

Consultation on strawman options for solidarity levies

1. Aviation

1.1. Do you have any comments on the proposals, including their rates, bases and estimated revenue generation potentials?

We support pricing the emissions from aviation. The levy should aim for a wide coverage and a price level that reflects the social cost of emissions (i.e. social cost of carbon). Thus, we would prefer a kerosene levy on international flights at a rate of 0.5 euros per litre as a minimum. A rate higher than the social cost of carbon is justified by the fact that non-co2 effects from flying result in a higher climate impact than mere emission levels suggest.

1.2. If there are more than one levy option presented, do you have a preference for one, and why?

We prefer the kerosene levy on all international flights as that would enable a rate that corresponds to the social cost of carbon and would cover the largest share of global aviation emissions.

1.3. Do you agree or disagree with any of the assessments of these levy proposals against principles of public finance?

Generally we agree with the assessments, but we have not studied the topic enough to comment on a more detailed level.

1.4. Is there an option for a levy which has not been taken into account yet and you would recommend? If possible, please add a reference (expert study, policy proposal or academic paper).

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2. Shipping

While we do support putting a price on shipping emissions that are currently not priced accordingly, we have not studied the topic enough to comment on the details of the proposal.

3. Financial Services

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4. Fossil fuels

While we in general do find some potential in making the most emitting industries pay more taxes to compensate for the harmful effects their business has, we have not studied the topic enough to comment on the details of the proposal.

5. International Carbon Price

5.1. Do you have any comments on the proposals, including their rates, bases and estimated revenue generation potentials?

The proposal of introducing an international carbon price floor is very welcome and the group of largest emitters may be seen as a rational starting point. However, expanding the geographical scope (from the very beginning or in the future) would be critical in order to reach the goals of carbon pricing and to avoid carbon leakage. From an efficiency point of view, it would be better to have one price floor for all countries and accompany the instrument with effective compensation mechanics that help to tackle the equity concerns (both within and between countries). Such mechanisms could include a domestic carbon dividend (or other type of social support to those in the most vulnerable position) addressing the otherwise regressive effects of the instrument as well as a global fund to which the rich countries would direct part of their carbon tax income. Such fund could then be used to support developing countries in their green transition.

5.2. If there are more than one levy option presented, do you have a preference for one, and why?

As we are not very familiar with the linking of existing ETS proposal, we choose not to comment on the details of that proposal.

We prefer the option of introducing an international carbon price floor, since that would enable setting a sufficient rate for all emissions and reaching a wide scope (either from the very beginning or by widening the scope gradually).

5.3. Do you agree or disagree with any of the assessments of these levy proposals against principles of public finance?

We do disagree with some of the assessments. Namely the table should take into account that:

- Compensating mechanisms play a crucial role in determining where the burden sits as well as if it is proportionate or not.
- The problem of carbon leakage can be tackled by introducing CBAMs.
- The need for fossil fuels is often larger in rural areas, where no public export exists, also making the burden caused by the carbon price bigger in those areas. However,

this can be tackled with compensating instruments such as a carbon dividend that is set to different levels in rural and city areas.

- The claim that having a consistent carbon price may reduce the inequality between countries is also a bit questionable as such, since countries have different prerequisites for implementing carbon tax. The between countries equity concerns should be addressed by allocating part of the funds collected in rich countries to support developing countries in green transition.

5.4. Is there an option for a levy which has not been taken into account yet and you would recommend? If possible, please add a reference (expert study, policy proposal or academic paper).

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6. Levies on HNWI

6.1. Do you have any comments on the proposals, including their rates, bases and estimated revenue generation potentials?

Even though the levy would not target emissions, it is a good alternative for collecting funds for climate work, since the high-net-worth individuals typically have large carbon footprints, but pay very low taxes. Global solutions to tax the HNWI are urgently needed and a levy on HNWI that collects funds to climate work would both help to make taxation more fair and to fill the gap in climate finance.

The levy option was based on Zucman's baseline proposal of introducing an annual minimum tax equal to 2 % of billionaires' wealth. While that would bring the billionaires' taxation a bit more in line with others, it is not sufficient to cut off the regressivity that appears in the high end of income distribution. Thus, it would be better to lower the wealth threshold and apply the levy to all centimillionaires (with an option for countries to set the threshold lower). It makes sense to have the levy based on (net) wealth, since (unlike income) wealth is rather difficult to manipulate.

6.2. If there are more than one levy option presented, do you have a preference for one, and why?

– (only one option presented)

6.3. Do you agree or disagree with any of the assessments of these levy proposals against principles of public finance?

We mostly agree with the assessments. However, some aspects are not clearly brought up in the assessment table.

First, regarding 'equity within countries', the minimum tax would strengthen equality, since it would help to make the billionaires pay their fair share (which is not the case currently). Second, for legal feasibility, it is worth mentioning that giving countries several options on how to implement the minimum tax is crucial, since the legal systems vary from one country to another. Third, the claim that the new instrument would not cause additional compliance costs, because it would be addressed through national tax systems, is a bit questionable – some (however not remarkable) costs are likely incur on a national level.

6.4. Is there an option for a levy which has not been taken into account yet and you would recommend? If possible, please add a reference (expert study, policy proposal or academic paper).

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