

Research Report



United Nations Environmental Programm

**The question of implementing a global
carbon tax to reduce greenhouse gas
emissions**

Introduction

Climate change remains one of the most critical challenges of our time, driven largely by greenhouse gas (GHG) emissions. A global carbon tax has been proposed as a market-based solution to incentivize reductions in emissions and fund sustainable initiatives. This report outlines the background, stakeholder perspectives, key issues, and potential solutions for implementing such a tax.

Background

1. Definition of Key Terms

- Carbon Tax: A fee imposed on the carbon content of fossil fuels, aimed at reducing GHG emissions by making polluting activities more expensive.
- Greenhouse Gases: Emissions, including CO₂, CH₄, and N₂O, that trap heat in the atmosphere and drive global warming.

2. Historical Context

- The concept of carbon pricing was introduced in the late 20th century, with countries like Sweden and Canada adopting national carbon taxes.
- Global initiatives, including the Kyoto Protocol and Paris Agreement, have emphasized the need for economic tools to reduce emissions but lack a unified taxation mechanism.

3. Current Status

- Approximately 27 countries have implemented some form of carbon pricing, but coverage and tax rates vary significantly.
- Global GHG emissions remain high, and disparities in national efforts have led to discussions on a standardized global carbon tax.

Key Issues

1. Economic Inequities

- Developing nations argue that a global carbon tax disproportionately affects their economies, as they often rely on fossil fuels for growth.

2. Carbon Leakage

- Risk of industries relocating to countries without carbon taxes, undermining the effectiveness of the policy.

3. Tax Rate and Enforcement

- Difficulty in agreeing on a fair tax rate and ensuring global compliance.

4. Revenue Allocation

- Debates on how to distribute revenue fairly, with suggestions including funding renewable energy projects, adaptation in vulnerable countries, and reducing inequality.

Potential Solutions

1. Differentiated Tax Rates

- Implement varying tax rates based on a country's level of development and historical emissions.

2. Border Carbon Adjustments

- Impose tariffs on imports from countries without carbon taxes to prevent carbon leakage.

3. Global Agreement

- Negotiate a global framework under the United Nations to establish a standardized tax and enforcement mechanisms.

Useful Links

<https://www.ipcc.ch/report/ar6/wg3/>

<https://carbonpricingdashboard.worldbank.org/>

<https://carbonpricingdashboard.worldbank.org/>

<https://www.imf.org/en/Publications/WP/Issues/2019/05/02/The-Case-for-a-Carbon-Tax-468731>