



Feasibility of a Carbon Consumption Tax for sustainable development – A case study of India

* Singh Kanwal Deepinder Pal¹

¹ University School of Law and Legal Studies, Guru Gobind Singh Indraprastha University New Delhi, India

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ABSTRACT

Global climate change is a major issue confronting policymakers worldwide, and there is widespread scientific acceptance of the reality of climate change and its adverse consequences. In terms of economic analysis, greenhouse gas emissions (GHG), which cause planetary climate changes, represent both an environmental externality and the overuse of a common property resource. The paper is premised around the hypothesis that tax policy can be used to address climate concerns by making less Green House Gas intensive purchases and investments more financially attractive. However, in the absence of an international framework capping GHG emissions, countries adopting mitigation policies incur costs that would not exist under global cooperation such as the loss of competitiveness and emissions leakage. A consumption tax based on the carbon footprint of a product levied on all products at the point of purchase by the final end-user, regardless of where the goods are produced using a Credit-method would be capable of addressing these concerns of emissions leakage and loss of competitiveness, while being WTO compliant. The author intends to test the feasibility and effectiveness of such a carbon consumption tax in the Indian Context. The author shall test the feasibility of levy of such a consumption tax in the context of India and evaluate the effectiveness in mitigating climate change and catering to the goal of sustainable development.

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1. Introduction

Climate change is a major environmental issue that is affecting the policy decisions worldwide. The world is aware of this grim reality and adverse consequences of global warming (Harris, et al., 2015) Greenhouse gas emissions (GHG), cause climate changes, and are adversely affecting economies also. This is because of overuse of a common property resource. (Harris, et al., 2015). The paper is premised around the hypothesis that tax policy can be used to address climate concerns by making less GHG intensive purchases and investments financially attractive.

(Moarif, and Rastogi, 2012). However, in the absence of an international framework capping GHG emissions, countries adopting mitigation policies incur costs that would not exist under global cooperation such as the loss of competitiveness and emissions leakage. A consumption tax based on the carbon footprint of a product levied on all products at the point

*Corresponding Author:

University School of Law and Legal Studies, Guru Gobind Singh Indraprastha University New Delhi, India

E-mail address: kdps@ipu.ac.in