Taxing the Carbon Emission

What is the issue?

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- Air pollution is becoming one of the biggest public concerns in India.
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- India needs a Carbon-tax policy to curb air pollution.
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What is the contribution of fossil fuels to air pollution?

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- About 75% of all greenhouse gas emissions are CO2 emissions produced through burning fossil fuels oil, coal and natural gas to generate energy.
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- Since the early 2000s, carbon emissions have increased because of high growth in the Indian economy.
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- In 2014, India’s total carbon emissions were more than three times the levels in 1990, as per World Bank data.
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- This is because of India’s heavy dependence on fossil fuels and a dramatically low level of energy efficiency.
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What is a carbon tax?

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- A carbon tax is a way to make users of carbon fuels pay for the climate damage caused by releasing carbon dioxide into the atmosphere.
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- The amount of CO2 released in burning any fossil fuel is strictly proportional to the fuel’s carbon content.

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- This makes a carbon tax simple to measure and document.
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- Which allows the carbon tax to be levied “upstream”on the fuel itself when it is extracted from the ground or imported.
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- Placing a tax on carbon gives consumers and producers a monetary incentive to reduce their carbon dioxide emissions.
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How can India make use of carbon tax?

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- The Indian economy’s energy mix needs to be remodelled through investments in clean renewable sources of energy like solar, wind, hydro, geothermal and low-emissions bioenergy.
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- This energy mix overhaul requires an additional 1.5% of GDP (to the current annual level of 0.6%) annually over the next two decades.
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- This can be financed by the carbon tax revenue, it will be a revenue-neutral policy with no implications on the fiscal deficit.
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- Carbon revenue can be used for a transfer of free electricity to the population that contributes less carbon than the economy average.
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- Carbon taxes also delivers on providing more employment since the employment elasticity in greener forms of energy is higher than those in fossil fuel-based energy.
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Source: The Hindu

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