Environmental tax policy – environmental fiscal reform

ECOSOC
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Environmental fiscal reform: why do we care?

Environment policy:

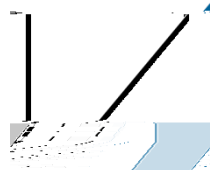
taxes work

taxes often work better than other instruments

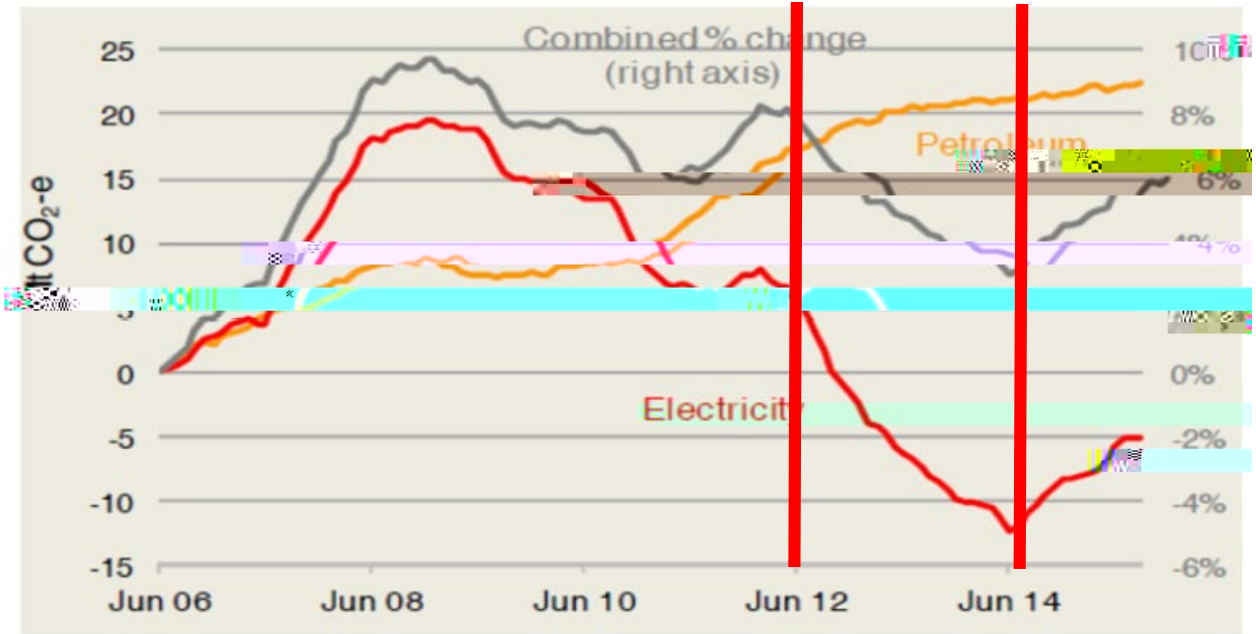
simple approaches deliver good results

Tax policy, fiscal policy:

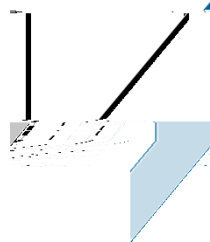
revenue potential is considerable – opportunity to create synergies



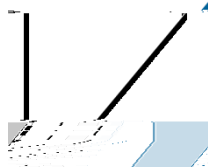
Effectiveness – taxes cut emissions



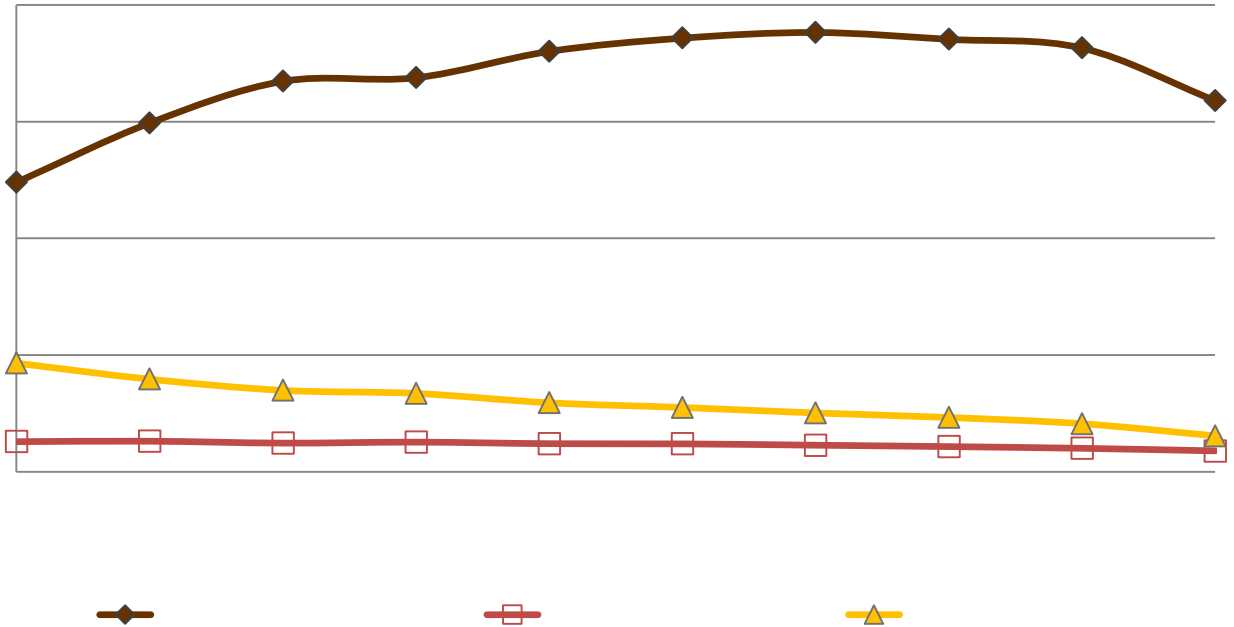
Australia introduced a carbon tax in June 2012 and removed it in July 2014. The tax applied to electricity generation but not to petroleum.



The carbon



Distributional impacts – deciles (OECD countries)



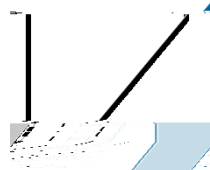
Distributional and affordability impacts – revenue use

Direct impact can be regressive or aggravate poverty, but with good design of revenue use,

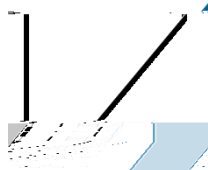
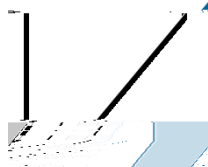
“it is not only possible to avoid negative distributional effects, but even to decrease poverty and deprivation.”

OECD, Issue Note for Green Growth and Sustainable Development Forum 2014

(and this does not take all of the revenue)



Competitiveness concerns

Evidence: gradual energy price increases can be absorbed

Environmental taxation can accompany business on path to competitiveness in less polluting economies (pro-competitive)