already underway[47].

- Progressive wealth taxes to curtail the purchasing power and thus harmful consumption and lifestyle habits of the richest in conjunction with targeted measures such as a frequent flyer levy. The latter could for example progressively tax flights, where the more an individual flies each year, the more they pay in taxes.
- Introducing new taxes on luxury modes of transport, specifically, private jets and superyachts. New taxes could include a higher rate of air passenger duty and a tax on superyacht ownership. The 300 biggest boats alone emit 315,000 tons of carbon dioxide each year, about as much as Burundi's 10 million inhabitants.[48]
- Pushing for beneficial ownership transparency on carbon-intensive companies and dispel the financial secrecy and layers of anonymity protecting those owning high carbon investments from accountability and targeted policies.

All these measures require global coordination to become practicable and avoid leakages. As has been the case for the rapid improvements in country by country reporting standards - a transparency measure that exposes multinational corporations shifting profit into tax havens - what can seem impractical can change quickly, especially if key governments and stakeholders move enough, or at the same time. These efforts should not eclipse the existing advocacy initiatives to limit the global over-reliance on indirect taxes like sales tax and VAT, which tend to take a bigger share out of the income of groups facing poverty and exclusion.

The Tax Justice Network recommends the following:

- Invest in the emerging policy space that views economic inequality and carbon emissions together as two sides of the same phenomenon and offers targeted interventions at the individual and corporate level.

[47] Nafkote Dabi and others, *Carbon Billionaires: The Investment Emissions of the World's Richest People* (7 November 2022) <http://hdl.handle.net/10546/621446> [accessed 15 June 2023].

[48] Lynch, "Measuring the Ecological Impact of the Wealthy: Excessive Consumption, Ecological Disorganization, Green Crime, and Justice" <https://journals.sagepub.com/doi/abs/10.1177/2329496519847491> [accessed 19 June 2023].

Challenge 4: International cooperation

A final challenge that applies equally to the tax justice and climate justice movements comes in the form of political inertia and a lack of international cooperation and coordination.

The EU's Carbon Border Adjustment Mechanism, passed this year, is a good example of how a lack of global cooperation can result in climate policy with harmful spill over effects on other countries and regions. The measure raises the price for imported emissions on carbon-heavy goods, such as cement and steel, on top of the Union's existing Emissions Trading System. The tariff was passed without an exemption for low income countries and vulnerable economies, and as a result may cost African countries billions in lost export revenues[49], further entrenching inequalities.

The effectiveness of the measures discussed in this brief depends on establishing a platform at an international level that addresses the various mechanisms that have programmed current tax systems to benefit the wealthiest, at the expense of everyone else.

The fourth 'R' of tax justice, representation, emphasises the role of tax in strengthening democratic processes and improving democratic governance. The current international tax order has limited countries' abilities (particularly lower income countries) to exercise sovereignty over their tax rights. Rather, for the past sixty years, global tax policy development has been largely determined by the OECD, which represents only a minority of rich countries – and which has proven ineffective in curbing the significant tax abuses by multinational companies and high net worth individuals[50].

The current OECD-dominated international tax order undermines the alignment of international tax rules with a decolonial and feminist Global Green New Deal. The OECD overrepresents those countries most responsible both for cross-border tax abuse and for the climate crisis and underrepresents those that will be most impacted by climate change, not least women, who are most impacted by effects of the climate crisis[51].

Global climate policy has made strides in establishing a legitimate and inclusive – albeit imperfect - process centred around the United Nations Framework Convention on Climate Change. However, the OECD has recently pushed for a leadership role in multilateral climate policy through the establishment of the Inclusive Forum on Carbon Mitigation Approaches. Given the OECD's track record on global tax abuse, there is significant scepticism on whether this forum will allow countries from the Global South a meaningful seat at the table, and what the effects of the policies deliberated at the Forum may be.

Therefore, for global tax rules to become more equitable and effective, they need to be negotiated in an inclusive manner at a forum with broader legitimacy: the United

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[49] *Implications for African Countries of a Carbon Border Adjustment Mechanism in the EU* (9 May 2023) <https://africanclimatefoundation.org/news_and_analysis/eus-cbam-africa-could-lose-up-to-25b-per-annum-as-a-direct-result/> [accessed 19 June 2023].
[50] Ludvig Wier, Gabriel Zucman, and UNU-WIDER, *Global Profit Shifting, 1975–2019*, WIDER Working Paper (November 2022), MMXXII <https://www.wider.unu.edu/node/240777> [accessed 19 June 2023].
[51] 'Five Reasons Why Climate Action Needs Women | UNFCCC' <https://unfccc.int/news/five-reasons-why-climate-action-needs-women> [accessed 22 June 2023].

Nations[52]. Countries at the UN General Assembly made history in 2022 by adopting by unanimous consensus a resolution to do just that: to open the door to negotiations on establishing a new UN leadership role on global tax policy. Draft UN tax convention proposals demonstrate that it could deliver both on tax transparency (for example through public country by country reporting by multinationals), as well as on reigning in global tax abuse, all of which can help addressing the challenges facing the climate justice movement.

The Tax Justice Network recommends the following:

- Support the development and resourcing of a UN tax convention for inclusive multilateral tax governance, which can strengthen the negotiation of climate policy issues at the established United Nations Framework Convention on Climate Change

[52] 'UN Tax Convention', *Tax Justice Network* <https://taxjustice.net/topics/un-tax-convention/> [accessed 19 June 2023].

Conclusion

As of writing, 2023 may prove to be a pivotal year for tax justice: the year long fought for transparency measures such as country by country reporting were finally secured and the year the door was opened to a democratic overhaul of how global tax rules are decided. At the same time, 2023 is proving to be one of the most alarming years on record in terms of unprecedented climate temperatures and phenomena.

Climate justice challenges	Potential tax justice solutions	Examples in the tax justice sphere
Lack of revenue for climate finance	Mobilise additional tax revenue by closing gaps that allow for abusive tax practices	• Automatic exchange of financial information between countries • Beneficial ownership transparency, especially for carbon intensive investments • Country by country reporting for multinational companies to reform revenue from corporate taxes
	Introduce and expand “good taxes”	• Taxes on extreme wealth, including on carbon-heavy investments • Corporate windfall and excess profit taxes of fossil fuel companies • Sectoral levies on polluting industries like aviation and shipping
Addressing ongoing and overlapping inequalities between those responsible for most pollution, and those most affected	Redistribute from those benefiting from and causing the climate crisis, to those least responsible for it, but most affected	
Addressing legacies of historic climate injustice	Use mobilised tax revenues through globally coordinated reparation policies	• Unitary taxation of income with a global minimum tax rate • A UN Tax Convention to negotiate global tax policy
Lack of international cooperation	Introduce multilaterally coordinated, inclusive tax policymaking at a UN level	

The tax justice and climate justice movements have many goals and objectives in common. This includes a shared commitment to overcoming the deeply entrenched dynamics of the unequal economic and ecological exchange between the Global North and South, as well as more localised forms of inequality. It also includes a common policy space in pursuit of carbon tax justice.

But progress at the global level is a prerequisite for making these changes happen. The existing momentum for a UN tax convention as well as the progress made in country by country reporting standards offers unique opportunities for tax justice to shape climate and related fiscal policy more deeply, too.

We recommend climate justice advocates:

- Focus the discussion on repricing carbon around a triple emissions reduction nexus of sufficient speed, large enough scale and distributional advantage to vulnerable groups.
- Mainstream combatting global tax abuse with tax justice solutions into climate finance advocacy to strengthen an emerging policy space for raising revenue.
- Source from the rich and varied tax toolbox to show how the radical reprogramming of tax systems has significant climate finance potential by way of good taxes.
- Invest in the newly emerging policy space that views global tax structures, climate justice asks and colonial reparations as closely inter-linked.
- Reframe tax, other fiscal and non-fiscal policies, including the demand for a truly inclusive global tax governance and the shift towards unitary taxation, as the realisation of overdue climate reparations.
- Invest in the emerging policy space that views economic inequality and carbon emissions together as two sides of the same phenomenon and offers targeted interventions at the individual and corporate level.
- Support the development and resourcing of a UN tax convention for inclusive multilateral tax governance, which can strengthen the negotiation of climate policy issues at the established United Nations Framework Convention on Climate Change

The fight for climate justice requires making coherent use of every tool and capacity available to us. That includes tax justice, the successes of which may be coming over the hill just in time to support the fight.