

## **CLIMATE CHANGE AND THE NEW GREEN DEAL**

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**ABSTRACT.** *Climate change is not a theory. The systemic risk is here, and that means that we have to challenge bad times through regulation and taxation. The regulation claims a return of a command and control approach in terms of environmental public and social governance. It is useful the idea of a New Green Deal, including law, expropriation, confiscation, and taxation. We should face a public good as a whole, for the good environmental protection. In a matter of taxation it is necessary a set of Pigouvian taxes: an in-depth Carbon Tax, a Real Profit tax on Corporation, fighting tax evasion and avoidance, and the exam of new taxes as the Value Added Pollution Tax and an approach to Plastic taxation on producers and wholesalers.*

### **1. NOT GOING MORE.**

The United Nations confirms the grave concern about climate change.

The average global temperature for 2015-2019 is on track to be the warmest of any equivalent period on record.

Sea level rise is accelerating.

Co2 emissions from fossil fuel use continue to grow by over 1% annually and 2% in 2018, reaching a new high.

Fossil fuels dominate the global energy system.

Increase on Co2 concentrations continue to accelerate.

Emissions are not estimated to peak by 2030 let alone 2020

Record of 37 billion tones of CO2 in 2018.  
2% annual growth in CO2 emissions.

Climate impacts hitting harder and sooner than predicted a decade ago.

"Consolidated evidence (on climate, extreme weather, oceans, and land) reinforces human influence as the dominant cause of changes to the Earth system, in a new geological epoch, the Anthropocene."

"Only immediate and all-inclusive action encompassing: deep decarbonization complemented by ambitious policy measures, protection and enhancement of carbon sinks and biodiversity, and efforts to remove CO2 from the atmosphere, will enable us to meet the Paris Agreement ." **(1)** *(United in Science. High-Level synthesis report of latest climate science information convened by the Science Advisory Group of the UN Climate Summit 2019, September 2019).*

The description of the UN International Panel on Climate Change (IPCC) Global Warming of 1.5° C confirms a dramatic future in the evolution of climate change and, in general, of the global environment. We are facing a systemic challenge of general risk for survival, whose response must be measured, at most, in decades, not centuries. **(2)** *(Intergovernmental Panel on Climate Change (IPCC) 2019 Special Report )*

L to sustainability and growth are at the breaking point is achieved if not preserve the global warming to 1.5 ° C above the pre-industrial level. And this supposes a continuous increase of the environmental damages that will be translated into a geometric demand of economic resources, if one aspires to the mere repair, whenever it is possible.

The environmental damage is not episodic, but it alters the functioning of all markets, countries, and people persistently and systemically. The installed environmental damage synchronously

affects air, soil, water, waste. The climate change crisis is the engine of the foreseeable global ecological crisis.

The transition requires total efforts in most aspects of society: there is no sustainability, if any, if it is not possible, in this decade, to limit the warming to 1.5.<sup>o</sup> C.

The atmospheric concentration of CO<sub>2</sub> in the atmosphere contributes more than 80% to greenhouse gas. Its increase is gradual, unstoppable from the emission into the air until its burial in the oceans and the earth. Methane is the second contributor, be it from humid areas, ruminants, rice agriculture, exploitation of fuel of fossil origin, incinerators. The third contributor is a nitric oxide, derived from the use of fertilizers, biomass.

The Paris Agreement endorsed fiscal measures to bring about the minimization in emissions, basically, by imposing a cost on carbon through taxation or an emission trading system. **(3)** *(Paris Agreement, 12 December 2015, under the United Nations Framework Convention on Climate Change).*

## **2. FROM THE MARKET TO GOVERNANCE.**

Sustainability aspired so far to preserve the existing, against deterioration of good environmental - water, soil, air, waste -, but the extent of environmental damage and acceleration of the destruction of good environmental, suggests the urgent need of public, private, social activity policy. There is no time for sustainability, I mean. Its moment is already part of the past. Sustainability is read as survival, which is already as an objective.

Environmental policy based on the market has failed, and any other direction can be derived only from the sphere public and social.

The environment requires something similar to " Base Erosion and Profit Shifting Action Plan" (BEPS) conceived by the G20-OECD. **(4)** *(Adressing Base Erosion and Profit Shifting, Paris, 12 february, 2013)*

The public sector bears the protection of the public good, eliminating the arbitrariness of others on the freedom and dignity of citizens. Said in more transparent words, an ideology of war economy is imposed in the fight against climate change. The public good allows common purpose and coercion whenever the freedom and dignity of citizens are at risk: planning, taxes, expropriation, confiscation,

eminent domain declaration. **(5)** (Arthur Ripstein, *Force and Freedom*, Harvard University Press, 2009)

Climate change cannot be tackled without a madly broad new green pact, whose objective is the reform and protection of environmental policy in its entire spectrum, subjecting and adjusting the market to other priorities than those of making money with environmental damage.

The State, by itself, is insufficient. The model must appeal to governance, to shared teleological guidance, based on consensus, participation, shared and understood the effort, from public initiative through different levels, to the involvement of private economic agents and society civil in general. It is not only or exclusively the administrative diktat, but everyone's contest to reduce and mitigate climate change at every machine and face all the challenges together.

Economic market incentives have failed. There is not even agreement on the quantum of a generalized and global Carbon Tax. To this is added that the subsidies and incentives granted have not paid off, such as the issuance of emission rights, self-regulation codes, and the voluntary reduction of industrial, hazardous waste.

The purpose of the Paris Agreement to reach the zero level of greenhouse gas emissions in the second half of the century does not seem well underway. The crisis and the environmental disaster, according to the UN, can be precipitated before as a global and systemic risk.

First, the great polluting nations must assume their responsibility for climate change. There are no excuses or shortcuts for the claim of the latter to pollute as much as the former did. Because their delay does nothing more than accelerate carbonization, the inequality between countries, global poverty. The Amazon, indeed, summons, the *res communis* of the planet, that not only of the Brazilians, because its destruction displaces environmental catastrophe on the others. Well, they are indeed the significant pollutants that were, those who must compensate the newcomers, to change their behavior. Otherwise, the results will not come. The global public good, imposes a brake on polluting economic developmentalism and parallel creative financing for its effort.

Second, the responsibility of private polluters is greater. The inefficiency of economic market incentives should give way to more pervasive instruments of environmental protection: tax, expropriation, confiscation, public domain.

Heede states that almost two-thirds of carbon dioxide and methane emissions originate from a small number of large industrial producers, in particular, 83 producers of coal, fuel, natural gas, and seven cement companies. **(6)** ( *Heede, Mera. Allen, Frumhoff, Dalton.Boneham.Exwurzel.The rise in global atmospheric CO2, surface temperature, and sea level from emissions traced to major carbon producers, Climatic Change, October 2017,144.4.* ).

This identifiable and individualized responsibility requires not only Carbon Tax but, eventually, measures of high public coercion: expropriation, confiscation, or conversion of private property into the eminent public domain, prohibitions, and rationing. That responsible produce and market fossil fuel were knowing the damage and the threat that their behavior poses to others.

35% of the total greenhouse gas emissions, both carbon dioxide from fuels and cement emissions, correspond to twenty large companies, public and private. Gigatone means one billion tons of carbon dioxide equivalent. They are 480 Gigatons of carbon dioxide equivalent.

Entity	MtCO <sub>2</sub> e	% of global
1. Saudi Aramco, Saudi Arabia	59,262	4.38%
2. Chevron, USA	43,345	3.20%
3. Gazprom, Russia	43,230	3.19%
4. ExxonMobil, USA	41,904	3.09%
5. National Iranian Oil Co.	35,658	2.63%
6. BP, UK	34,015	2.51%
7. Royal Dutch Shell, The Netherlands	31,948	2.36%
8. Coal India, India	23,124	1.71%
9. Pemex, Mexico	22,645	1.67%
10. Petroleos de Venezuela (PDVSA)	15,745	1.16%
11. PetroChina / China Natl Petroleum	15,632	1.15%
12. Peabody Energy, USA	15,385	1.14%
13. ConocoPhillips, USA	15,229	1.12%
14. Abu Dhabi, United Arab Emirates	13,840	1.01%
15. Kuwait Petroleum Corp., Kuwait	13,479	1.00%
16. Iraq National Oil Co., Iraq	12,596	0.93%
17. Total SA, France	12,352	0.91%
18. Sonatrach, Algeria	12,302	0.91%
19. BHP Billiton, Australia	9,802	0.72%
20. Petrobras, Brazil	8,676	0.64%
Top Twenty	480,168	35.45%
Global	1,354,388	100.00%

Source: *Climate Accountability Institute, 2019.*

" Twenty companies have collectively contributed 480 billion tonnes of carbon dioxide and methane, chiefly from the combustion of their products, equivalent to 35% of all fossil fuel and cement emissions worldwide since 1965 (global total of 1.35 trillion tCO<sub>2</sub>e)." **(7)**

( R.Heede, Climate Accountability Institute, October 9, 2019, Carbon Majors: Update of Top Twenty companies 1965-2017)

The environmental damage derived from the emissions of the products of private economic agents demands responsibility. Negative externality must be internalized. But, it would be a mistake to interpret that the environmental mortgage should only fall on only and exclusively on some companies, although the most harmful. The landscape is more populated: construction, vehicles, urban planning, land use, animal feed, industrial plastic, fertilizers, pesticides. The environmental mortgage must be paid between all, differently, and in the proportion that is agreed and obligatorily subject to the full discipline of the exploitation of natural resources according to the public and common good.

"Climate change, like a world war, is no ordinary crisis; the stakes are as high as can be. Effective solutions are at hand- a good and sane transition could begin tomorrow- yet it seems more likely that the instinct of the gut will prevail over the mind 's most detailed plans. Profit will prevail once again over prudence." **(8)** ( Troy Vettese, Climate Gut Check, December 11, 2018, Boston review.)

The predominance of profit over prudence, which was the cause of the financial crisis of 2008, is the penultimate warning that nature offers us to avoid the systemic crisis of the global environment. The survival of people, of countries, of species, is priceless. Something more is required, a commitment to political, social, and economic governance that addresses everything essential without exaggerated assignments, attentive to the fact that we are facing the dilemma of environmental conservation, which is probably the public and common good par excellence.

"It is incumbent on companies that value their social license to operate to respect climate science, manage corporate risks accordingly, commit to reducing future production of carbon fuels and their emissions in alignment with the Paris Agreement pathway under 1.5 ° C (net-zero by 2050 ), support the decarbonization of the global economy, and shift their capital investments toward renewables, carbon sequestration, and low-carbon fuels in line with science-based targets." **(9)** (R.Heede, Climate Accountability Institute)

### **3. FROM GOVERNANCE TO THE NEW GREEN.**

The decarbonization of the global economic system includes the change of the policies of production of electricity and heat, clean

industries, transport, urbanization and buildable, and, last but not least, the use of land, water, the restriction of the areas of animal feed and cultivation, reforestation. That is, decarbonization means changing the existing industrial, agricultural, productive economic model and replacing it with another one that is still in the making.

Climate change is caused by human activity; it causes an increase in fire, an increase in sea level, droughts, and other extreme weather events. Global temperatures must be maintained below 1.5. Degrees to avoid the severe impacts of climate change, to reach net global emissions from zero by 2050.

In February 2019, 1 to House of Representatives of the US, at the behest of Alexandria Ocasio-Cortez, passed a resolution in favor of a Green New Deal. **(10)** *(H.Res. 109 -Recognizing the duty of the Federal Government to believe a Green New Deal, 116th Congress.)*

The doctrinal basis is that of the UN and the Paris Agreement.

There are four objectives: achieve zero greenhouse gas emissions; create jobs of public and private actors to undertake, invest in infrastructure and industry; ensure everyone: clean air and water; resistance to climate change: healthy eating; access to nature; sustainable development; promote justice and equity in the most vulnerable communities.consultation, collaboration, and partnership with frontline and vulnerable communities, labor unions, worker cooperatives, civil society groups, academia, and businesses. "

The plan has a horizon of ten years and includes clean water. Energy, transportation and manufacturing systems, pollution, mitigation for air, water, soil, climate change mitigation, development of sustainable agriculture, conservation of endangered ecosystems, and biodiversity.

A defense against climate change disasters is required; the repair and improvement of the infrastructure; reach 100% of the demand power through clean, renewable and zero-emission energy sources; development of the distribution of the electricity grid ensuring its access; improvement of the efficiency of the buildings , water, safety, durability; promotion of the massive growth of clean manufacturing and removal of pollution as much as technologically feasible.; collaboration with farmers and ranchers to eliminate pollution from the agricultural sector, land use and increased soil health, transportation reform, investment in zero-emission vehicle infrastructure; public transport; high-speed trains, protection of natural ecosystems, increased carbon storage in the soil,



afforestation and reforestation; biodiversity protection; cleaning of hazardous waste locations .

The New Green Deal demands a public, private, social, wide-ranging agreement on all sectors that contribute to environmental damage and in that sense has the merit of the total response to a problem that is not only part of the market, for signs that it is, but covers the entire operation of the market.

#### **4. FROM THE NEW GREEN AGREEMENT TO INNOVATIVE FINANCE.**

The New Green Deal has, above all, the merit of the framework: the new global social contract or it is green, or it will be nothing. Its success, beyond the doctrinal discussion, is to have put climate change at the center of universal concern and immediate and concrete political priority.

The New Green Deal is an interesting proposal because it dares to materialize in political terms what until now are scientific abstractions or first legislative initiatives, mostly for the elaboration of the UN or the Paris Agreement. It is an act, say it, of political courage. It is also offered as an instrument of public governance, open to inclusive collaboration, of unions, cooperatives, civil society groups, scientists, and business people.

Its main restriction is that it does not anticipate or advance the financing of the transition to a society free of climate change. It is a pact or without quantification, which risks turning it into wishful thinking.

Innovative finance implies the presence of new instruments and mechanisms of substantial and stable flows of public resources. Its particularity is the purpose that inspires it: there is innovative finance provided that the fund is functionally aimed at resolving negative externalities or, better yet, to protect a public good of freedom and dignity of the person.

Climate finance is innovative by definition; it brings together the resources that catalyze the development resistant to climate change and low carbon use, covering the costs and risks of climate change, facilitating the capacity for adaptation and moderation and stimulating research and development of new Clean technologies. What makes it remarkable is the urgency.



The worsening of global emissions requires a direct restriction towards the decarbonization of the environment and energy — renewables and carbon sequestration. Therefore, new resources are needed in the transition economy. And the environmental tax does not hide its prominence.

The financing of the new green pact pays the Pigouvian taxes, but also the coercive regulation of specific sectors, to the limit of their expropriation or confiscation, the declaration of eminent domain, and the strict mandates of activity and prohibitions.

There are no options to be excluded in advance. Environmental taxation should tax inputs or outputs along with the principle of environmental damage. It is not enough neither true to disregard this kind of taxes, under the opinion of a likely negative impact on industrial competitiveness and risk of production. The experience shows that there were no problems of competitiveness for those countries who had chosen environmental taxation as a way to preserve it. (Sweden, Denmark, Finland, Norway) The same can be said, applying a wholesale tax on several harmful items, e.g., plastic items. But not always the consumer taxation represents the best and most efficient way to fight the climatic change.

## 5. PIGOUVIAN TAXATION

Some authors unite their contribution to a word, who turn on the cultural imaginary and survive, sometimes unfairly, to the rest of their work. Schumpeter and innovation or Pigou and welfare state or Pigouvian tax, for environmental tax. **(11)** *(Tulio Rosembuj, El Impuesto Ambiental, Barcelona, 2013)*

Precisely, ACPigou is the one that during the first thirty years of the last century, faces the divergence in the market between private cost (product) and social cost (product). The glorification of the company does not always result in a favorable result to the general interest. It can be filled by public correction of the particular action, either by a prize or by the tax. And this occurs because there are external effects that are not controlled, external economies that harm or benefit others, externalities that can be negative (harmful), or positive (advantageous) for others.

The Pigouvian tax is the response to the internalization of social costs caused by excess systemic risk not assumed by those responsible. When the social cost of action exceeds its private cost, a tax equal to the difference between the two can correct the result of

the market. The tax induces to internalize the costs of its behavior, to reduce its activity. Schwartz defines it as responsibility failure.

Economic activity causes unpaid social costs. They can be secondary or incidental - smoke, noise, odors - or substantial - the event itself produces undesirable effects on the chain, v, g, climate change.

The individual does not compensate or reimburse for their social cost, and therefore, only the intervention can save the market failure. The Pigouvian tax has as its axis the function of neutralizing environmental damage.

The environmental tax is offered as an instrument of regulation and collection. Didactic is not enough or sufficient if it is intended to internalize costs not assumed. It is necessary to collect because otherwise, the aesthetic agreement and systematic disobedience are installed.

The tax should be collected based on the damage caused by economic activity in the sustainable value of the collective environmental good, and if, also, the behavior of commercial agents changes, even better.

The role of the tax should not be overestimated. But, its message to civil society is clear and resounding. Some damages harm third parties; there are charges that move on others, without satisfying the costs. That is why the burden must be charged. The economic capacity, the sustainable value, is the conservation and continuity of the collective environmental good (water, soil, air, natural resources). After all, taxes are not created to make friends.

However, from the first Nordic experiences, it is convenient not to identify environmental tax with higher fiscal pressure. One thing does not necessarily lead to the other. The environmental tax contributes to public spending, and, simultaneously, ordinary taxation on labor, the benefit, saving, can be reduced so that, in the end, the existing tax burden is not increased. It is not easy or straightforward. Still, neither is it to remain without arguments in the face of environmental, social, economic deterioration, unless a model is defended predatory of the environment, of the people, of the species. The alleged loss of international competitiveness does not prevent it. Curiously, contrary to what is thought, the best competitiveness corresponds to those vanguard countries in environmental taxation and guidance.

The environmental tax proposes a real challenge to the tax law, forcing to reexamine the extension of the principle of economic capacity in terms other than those recognized by the market. It is no

longer about income, wealth, or consumption, but about environmental damage, adequately valued. But, not only. Its foundation - negative externality - imposes the consonant reading of the principle of equality. Indeed, there is no treatment parity if there are charges - harmful - that are not supported by the one that produces them, moving them over the others, without compensation from you.

In other words, why should each person absorb smoke, smell, noise, health damage, a decline in their social welfare caused by someone in their interest? Or why destroy nature's economy by pure economic calculation?

Conversely, both civil society and the market must bear the benefits that derive from the creation of social advantages by rustic, forestry, family farming owners. It is not fair that the conservation and sustainability costs borne by some individuals are not carried for those who benefit from us. It is nothing original to defend the payment of those who harm and the collection of those who offer welfare to others.

The UN Climate Change Report suggests some policies for accelerated decarbonization, on the one hand, tax reforms and on the other political instruments for specific sectors. **(12)** (*A Climate Action Summit, 2019., cit. P.24*)

In tax matters, it includes both taxes and emission permit systems, with the common objective of setting a "single and intersectoral price of coal, together with the progressive reduction of subsidies for fossil fuels. For acceptance, they must consider a social balance and benefit low-income families. "

Sector policy suggests new principles and practices, incentives, a moratorium on traffic, building, and energy sectors can mediate in the market, in its failures, and correct development towards a sustainable direction.

Despite its title - Ambitious political measures - it does not seem that ambition looks. They are measures without luster, which will hardly serve to prevent the environmental crisis of 2030. Indeed, the discourse of the economic incentives of the 1990s cannot be sustained as a master alternative to the climate crisis. It is an insufficient account.

What seems clear, and at the same time, visible, is that the economy of the New Green Agreement is not free: it requires a lot of money and that money, fundamentally, must come from taxes. The tax

battery includes not only indirect taxation but also direct taxation and not only specific but general taxes.

First, the general indirect taxation of the Carbon Tax.

Second, the general direct taxation of the Real Corporate Profits Tax.

Third, the general Pollution Value Added Tax.

Four, a direct taxation on plastic pollution.

## **5 .1. The indirect tax of Carbon Tax.**

The Carbon Tax is the example of a Pigouvian tax par excellence. It comes from innovative financing with the dual purpose of collecting and changing behaviors and facilitating less tax pressure in other economic sectors. - Double dividend-. The double dividend, which is one of the indicators of innovative finance, means that tax revenues not only generate public resources and modify behaviors, but also, that allow other taxes to be reduced that may cause distortions on the offer of employment, investment or consumption (*Pearce*) **(13)** (*Tulio Rosembuj, Los tributos y la protección del medio ambiente, Madrid, 1995*)

The first global challenge of the environmental tax has been and is the CO<sub>2</sub> tax since it knew how to precede what is now the severe problem of climate change. Its superiority of application is recommended concerning other mechanisms such as emission rights, whose experience, so far, in the European Union, they define the market like a lottery from which they are beneficiaries precisely those that caused and caused pollution.

The basis of the tax is to tax atmospheric gases that cause climate change and global warming. The primary greenhouse gases are carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>) and nitrous oxide (N<sub>2</sub>O); also, hydrofluorocarbons (HFCs ), perfluorocarbons (PFCs) and sulfur hexafluoride (SF<sub>6</sub>).

The purpose is the moderation, reduction, or elimination of greenhouse gas emissions directly and immediately as a result of the application of the tax or by stimulating taxpayers to modify their production and use processes in response to these objectives.

The sustainable value is entirely constructed when the taxable event is formed based on the units of carbon produced that qualify as a source of greenhouse gas emissions, at the origin of the product or the destination, making use of autonomous valuation of the legislator

of economic capacity, which is not market, for its justification and amount.

This is close to the idea that inspires the Pigouvian tax: the damage function results from the emission of carbon units of the greenhouse effect to the detriment of the atmospheric environmental good and negative repercussions on species, biodiversity, activities Social and economic neutral. The function of physical damage implies a monetary valuation of the cost as a result of the pre-existing, preliminary, preliminary activity or production of the polluter, which, to our end, is the index of ability to pay that is intended to be taxed.

The tax base of the carbon tax is the amount of tons of carbon, CO<sub>2</sub>, and equivalent units, contained in the emitting sources in the market. Coal, oil, natural gas, and emissions of cement, steel, iron, aluminum Chemistry paper.

The type of tax is a delicate decision because its effectiveness depends on it is an excellent sign of the price that leads to the reduction of the damage caused by carbon emissions, since, failing that, it would be irrelevant.

Pigou, in the original idea, proposed, in the abstract, that the tax should establish a marginal cost to polluters equal to the marginal damage caused by their contamination. The Pigouvian tax taxes evils, not goods. The literature is wide and varied.

The idea of setting a single and intersectoral price, fostered by the UN, runs into gigantic obstacles. First, all forecasts are outdated.

Estimates of future damage from current emissions ranged from USD 5 to 20 per ton of CO<sub>2</sub> until recently. Nordhaus uses the model of regional integration of climate and economy (RICE), suggesting that the price of coal of \$ 17 in 2010 per tonne at 2005 prices reach \$ 70 in 2050. Some propose an initial estimate, vg9.5 USD in 2015, rising to USD 23 in 2050 and USD 56 in 2100. Stern notes that the ordinary marginal damage per ton of CO<sub>2</sub> is USD 85. The highest carbon price is the one applied by Sweden, 220 US dollars. Circa, but that is far from the marginal damage caused.

The IMF estimates that 75 dollars per ton of Carbon Tax could correspond to an emission level corresponding to the 2<sup>o</sup> C. Carbon price levels will rise by more than 200% above the necessary standards in 2030.

The IPCC, after examining a hundred models of the optimal tax rate, fixed USD 12 per ton. of CO<sub>2</sub> in 2005, even though it mentions a range of options between USD 3 and 95. At present, given the

seriousness of the facts, it suggests 14,300 dollars per metric ton in 2050. If this were feasible, it would turn the Carbon Tax into a real Pigouvian tax.

The price of coal in that quantitative dimension would be the end of the leading global polluters. The high price is equivalent to a ban on the manufacture and commissioning of emissions of carbon units in the atmosphere. The end of polluting emissions from the industry of oil, carbon, gas, natural, and other sources such as cement, steel, iron, aluminum.

The Carbon Tax affects medium and low consumption. Hence, the proposals to compensate them with the resources collected, through a single-family reimbursement, to alleviate their regressive nature. It is to benefit low-income families, mitigating the impact of the tax on their economies.

The tax makes it possible to address the equitable redistribution of those socially less acceptable effects of the taxation on the poor. National experiences indicate different ways. First, the reductions in the Social Security contributions of employers and contributions to workers' funds as well as aid to small and medium enterprises. Secondly, compensation between the tax on carbon with bonuses on the income of personal work and economic activities in the Income Tax. Third, the creation of tax credits in the income tax that is more or less equivalent to the burden borne by the transfer of the fuel consumption tax. Finally, the existence of social sectors that are not contributors is worthy of an effective transfer of the reimbursement that concerns them, a kind of social dividend.

There was a proposal of a Carbon Tax in the European Union through a Directive on June 2, 1992, but failed. The EU opted for a cap-and-trade market approach to regulating emissions. It imposes a quantity control in the form of a cap and then allocates emissions permits among the firms that in the aggregate equal the cap. **(14)** (*T. Roberts, Greenbacks for the Green New Deal, 17 Pitt. Tax Rev., 9.5.2019*).

The Carbon Tax is in force in some countries of the European Union levied on CO2 Emissions, e.g., Denmark, Finland, Sweden, France, Ireland, Slovenia, taxing sectors not covered by the Emission Trading System. But there is not in the European Union a single Carbon Tax imposed on all sources of greenhouse emissions in areas not covered by the EU ETS: transport, smaller businesses, and agriculture. **(15)** (*High-Level Group on Own Resources, Future Financing of the EU, December 2016*).



The European Union has been a pioneer, in extension and depth, in the creation of the emission rights market. It provides a cap on the total amount of greenhouse gases that can be emitted by the sectors covered. Companies receive or buy emission allowances that they can trade with one another as needed. It applies to over 11000 power plants and industrial installations across the EU, as well as aviation for flights within the European Economic Area. **(16)** (*Commission Staff Working Document, Financing the EU Budget: report on the operation of the own resources system, Brussels, 2.5.2018.172*).

The value of the EU ETS is ambiguous. On the one hand, the price of CO2 emissions was introduced in production and investment decisions, sending a clear message of the necessary reduction of greenhouse gas emissions. Furthermore, the regime is negative, exhibits high transaction costs, and has delivered free allowances, which created substantial gains to its receptors' commitment. The EU is the reduction of emissions by 40% between 1990 and 2030.

The European scheme had an impact on the market basically by gratuitousness in the distribution of value between economic agents, but, indeed, to a great social, economic and tax resources (legal uncertainty, unrealistic prices, limitations cost international offset).

Something could change in the future if a contribution from the EU ETS to the Union Budget as an Own Resource results approved. This would involve the allocation of 20% of certain revenues from the total of allowances available for auction to the EU Budget. This is a significant step because if the EU auctions the pollutions permits and not give for free, it may use the auction receipts purposes to fight climate change in the EU as a single market.

The European system's main criticism is about the permissive behavior with speculation: the permits for free with the chance to resell on the market at a price that was not that of the issue. The cartelization of carbon emissions has had the potential to create sufficient income for the lucky companies that receive the rights, and this, without counting on corruption and calculation fraud, which was detected in various experiences.

" This experience dictates that the process to determine the design features of the ETS, and its operation, must be transparent and rent-seeking lobbying resisted as a large part of the ineffectiveness of the EU ETS has been the substantial concessions won by lobbyists. "**(17)** (*J.Dabner, The rehabilitation of the European Union`s emission trading scheme: Should Australia go there again, ssrn.com / abstract = 3461391*).



## 5 .2. Real Corporate Profits Tax direct tax .

" Under the current tax system, the taxpayers with the greatest resources can steadily reduce their effective tax rates through selective income reporting and tax sheltering. **"(18)** *(Celia Whitaker Bridging the Book-Tax Accounting Gap, The Yale Law School, 2005).*

The disagreement between accounting books and tax returns are triggered by the use of tax shelters to hide corporate benefits. The tax shelter is any operation, agreement, plan scheme designed to cancel, reduce or defer the tax. It is what is known as aggressive tax planning.

From the comparison between two companies that have the same accounting result, but one pays less tax than the other, the presence of a tax reduction plan can be deducted. The tax avoidance affects the effective rate in two ways. On the one hand, creating differences between the accounting books and the tax, between the financial accounts or the taxable income, e.g., tax credits, the deferral of the tax. On the other, in the case of the transnational company the reduction of the effective rate occurs through the displacement of benefits to territories of low taxation

Permanent differences exclude income from the tax base and decrease the effective tax rate of the company by increasing the profits of shareholders and managers.

The key is to raise accounting earnings and reduce taxable income.

Elizabeth Warren, candidate for the Presidency within the US Democratic Party, runs an attractive hypothesis of innovative financing, perfectly compatible, with the enormous resources needed for the transition economy, which do not appear as part of the New Green Deal, although neither contradicts.

The use of tax shelters is the main reason for the deliberate manipulation between accounting books and tax. At least 50% of the accounting-tax disagreement originates from tax sheltering. **(19)** *(T. Rosembuj, La Crìsis Financiera y el Arbitraje Fiscal Internacional Barcelona, 2012).*

Warren's idea is a direct tax on the excess profit of American companies subject to the Corporation Tax. It is a new tax whose

taxable event is tax avoidance, sharing a purpose with the Diverted Profit Tax of the United Kingdom from 2015.

The "Real Corporate Profits Tax" would be 7% of the company's consolidated global profits as a result of the declared accounting, financial reports, not of the benefits assessed according to corporate income under the current Corporate Tax. The first \$ 1 billion would be exempt from the surcharge.

The book-tax gap is a usual procedure of the companies in whose virtue they hide benefits to the Administration while they exaggerate it in reports to their investors and shareholders. The division between fiscal accounting and financial accounting is a source of tax avoidance and avoidance.

The purpose of its initiative is to prevent the company from transferring all its benefits to the shareholders in a given period, without paying anything or almost no tax to the Public Treasury. In this way, it is proposed to eliminate the gap between "tax-books," consisting precisely in transporting the benefits to the shareholders while reporting low or no benefits to the Tax Administration.

The surcharge is based entirely on the deductible benefits of the financial accounting books, certified and audited on a basis close to the real economic benefit. In truth, it is a new tax on the calculation of the real benefit of the company, based on the rule on accounting, financial statements, before the tax settlement scheme of Corporation Tax.

To this is added the will to strengthen the fight against tax evasion. Suddenly, based on audited and certified accounts, the possibilities of circumvention are prevented.

"We estimate that close to 1,200 public corporations would be reliable for this tax and that it would raise \$ 1.05 trillion on public companies alone over the ten-year budget window 2019-2028." (20) (*E. Saèz, G. Zucman, University of California, Berkeley, April 8, 2019*).

The collection would be affected by the financing of the fight against climate change.

The proposal is extremely interesting because it has a broad, general nature of a direct tax on the ability to pay, but, which assumes as taxable fact another benefit than the typical tax benefit - the avoided tax benefit - and does so considering that this is the real benefit activity that usually escapes the contribution to public spending.

There are other ideas in circulation, which have not yet reached a sufficient degree of acceptance. Still, whose contribution to the Green Deal could be significant and which, according to the structure, could be a direct imposition on the producers or indirect on the consumers. Case of the Pollution Added Tax.

### **5.3. The Pollution Value Added Tax.**

The general tax on polluting activities is a general tax on the consumption of harmful goods and services aimed at increasing its costs and discouraging the demand for use that is environmentally unacceptable. Its version is similar to that of a general tax on harmful environmental consumption, whose ideological patronage is attributed to Milton Friedman.

In France, Michel Bornier proposed a tax on ecological value. This is an additional VAT tax at an average tax rate of 0.5 and 1%, depending on the ecological incidence of services and products. The purpose of the tax would be to modulate the rates of harmful goods and services due to their potential or actual contamination. Their project had no scope.

In 1993, Belgium introduced Ecotaxes, a tax that primarily aimed to change the behavior of the production of certain goods considered as harmful, a priori renouncing collection. On the one hand, with the stimulus of refundable deposits to the consumer and on the other offering producers exempt the payment of the tax if they achieved specific recycling or reuse objectives. The model affects beverage containers, batteries, photographic cameras, disposable razors, pesticides, non-recycled paper. It was a tax criticized by its zero collection and high-cost management.

The European Union examined in 2011 the idea of an "indirect carbon tax on consumption according to how much CO<sub>2</sub> is emitted during the production of particular commodities, irrespective of whether all or a part of this process takes place within or outside the EU.", but without ruling out an upcoming figure such as the "European Carbon Added Tax on all goods and services", adopting the perspective "of the consumers carbon footprint" (21) (*High Level Group on Own Resources (M. Monti, Chairman, Future Financing of the EU, December 2016, p.42)*).

From a different perspective, an income-type VAT could be conceived, of a direct nature on harmful consumption whose axis is in the productive organization.

It would be a variant of VAT, which does not follow the consumption model, such as community VAT, but is a direct income tax: the sum of wages, interest, benefits, income from natural factors less deductions for annual depreciation of capital(subtraction mode)

Income-type VAT taxes any stage of the economic processes, of any kind, on the added value of the stage to conclude by taxing the net national product, as if it were an income tax that derives from the productive activity. It is the difference between sales and purchases for a period, excluding investments in fixed assets or inventories.

More importantly, it is a tax that holds the power of the organization of the productive activity as an object of the ability to pay. A tax that gathers the double dividend in a single beam: taxing an economic wealth that is socially harmful, at the head of the organization of the company, not of its participants ( IRAP e.g., in Italy (Income tax of the organization of the productive activity).

Harmful products can be disqualified since they constitute sources of diffuse contamination, generating disparity of treatment (equality of resources) concerning others that being similar does not cause such problems. Harmful discrimination is based on the precautionary principle.

The list is broad but not exhaustive: beverage containers, batteries, disposable products, fertilizers, pesticides, non-degradable plastic bags. It is an enchanting tax on dirty CO2 emission technology and, therefore, will add up so many resources for the entire time that it is late in its eco-efficient change, facilitating its recovery, reuse, or recycling through the fiscal mechanism.

Harmfulness is the fiscal burden to internalize the costs which would influence consumer behavior if it is not changed within a set period of time and is stimulus to the substitution of non-harmful products that for reasons of cost cannot break the market barriers imposed by the products with a high CO2 content, according to the carbon footprint of the organization.

#### **5.4. A direct taxation on plastic pollution.**

From the research *The New Plastics Economy. Rethinking the Future of Plastics (22)*. (*World Economic Forum, Ellen Mac Arthur Foundation and McKinsey & Company, "2016* ) emerges that plastic pollution entails a systemic environmental risk in itself.

First, it is a sector of geometric growth, which doubles its production and expansion rapidly. Second, its effects are dramatic after a short cycle of first use, reducing the productivity of natural systems, such as the oceans and collapsing urban infrastructure. The cost of its externalities, in particular, plastic packaging, exceeds the total benefit of the sector. This is evident in terms of its greenhouse gas emissions in production and incineration.

The pollution generated by plastics and microplastics goes beyond national borders. "Marine litter and microplastics are a particular concern and threaten the conservation of the seas' biological resources." **(23)** (*EU Commission European Strategy for Plastics in a Circular Economy* ", Com / 2018/028). *Less than 30% of 25 million tonnes of plastic waste is collected for recycling.*

The alternatives go through a radical increase in recycling and reuse, compostable plastic packaging, the reduction of plastic waste in natural systems, and the development of biodegradable plastic.

The new plastic taxation should be designed to raise revenue, not only to change behavior. Any tax or a set of taxes should be part of the innovative financing: a collection of public resources and influence on taxpayer behavior. The double dividend here is the collection and the reduction of the use of plastic overall, increasing the reuse and recycling of the plastic that is used.

The most efficient and fair plastic taxes should be designed on the purchase or sale of monomers or resins, provided it can be ensured the negative externality on others than the producer or the wholesaler and, also, discourage particular items of plastic-like resins from virgin feedstock rather so recycles. Both kinds of taxes have few taxpayers, and that makes simpler the management. There are clear, direct taxes on plastic manufactures. **(24)** (*Rethink Plastic, The price is right... or is it?, Taxing plastic, September 2018*).

## CONCLUSIONS

Climate change is not a theory. The systemic risk is here, and that means that we have to challenge bad times through regulation and taxation. The regulation claims a return of a command and control approach in terms of environmental public and social governance. It is useful the idea of a New Green Deal, including law, expropriation, confiscation, and taxation. We should face a public

good as a whole, for the good environmental protection. In a matter of taxation it is necessary a set of Pigouvian taxes: an in-depth Carbon Tax, a Real Profit tax on Corporation, fighting tax evasion and avoidance, and the exam of new taxes as the Value Added Pollution Tax on organizations and an approach to Plastic taxation on producers and wholesalers.