



Mains Practice Question

Q. Is carbon tax regressive in nature? Give reasons to justify your answer. (150 words)

27 May, 2019 GS Paper 3 Bio-diversity & Environment

Approach

- Describe Carbon tax.
- State reasons for justifying need for Carbon tax.
- Give conclusion.

Introduction

- A carbon tax is a levy imposed on the burning of carbon-based fuels (coal, oil, gas) for reducing and eventually eliminating the use of fossil fuels whose combustion is destabilizing and destroying climate.
- It is a powerful monetary disincentive that motivates transition to clean energy across the economy, simply by making it more economically rewarding to move to non-carbon fuels and energy efficiency.

Carbon tax as non regressive:

- **Skewed consumption pattern:** India's carbon emissions in 2014 were more than three times its level in 1990. While the emissions have increased sharply, their distribution across income groups is extremely skewed. The poor in India who contribute the least to climate change face the maximum brunt. Thus implementation of carbon tax and utilizing the proceeds for pollution control and augmenting health budget is a rational way forward.
- **Reducing demand:** By taxing carbon revenue thus generated can be used for a systematic overhaul of the energy mix in the economy, carbon taxes address demand side of carbon based energy resources i.e. reducing it (by increasing prices of carbon-intensive products).
- **Health cost of pollution:** By reducing carbon emission through taxing there are immense health benefits. A significant part of more than 3 % percent of India's GDP currently spent on pollution-induced diseases will inevitably come down and this cost is heavily borne by poor.
- **Climate finance:** When it comes to mitigation of climate change the global North has to shoulder a higher burden of adjustment both because of their past and current contributions as well as their greater access to funds. Carbon tax in these nations can help to fund climate financing thus ensuring climate justice and equity.
- **Subsidizing renewable energy sources** through cross subsidization from carbon tax can help in dealing with climate change by promoting solar energy, wind energy, cleaner biofuels etc.

Conclusion

- Thus, Carbon tax apparently gives impression of being a regressive tax; however by implementing it in conjunction with broader health and energy policy, it can help in redistribution and helping poor to ward off the negative impact of climate change.
- At the same time Carbon tax will help in achievement of goals under Paris Agreement to

strengthen the global response to the threat of climate change by keeping a global temperature rise this century well below 2 degrees celsius above pre-industrial levels.

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