

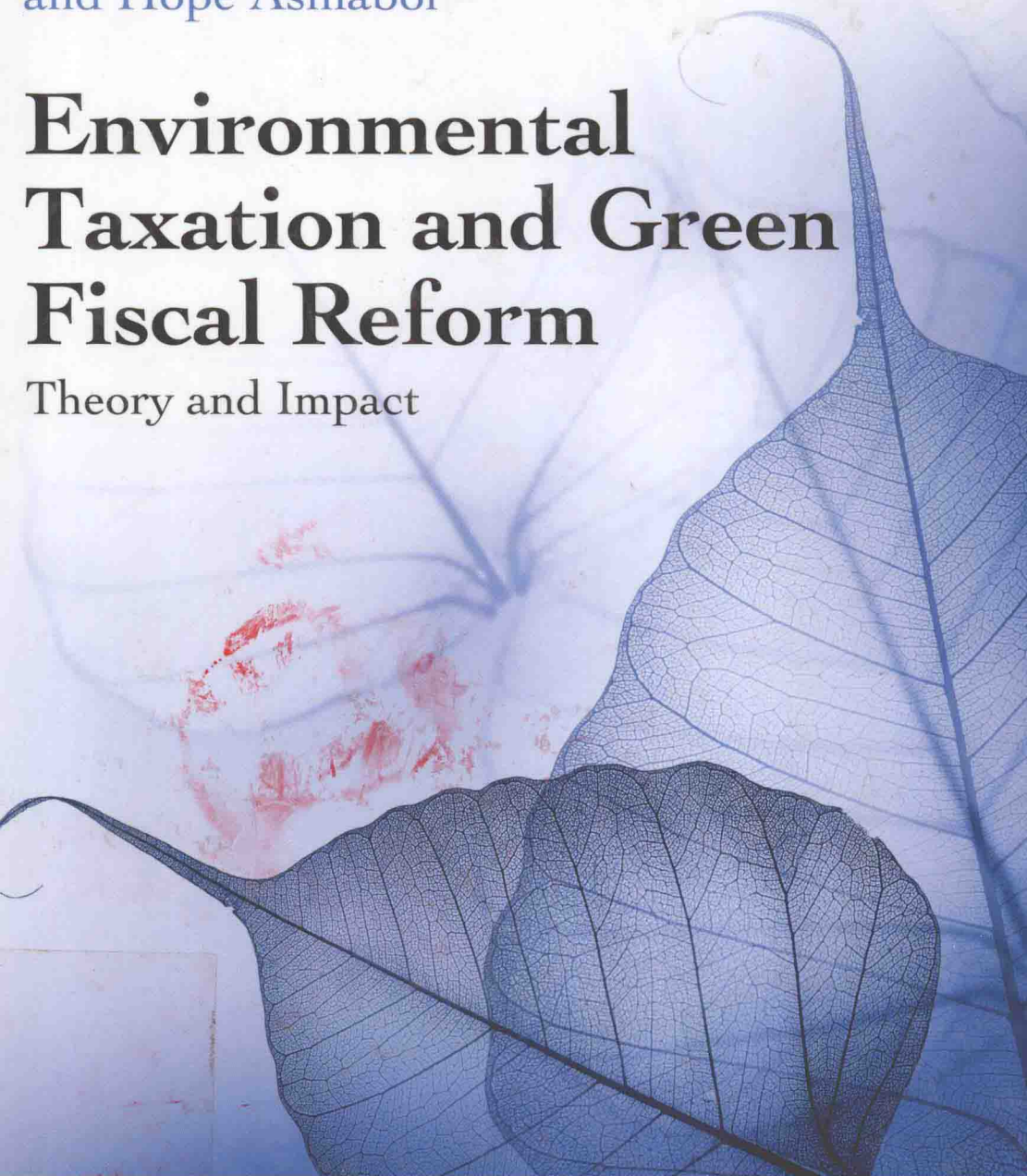


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Larry Kreiser, Soocheol Lee,
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Environmental Taxation and Green Fiscal Reform

Theory and Impact



Critical Issues in Environmental Taxation **VOLUME XIV**

Environmental Taxation and Green Fiscal Reform

Theory and Impact

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CRITICAL ISSUES IN ENVIRONMENTAL TAXATION
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Foreword

Environmental taxation (or environmental tax reform) includes not only the reform of carbon and energy taxes but also reform of taxation on environmental pollutants and resource use that is not related to energy. Along with environmental taxation, green fiscal reform is also important. Governments should provide companies with stronger incentives to pursue the innovation of low-carbon processes and low-carbon products while shifting the focus of government expenditures from subsidies for fossil energy and nuclear energy toward support for renewable energy and reducing spending on the highly politicized construction of large-scale dams, roads and other questionable energy projects.

Environmental taxation and green fiscal reform are challenges that are difficult to achieve based on a short-term perspective. Necessary first steps are to present to the public a long-term vision for greening fiscal measures in an understandable manner and to gain public support for environmental sustainability.

Governments can deal with industrial pollution, urban environmental issues, and other environmental problems with market based instruments such as taxes and fees. It is difficult to say, however, that companies and other economic entities are sufficiently motivated to act in a responsible way by the current level of taxes and fees. Also, revenues collected by environmental taxes and fees are often earmarked for other than environmental purposes.

Environmental sustainability requires strong conviction and leadership that cannot be swayed by short-term economics. Governments must persistently provide the public with appropriate education and accurate information on the limits of an economy dependent on fossil energy, on the need for internalizing environmental pollution by proper means and on the risks associated with the use of nuclear energy. Volume XIV of *Critical Issues in Environmental Taxation* expands the discussion of these topics and explores the various ranges of environmental and energy policy for an environmentally sustainable future.

Soocheol Lee
Professor of Economics, Meijo University, Japan

Preface

A noted author, Thomas Pynchon, once said ‘If they can get you asking the wrong questions, they don’t have to worry about the answers.’ In this line, there are many confusing questions being asked today about environmental sustainability.

Some politicians say let market forces decide energy policy. Eliminate all renewable energy standards and energy efficiency mandates. Natural gas producers advertise that natural gas is the ‘clean energy’ choice despite the fact that natural gas is a fossil fuel which creates carbon pollution. Electric utilities are petitioning to eliminate energy efficiency mandates since these mandates are reducing the demand for electricity. Isn’t that what these mandates are supposed to do? One airline says it flies on ‘eco-friendly skies’ even though airplanes cause considerable pollution. In the current situation, it is more important than ever to publish high quality research on environmental sustainability, which is the mission of Critical Issues in Environmental Taxation.

Volume XIV of Critical Issues in Environmental Taxation contains 19 chapters on environmental taxation issues and green fiscal reform. These chapters have been prepared by environmental experts from around the world. We hope you find these studies to be enlightening and worthy of serious consideration by policy makers throughout the world.

Larry Kreiser, Lead Editor
Soocheol Lee, Co-Editor
Kazuhiro Ueta, Co-Editor
Janet E. Milne, Co-Editor
Hope Ashiabor, Co-Editor
September 2014

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PART I

Theory

Section A

Exploring theoretical assumptions