

Social protection and redistribution policies for green growth

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Why have environmental taxes?

- Aim is to put human activity on to an environmentally sustainable footing while maintaining (and improving) living standards
- Environmental taxes* aim to make the price of consumption goods = marginal social cost (i.e. the economic cost of production + social cost of environmental degradation*)
- Other policy instruments work by regulating activity – also impose costs

*Other taxes could target other social externalities

Why be concerned about social protection?

- Fairness – concern that the burden of adjustment falls on those most able to bear it rather than the least well off
- Political economy – worthwhile reforms are more likely to gain support if perceived to be fair and equitable (dimensions of equity include vertical and horizontal equity, intergenerational equity, international equity,)
- Effectiveness – well designed compensation may help transition to a cleaner/greener society

Distributional analysis

- Aims to identify who is impacted.
- Dimensions:
 - Income Vs Expenditure
 - Household type (singles, family, etc)
 - Geographical (urban, regional, rural, etc)
 - Age of household
 - Education, occupation, skill level ...
- What data and tools do we need?