

HMUN 2020

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Issue:

Considering the effects of installing a CO₂ tax on the emissions of multinational corporations

Forum:

GA2





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Position:	Deputy Chair

Introduction

Carbon taxes are taxes issued by governments to corporations that burn fossil fuels (carbon emissions). The main purpose of carbon taxes is to make up for the long-term detriments of carbon emissions. Carbon emissions results in the greenhouse effect which then results in global warming. Consequently, carbon emissions results in many detriments in society and production. Such detriments include wildfires, climate change, drought etc. The taxes are then meant to be used by governments to make up for the economic loss caused by carbon emissions. The key problem in carbon taxes, is it's inefficiency in making up for carbon emission related losses. The taxes are either absent in most situations, or they are simply not enough. The lack of carbon taxes can also encourage large corporations to simply not mind their carbon emission amounts. Such an occurrence can and is largely responsible for the climate change problem we face today. Another foreseen problem that is on it's way is an economic crisis due to the lack or insufficiency of carbon taxes. Carbon emissions are well on the way of damaging numerous industries such as the farming industry, due to climate change. With natural disasters also on the rise, if carbon emissions may very well result in an economic crisis if no way of making up for carbon related losses is found. The introduction of carbon taxes is a way to prevent future economic crisis and climate change.

Definition of Key Terms

Carbon Emissions:

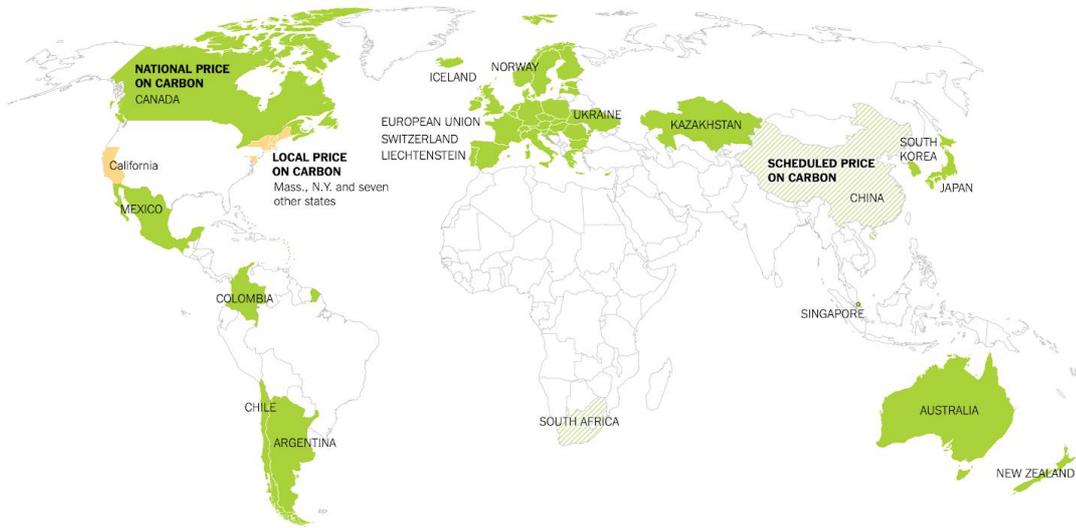
The release of carbon dioxide gas, by planes cars, factories, houses etc.

Upstream Process:

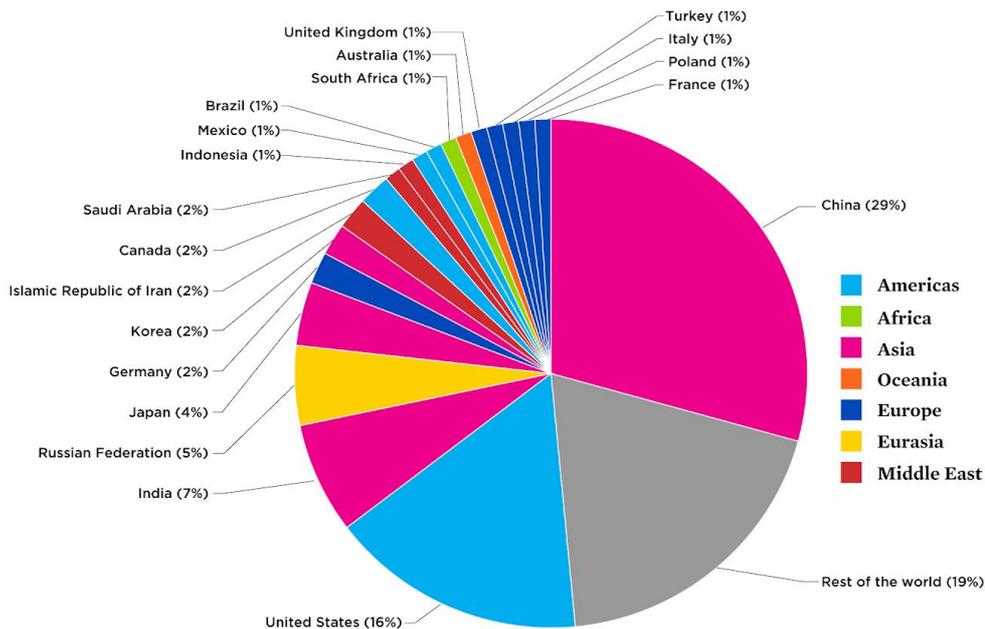
The extraction of gas or fuel from the Earth.

General Overview

Carbon emissions are a major factor in global increase of global warming and climate change. Since CO_2 is a heat-trapping greenhouse gas, the emissions of it helps keep heat within the atmosphere and plays a role in the rise of the average global temperature, and consequently fuels climate change. A carbon tax is a tax that businesses, corporations and industries pay for the amount of CO_2 they have released. It is aimed to discourage the use of carbon emitting energy sources, and to encourage the transition into sustainable energy sources. It is also meant to use the taxes gained to make up for the losses due to the effects of carbon emissions such as climate change. In this sense, carbon taxes are a subdivision of Pigovian taxes. Pigouvian taxes are taxes that are applied to individuals, companies, or industries who in some way create adverse side effects in society, individuals, or industries. They are also meant to discourage practices that have such adverse effects. It is important to know that carbon taxes are only issued if the carbon within materials is burned and released to the atmosphere, or if an upstream process is present. An upstream process is when fuel or gas is extracted from earth. The Idea of a carbon tax was first implemented by Finland in 1990. The idea was quickly implemented by other nordic countries such as Sweden and Norway. However, to this day, it is absent in most of the largest carbon emitting countries such as the USA. One issue with carbon taxes is that companies or corporations can inflict the extra cost of paying carbon taxes onto the consumer. This can have both positive and negative consequences. The extra prices of consuming carbon emitting products may force the consumer to be less consuming of carbon emitting products. However on the other end of the spectrum, if companies find that their sales are not affected by the circumstances, carbon taxes may yield to be inefficient in discouraging companies from emitting carbon. Regardless, some experts, such as the IMF believe that carbon taxes are not being used to their fullest extent. This can be analyzed by looking and countries who have the highest carbon emissions and also looking at whether they implement carbon taxes. The following graph shows countries who are implementing or plan to implement carbon taxes:



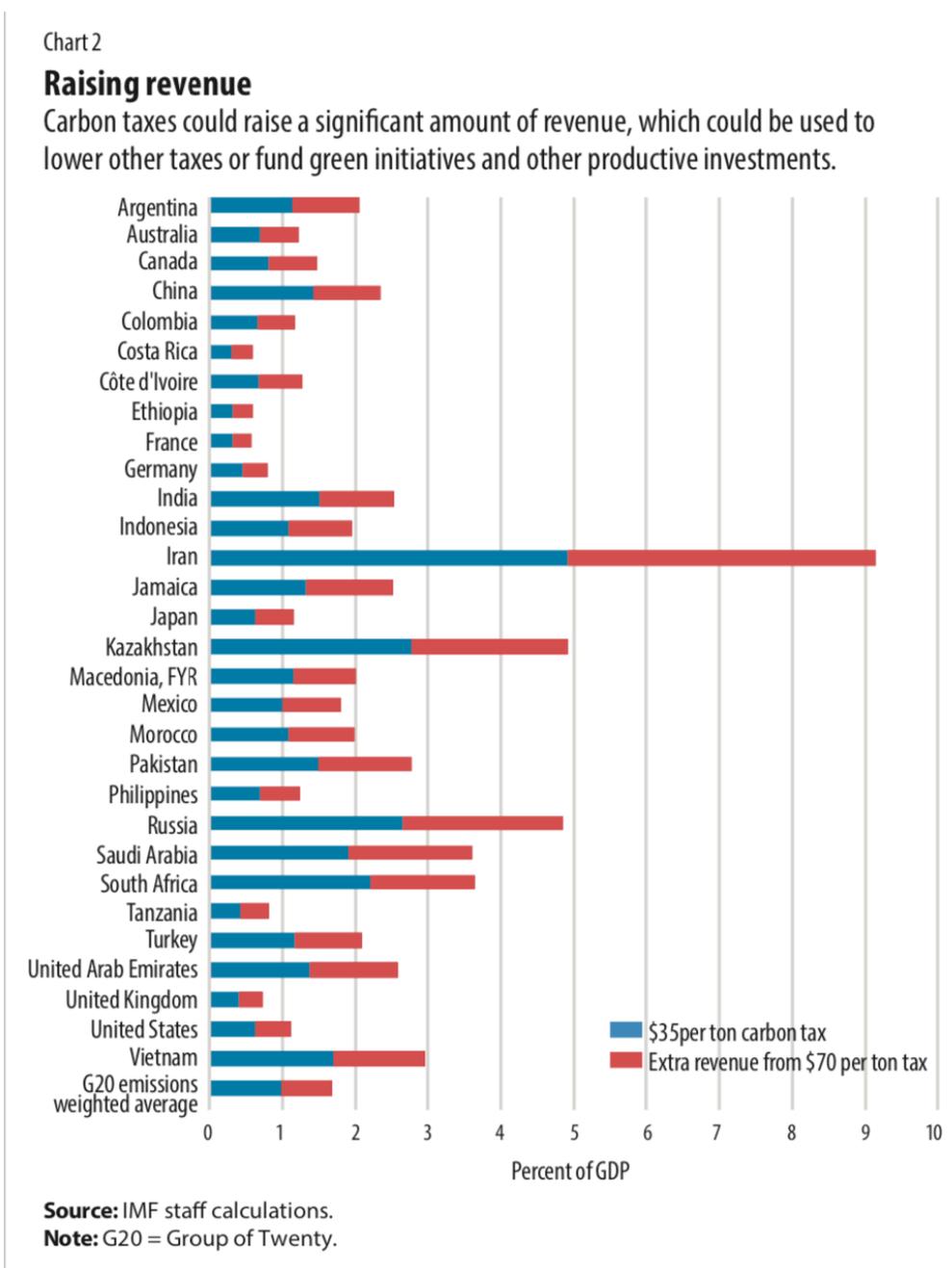
The next graph shows countries and the amount of carbon they emit, according to 2019 data by the Union of Concerned Scientists:



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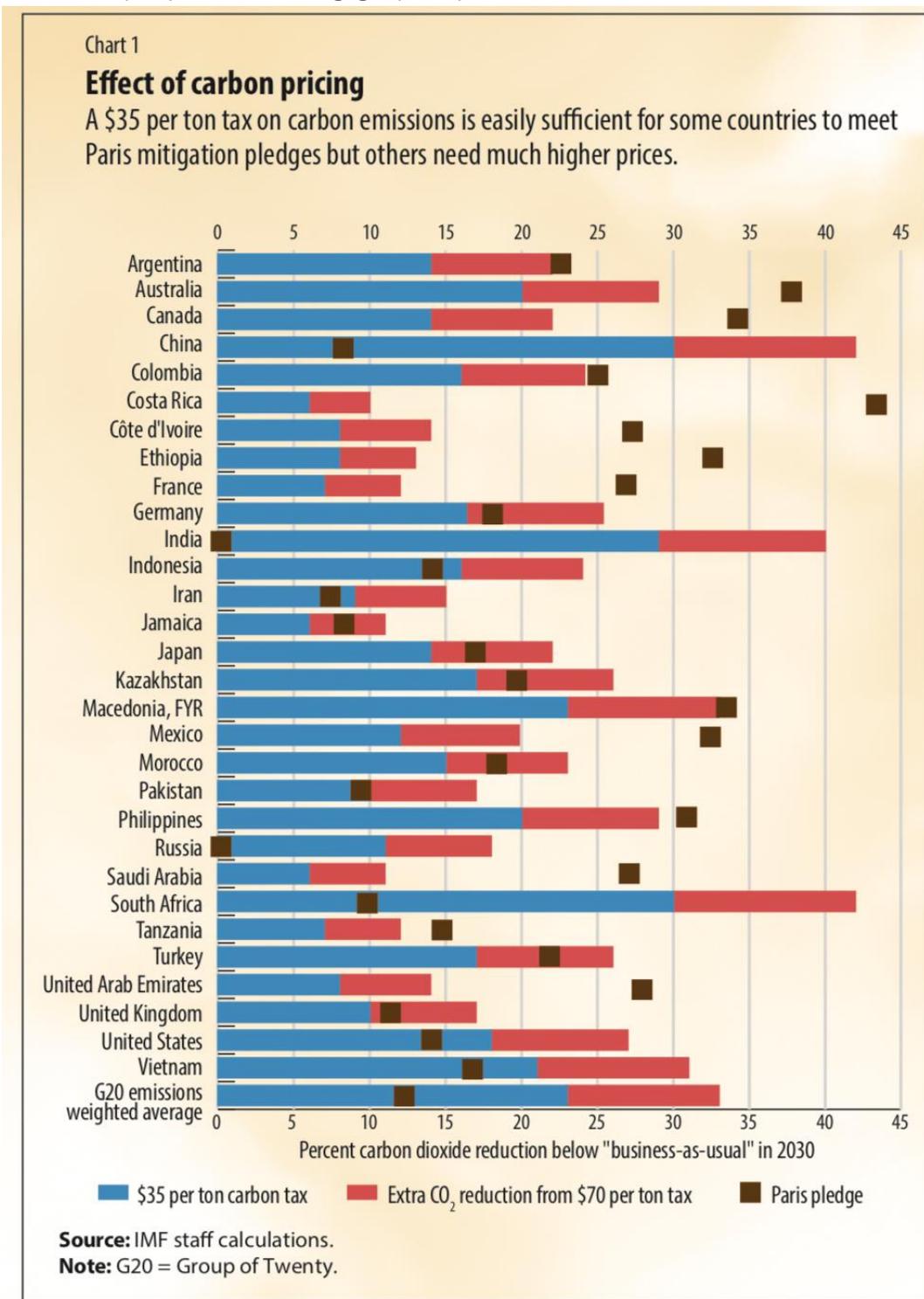
As seen in the graphs, the three countries responsible for a majority of carbon emissions are China, USA, and India. Out of these three countries, none of them are currently implementing any carbon taxes, and only 1 of them, China, is planning on implementing carbon taxes. Since these three countries are largely responsible for carbon emissions and consequently global warming, according to the IMF, a carbon tax pricing arrangement between these countries can largely help reach the goals set at the Paris Agreement in 2015. On a side note, the Paris Agreement is a pledge signed by 197 countries in 2015, however the number of countries who are

pledged has dropped to 187 as of 2019. The Paris Agreement, aimed to reduce greenhouse emissions and consequently to get ahead of global warming and climate change, set out not to let the global average temperature to rise more than 2 degrees compared to the benchmark temperature, set before the industrial revolution. Moving on, another significant benefit of issuing carbon taxes, is the large amount of revenue it can raise. If the amount of revenue raised can be distributed and invested via sustainable investing in the correct fields such as renewable energy sources, the extra revenue raised by such carbon taxes can prove to be a great asset in the battle against climate change. According to the IMF the extent to which the revenue raised by carbon taxes can be seen in the following graph. The graph shows the possible revenue due to carbon taxes in terms of the percentage of GDP of several



countries:

One problem with carbon tax implementation is the domestic pricing distributions. For some countries, a cheap carbon tax of 35 dollars per ton of CO₂ is enough to keep emissions below the paris pledge threshold meanwhile other countries with large industries and emissions need a much higher carbon tax price in order to keep emissions under control. This occurrence can be backed up by the following graph by the IMF:



One other drawback of implementing carbon taxes is that it is not practical for the low income fraction of the population. Carbon taxes result in a price increase in all

products that are in some way related with energy or with fuel. However this issue can be solved if a part of the revenue generated by the taxes is used to help ease the economic pressure of the lower class.

Major Parties Involved

United States of America

In the previous decade, the USA emitted the most carbon. Although this decade they have been surpassed by China, they still remain the country that has the highest carbon emission per household. What is even more alarming is the USA's stance against the situation. USA currently has no carbon taxes present on a national level and they do not seem to plan to implement any in the near future. Under the guidance of president Donald Trump, USA is expected to drop from the Paris Agreement by 2020. In the case of such an event, the USA would completely withdraw from their responsibility in reducing carbon emissions. Currently being the second highest carbon emitting country in the world, this is a dangerous situation indeed.

China

Although currently the first most carbon emitting country in the world, China is taking steps in order to reduce emissions and combat climate change. China is currently planning the implementation of carbon taxes and also a shift into renewable energy sources. Reducing its own emissions is also in the interest of China due to the fact that air pollution is responsible for mortalities in their own land.

India

Not unlike USA, India is still relatively absent in the fight against carbon emissions. Having a large coal industry, India currently does not have a nationwide carbon tax. However they are planning on implementing a tax on coal in order to raise revenue to battle pollution. Regardless, India still has many steps to take in order to reduce their emissions.

IMF

Released a report last year, urging the importance of carbon taxing. They addressed the effectiveness carbon taxing can have in fighting climate change and global warming. They also emphasized the three most carbon emitting countries(China, USA, and India) and how they lack carbon taxing. According to the IMF, if these three countries implement carbon taxing, emissions will be lowered quite a lot and emissions can be kept well below the threshold set at the Paris Agreement. The IMF has in all highlighted carbon taxing to be an urgent measure needed to be taken.

Timeline of Key Events

- 1990- First carbon tax implemented Finland and followed by Poland
- 1991- Norway and Sweden follow up and implement carbon taxing
- 1992- Denmark implements carbon taxing.
- 1996- Slovenia implements carbon taxing.
- 2000- Estonia implements carbon taxing.
- 2004- Latvia implements carbon taxing.
- 2005- European Union implements ETS (EU ETS).
- 2008- B.C (British Columbia), Liechtenstein, and Switzerland implements carbon taxing.
- 2009- The Regional Greenhouse Gas Initiative (RGGI) implemented in the Northeast and Mid-atlantic U.S states
- 2010- Ireland, Iceland implement carbon taxing, Tokyo implements cap and trade program.
- 2011- Ukraine implements carbon taxing.
- 2012- Japan implements carbon taxing.
- 2013- UK implements carbon price floor, Beijing implements pilot ETS
- 2014- France, Mexico, Spain implements carbon taxing.
- 2015- Paris Agreement pledges determined, Portugal implements carbon taxing.
- 2016- Paris Agreement comes into effect, Australia implements ERF Safeguard Mechanism
- 2017- Chile, Colombia implements carbon taxing. Washington implements Clean Air Rule (CAR)
- 2018- Argentina Implements carbon taxing
- 2019- Canada federal OBPS and federal fuel charge implemented, South Africa implements carbon taxing

Previous attempts to resolve the issue

The implementation of carbon taxes is a highly political and controversial issue. Due to this, the debate over implementing carbon taxing has been an unstable issue in localities and different governments. One of these examples is Australia's failed attempt at implementing carbon taxing:

In Australia, during the time period 2012-2014, the minority Green Party proposed the implementation of carbon taxes however the proposal did not get enough support from the major parties in Australia. And so, the attempt failed.

In the USA, several actions have been taken by individual states since the implementation of RGGI in 2009. However there hasn't been a cohesive nationwide effort to reduce emissions. The individual measures taken by several states has proved not to be very effective and President Donald Trump is in denial of climate change, with promises to burn more coal and with the intentions of withdrawing from the Paris Agreement by 2020.

Possible Solutions

As stated in the 2019 report by the IMF, three countries; USA, China, and India, are largely responsible for a large portion of carbon emissions. What is even more alarming is the lack of carbon taxes and emission policies in these countries. If a common pricing pact or carbon taxing is established in these countries, emissions can drop significantly, and climate change can be held at bay. One other problem is the national and local political struggles in establishing carbon taxes within countries. If international carbon taxing standards based on various parameters can be established, the individual chaos within governments can be eased and carbon taxing can become more convenient and common.

Appendix/Appendices

The Case for Carbon Taxation:

<https://www.imf.org/external/pubs/ft/fandd/2019/12/pdf/the-case-for-carbon-taxation-and-putting-a-price-on-pollution-parry.pdf>

Effects of a Carbon Tax on the Economy and the Environment:

http://www.cbo.gov/sites/default/files/113th-congress-2013-2014/reports/44223_Carbon_0.pdf

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[china/update-1-china-expects-first-trade-in-national-emissions-scheme-in-2020-](http://www.reuters.com/article/climate-change-china/update-1-china-expects-first-trade-in-national-emissions-scheme-in-2020-idUSL3N21H02B)

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