**International Carbon Charge, Future Generations Fund and Dividend as a first step to a Just Transition**

**Introduction**

Approximately half the planet’s people are living in poverty, almost 4 billion people[[1]](#footnote-1). 2,153 people are billionaires owning as much as $8 trillion, the same as 60% of the world’s population.[[2]](#footnote-2) This situation has worsened during the current COVID 19 pandemic as across the world businesses are prioritised for bailouts rather than people, many of whom have lost their means of livelihood.

Inaction on poverty is complemented by inaction on the climate emergency. Fossil fuel extraction continues apace. Subsidies on fossil fuels internationally amount to about $5.2 trillion (2017), despite the fact that, “Efficient fossil fuel pricing in 2015 would have lowered global carbon emissions by 28 percent and fossil fuel air pollution deaths by 46 percent, and increased government revenue by 3.8 percent of GDP.”[[3]](#footnote-3)

This paper argues that a significant change in approach to the world’s resources through innovative international taxation could not only eradicate poverty and contribute to achieving the Sustainable Development Goals (as well as providing the world’s population with the means to self isolate during this and future pandemics), but could also price the world’s resources fairly (our shared inheritance) thereby significantly reducing the extraction of carbon, and in turn preserving all of our planet’s resources for the benefit of future generations.

This paper addresses two key questions in particular:

### 1. Energy: the switch to renewable energy sources and improved energy efficiency

The proposed international carbon cap would generate revenue for a green global sovereign wealth fund, which would be invested in renewable energy infrastructure. This immense additional investment in renewable energy combined with an increased price on fossil fuels would facilitate the large-scale switch away from fossil fuels that we urgently require.

### 2. The impacts of the transition on employment

The annual dividends from this fund would be paid out as a monthly cash transfer to every person worldwide. Unlike most ‘Just Transition’ schemes, which address potential unemployment only in the most obviously affected industries, this direct cash support would generate additional local economic demand and employment in every community. As seen during the COVID-19 pandemic, the employment effects of major economic shifts are diverse, and many governments have needed to use cash transfers to offset the impacts. An international carbon tax and dividend scheme would provide this employment and income support on a global scale during the transition to a renewable energy economy.

**The proposal: International Carbon Charge, Future Generations Fund and Dividend**

Carbon tax or cap and dividend is usually proposed as a national scheme. This paper proposes to adopt it instead as an international scheme, in order to better capture and limit all carbon extraction, and to support a global Just Transition. The scheme would function as follows:

1. A global cap on total fossil fuel extraction would be applied, which reduces annually to ensure Net Zero is achieved within an acceptable time-frame.
2. All companies extracting fossil fuels would be required to buy a permit for each tonne of coal, barrel of oil or litre of gas they extract. This would make fossil fuels much more expensive, incentivising a sharp reduction in fossil fuel use that would complement the effects of the carbon cap.
3. The money raised through these charges would be placed in a global Future Generations Fund (similar to Norway’s Sovereign Wealth Fund), which would be invested in a massive new development of renewable energy infrastructure and related research.
4. The investment income from this fund would be distributed via a monthly cash payment to every individual worldwide. This would help people to cope with an increase in certain prices, and would represent a fair 'rent' for the use of their planet's resources by private companies. These transfers would contribute significantly to an ending of extreme poverty, as well as a boost to local economies and employment in low income areas.

Potential revenues and distribution amounts from this scheme have been modelled and will be published shortly at [www.worldbasicincome.org.uk](http://www.worldbasicincome.org.uk). The amounts raised clearly depend on the fee charged on carbon extraction, as well as the speed at which the carbon cap reduces towards zero. One scenario, in which the carbon charge begins at $70 per tonne of CO2 equivalent and rises by 4% each year, while the cap reduces from current extraction levels to zero by 2045, would produce a monthly global dividend above $10 per person per month (including children) by the seventh year and above $20 per person per month by the sixteenth year. By year sixteen the Sovereign Wealth Fund would contain over $35 trillion, which would support a vast increase in renewable energy production through the building of new infrastructure.

**Why does international taxation and regulation best support a Just Transition?**

As the planet has become more globalised, governance has not been modernised with stronger international institutions. This has suited businesses which operate across national borders to help avoid paying significant taxes. These losses are estimated at $500[[4]](#footnote-4)-600[[5]](#footnote-5) billion per year, with poorer countries losing $200 billion. Rich individuals operate similar avoidance schemes so that $7-10 trillion lay in tax havens (10% of global GDP) in 2014.[[6]](#footnote-6)

The regulation of businesses is also imperfect. Large areas of the planet have essentially been plundered with little benefit accruing to local people. National governments are rarely paid a “fair” royalty e.g. Australia is estimated to have lost 82% of the value of minerals extracted in 2000-2010[[7]](#footnote-7), and the UK is estimated to have lost about £400 billion of oil and gas revenues up to 2014[[8]](#footnote-8). Areas of the planet without government also face unsustainable extraction and pollution such as the sea (overfishing – over 30% of world fish stock[[9]](#footnote-9) and deep sea mining[[10]](#footnote-10)), the Arctic[[11]](#footnote-11) and Antarctica[[12]](#footnote-12).

Land, air and sea pollution are now beyond the boundaries of what the planet can endure without significant climate change.[[13]](#footnote-13) Currently many millions of human and animal deaths result from pollution each year. Yet all our commons could be taxed and regulated in a sustainable fashion, through mechanisms such as international carbon cap and parallel schemes.

It is of the utmost urgency that taxation and regulation of international business is implemented if the world is to address international problems. The OECD’s expertise in international taxation should be transferred to the UN and the G77 countries should play an equal part in determining modalities.

Scientists should determine acceptable levels of resource extraction within planetary boundaries, in particular with respect to CO2 and methane. A guiding principle to follow should be that of intergenerational equity.[[14]](#footnote-14) [[15]](#footnote-15) Incomes from extraction should not be treated as revenue but as part of future generations’ inheritance and therefore proceeds should be placed in a wealth fund which will enable positive investments to be made, and will share the economic benefits with future generations.

Ultimately, international taxation has the potential to entirely eradicate extreme poverty by funding a substantial and sustainable worldwide basic income. Potential routes to implementation of such a proposal are outlined by World Basic Income.[[16]](#footnote-16) In particular it is worthwhile noting the estimates of revenues that could be raised through various international taxes[[17]](#footnote-17), easily sufficient for $30 per month for every man woman and child, with significant potential to rise beyond that as further income streams are mobilised. Regular universal cash payments at this scale would bring almost every individual on the planet above the extreme poverty line of $1.90 per day, while addressing the majority of the SDGs (the correlation between income and most development indicators e.g. health, housing, education, is strongly positive).

**Employment**

The impact of this transition on employment will be complex, and - unlike many other Just Transition approaches - is likely to benefit the poorest most. . A reliable monthly payment to every household member would reduce the necessity of subjecting people to exploitative employment as found in UBI pilot studies such as in India.[[18]](#footnote-18) It is likely to increase remuneration for many essential workers such as shop workers, delivery workers, carers, health workers, and transport workers, by boosting local economic demand and therefore the viability of these services. Finally, pilots around the world have seen increases in employment as people invest in their own farms and small businesses, or improve their education to diversify their job opportunities.

Opportunities for employment may also increase as a result of green investments made by the Future Generations Fund. These are likely to include micro as well as macro initiatives ranging from home solar and micro-grids to major projects such as offshore wind farms and geothermal development. The scale of investment as well as its global basis would ensure that related job creation is distributed worldwide, helping to provide diverse and sustainable employment opportunities in all countries, including those who have traditionally missed out from such investments.

An international tax body could also introduce taxes to encourage a circular economy, thereby discouraging the planned obsolescence and life cycle of many products. With scientific advice, punitive taxes could be levied on products that display levels of recyclability below 50, 60, 70 or 80%. Anything that is single use could be banned or taxed at a rate covering disposal costs. Such taxes would shift Research and Development into sustainable products. Products that are fully recyclable could be subsidised or at least tax exempt. Manufacturers may well cooperate in ensuring parts from various brands of products could be interchangeable.

**SDGs**

The Just Transition outlined above would directly impact on all 17 of the SDGs.

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| **SDG Goal** | **Transition Plan Impact** |
| 1: No poverty | Reliable cash income for every household member. |
| 2: Zero hunger | Cash transfers are shown to significantly reduce hunger and malnutrition. |
| 3: Good health & well-being | Improved household incomes enable participation with health services (i.e. travel to clinics, payment of small fees and medicine prices). The overall economic boost to low income countries would support increased spend on public services including healthcare. Health and well-being would also be improved by meeting other goals such as zero hunger and reducing inequalities. |
| 4: Quality education | Improved household incomes enable participation in education, including by reducing the need for child labour and by facilitating payment of school fees. The overall economic boost to low income countries would support increased spend on public services including education. |
| 5: Gender equality | Women receive their own guaranteed money, which has been shown to improve their voice within the household as well education and family planning. Mothers will also receive their children’s dividend payments. |
| 6: Clean water and sanitation | Improved household incomes enable payment of water charges where mains connection is available, and can help to cover costs to improve household facilities. Basic income pilots in Kenya have shown that communities often pool some of their cash payments to improve community facilities such as wells. |
| 7: Affordable and clean energy | The global sovereign wealth fund will hugely increase dispersed worldwide investment in green energy and related research. This will drive down prices and hugely increase availability. |
| 8: Decent work and economic growth | Extra money in the hands of the world’s poor will contribute to local economic growth and employment, while improved income security gives workers greater bargaining power to demand decent work. |
| 9: Industry, Innovation, and Infrastructure | The global sovereign wealth fund will provide massive new investment in infrastructure and in the green industries and innovation required for a Just Transition. |
| 10: Reducing inequalities | International carbon tax would be paid mostly by major users of fossil fuels, i.e. richer people and countries. Meanwhile the dividends would be received evenly across the global grassroots. This directly addresses world inequality, Groups suffering particular inequalities, such as women and those with disabilities, would have improved income security, supporting their independence and freedom of choice. |
| 11: Sustainable cities and communities | Massive green investment from the global sovereign wealth fund will enable cities and communities to make energy efficiency improvements and source their energy from renewable sources. |
| 12: Responsible consumption and production | Taxing carbon extraction will strongly incentivise responsible production and consumption, by making the polluter pay. Any extra costs will be offset by dividend payments, which will help households to afford alternative products. |
| 13: Climate action | Carbon tax will incentivise and facilitate a huge increase in renewable energy production, while directly limiting the extraction and use of fossil fuels. |
| 14: Life below water | Parallel initiatives proposed by World Basic Income would address harm to aquatic environments. Deep Sea Mining should be either banned or subjected to a punitive tax, with proceeds added to the Sovereign Wealth Fund. Shipping and commercial fishing should be taxed internationally and in some cases banned. |
| 15: Life on land | Parallel initiatives proposed by World Basic Income would address wider environmental harms. A Land Value Tax (LVT) should be introduced internationally, with the scheme shaped to incentivise responsible land use. |
| 16: Peace, justice and strong institutions | Real income security will release people from poverty, enable them to have a voice, and allow them greater participation in society and politics. Policy makers would be more likely to be held to account. Drivers of conflict are likely to be eased via stronger management of extractive industries as well as improved household income security. |
| 17: Partnerships for the goals | All progressive institutions across the world would be invited to assist with this transition plan. Support of the Sovereign Wealth Fund by many institutions including governments would engender increased partnership. |

**Conclusion**

The Just Transition outlined above is a radical plan which would solve two of the greatest problems on earth: poverty and the climate and ecological crisis.

The payment of an equal dividend to the world’s population would be in recognition of our common inheritance, but it would also compensate people for the costs of the transition in terms of increased prices of fossil fuels and other products. Payments should be rolled out in poor countries first in recognition of the higher levels of poverty there as well as the uneven impacts of climate change. World Basic Income has outlined how a fuller worldwide basic income could be paid[[19]](#footnote-19).

This Just Transition is a workable simple model that requires a relatively simple reform of the world’s taxation and regulatory systems. The great majority of fossil fuel extraction is undertaken by only a hundred companies, so achieving decent coverage and compliance could be unusually straightforward. The direct impact on climate change would be dramatic - this initiative could on its own go a very long way towards resolving the climate emergency. The revenues generated would be staggering, enabling immense investments in renewable energy and related green jobs, as well as a direct and lasting impact on household income for every single person in the world. No other initiative has the potential to address poverty and climate change so fully and directly.

1. https://data.worldbank.org/indicator/SI.POV.UMIC [↑](#footnote-ref-1)
2. https://www.oxfam.org/en/press-releases/worlds-billionaires-have-more-wealth-46-billion-people [↑](#footnote-ref-2)
3. https://www.imf.org/en/Publications/WP/Issues/2019/05/02/Global-Fossil-Fuel-Subsidies-Remain-Large-An-Update-Based-on-Country-Level-Estimates-46509 [↑](#footnote-ref-3)
4. https://www.wider.unu.edu/publication/global-distribution-revenue-loss-tax-avoidance [↑](#footnote-ref-4)
5. https://www.imf.org/en/Publications/WP/Issues/2016/12/31/Base-Erosion-Profit-Shifting-and-Developing-Countries-42973 [↑](#footnote-ref-5)
6. [*Gabriel Zucman*](https://en.wikipedia.org/wiki/Gabriel_Zucman) *(August 2014). "Taxing across Borders: Tracking Personal Wealth and Corporate Profits".* [*Journal of Economic Perspectives*](https://en.wikipedia.org/wiki/Journal_of_Economic_Perspectives)*.* ***28*** *(4): 121–48.* [*doi*](https://en.wikipedia.org/wiki/Doi_(identifier))*:*[*10.1257/jep.28.4.121*](https://doi.org/10.1257%2Fjep.28.4.121)*.* [↑](#footnote-ref-6)
7. https://medium.com/@thefutureweneed/australias-looting-machine-16f9b2461a0c [↑](#footnote-ref-7)
8. https://resourcegovernance.org/blog/did-uk-miss-out-%c2%a3400-billion-worth-oil-revenue [↑](#footnote-ref-8)
9. http://www.fao.org/state-of-fisheries-aquaculture [↑](#footnote-ref-9)
10. https://www.theatlantic.com/magazine/archive/2020/01/20000-feet-under-the-sea/603040/ [↑](#footnote-ref-10)
11. https://www.politico.eu/article/5-races-for-the-arctic-trade-resources-supremacy-tourism-salvation/ [↑](#footnote-ref-11)
12. https://www.ft.com/content/2fab8e58-59b4-11e8-b8b2-d6ceb45fa9d0 [↑](#footnote-ref-12)
13. https://www.ipcc.ch/assessment-report/ar6/ [↑](#footnote-ref-13)
14. https://opil.ouplaw.com/view/10.1093/law:epil/9780199231690/law-9780199231690-e1421 [↑](#footnote-ref-14)
15. http://www.if.org.uk/2019/07/08/without-intergenerational-equity-say-goodbye-to-civilisation/ [↑](#footnote-ref-15)
16. http://www.worldbasicincome.org.uk/ [↑](#footnote-ref-16)
17. http://www.worldbasicincome.org.uk/funding-a-world-basic-income.html [↑](#footnote-ref-17)
18. http://sewabharat.org/wp-content/uploads/2019/02/Legacy-Study-Final-Report-a.pdf [↑](#footnote-ref-18)
19. http://www.worldbasicincome.org.uk/distributing-the-money.html [↑](#footnote-ref-19)