

Fiscal reforms: Nordic model of taxation and delivery of public services/Financial transaction tax (Tobin tax)

**Dialogue Seminar
SCALING UP BIODIVERSITY FINANCE
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Sweden's green taxes

- Energy tax introduced on petrol (1924), electricity (1951), fossil fuel (1957)...
- Carbon tax introduced in 1991, high for households and service sector, low for sectors subject to international competition
- Green tax reform in 1991: Energy + Carbon tax (+2 billion €), labour taxes (-6 bn).
- Green tax reforms during 2001-2006: 1,6 bn shifted
- 2007-2010: further 0,5 bn shifted.

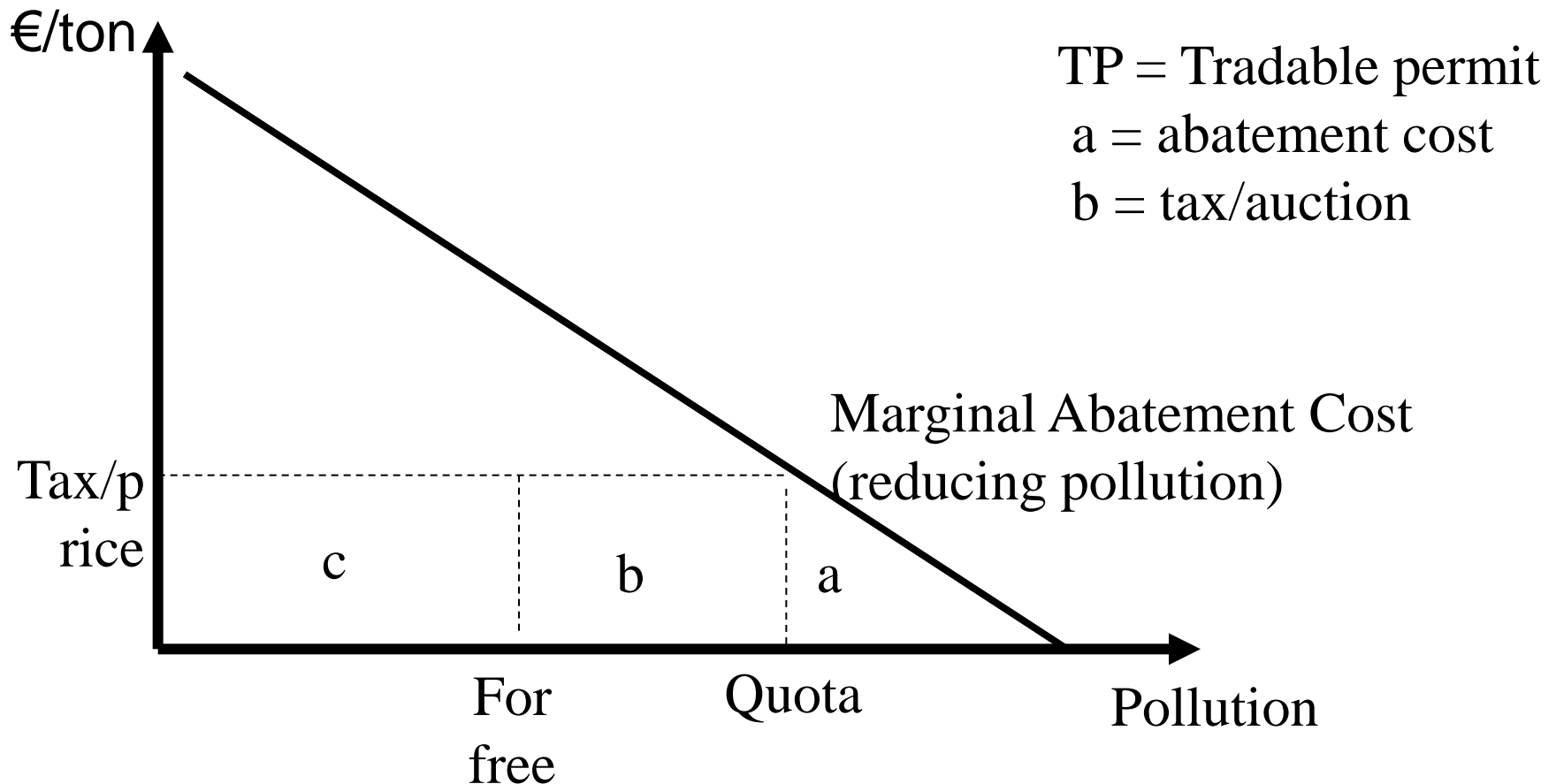
Tax or “Cap and trade”?

- In 2008, the EU Emission Trading System (ETS) replaced the national Carbon tax.
- ETS covers power stations and industrial plants in 30 countries, 50% of total EU emissions
- The current cap is set to fall by 1.74% annually to achieve a target of reducing emissions in 2020 to 21% below their level in 2005.
- Why does business prefer Cap and Trade?
- Much smaller total costs!

Total cost for the polluter

Standard case: Taxes = $a+b+c$, TP = a

Tax-free quota/Auction: Taxes = $a+b$, TP = $a+b$



Tax or “Cap and trade”?

- EU ETS prices have fluctuated dramatically in the last few years from 30 Euros per ton to near zero in 2007.
- What business needs is a predictable cost of carbon that motivates green investments.
- Taxes provide a more reliable price signal than ETS
<http://sites.google.com/site/yarravalleyclimateactiongroup/carbon-tax-needed-not-cap-and-trade-emission-trading-scheme-ets>
- GE: “In 2009 carbon was traded with a value of US \$ 144 billion”
- Real value or financial value? Currency is traded for US \$ 800 *trillion* annually

Three reasons for using the “market”?

1. Using the price mechanism helps us achieve targets with minimum costs (cost-effective tools)

Yes, but this is true for taxes as well as “cap and trade”

2. Markets are more efficient than governments; we should reduce the role of government

That’s ideology, transaction costs are often high for biodiversity trade and the benefits are typically public goods

3. The need to rely on private sector is motivated by a belief that public budgets are limited

Greece has lowest tax revenues *and* public spending

Financial Transaction Tax (FTT)

- Taxing sales of equities (0,1%) and bonds (0,02%) could generate \$48 billion/year from G20 countries
- A currency exchange tax (Tobin tax) of 0,05% could generate \$400 billion/year
- Ed Barbier: “It makes sense to tax activities that have made a select few so rich and caused so much of the recent financial havoc.”

“Can markets protect biodiversity?”

- What are the alternative governance options?

1. Raising revenues for biodiversity conservation is a task for governments: green tax reform, removal of perverse subsidies, FTT, etc.
 - Private sector: legally forced biodiversity off-sets
2. Attracting direct investments
 - Public sector: Mainstreaming non-core resources
 - Private sector (landowners): PES (=feed-in tariffs for biodiversity) e.g. Socio Bosque
 - Private sector (business): CSR (e.g. Conservation Trust Funds)

A photograph of a mother monkey sitting on the ground in a forest. She has light brown fur and a white face. A small, dark-colored baby monkey is clinging to her chest. The background is filled with green foliage and brown leaves on the ground.

Thanks!