

**Garnaut Review Submission:** Richard N. England,

### **Shifting the whole taxation system to a carbon consumption tax**

High energy use underlies what we regard as a high standard of living, and by far the cheapest energy is obtained by burning reduced carbon compounds, especially coal. To continue living well on much less energy requires massive changes in lifestyle. The only way we can reduce CO<sub>2</sub> emissions is to make people pay through the nose for the CO<sub>2</sub> emitted as a result of their consumption.

To achieve any significant change, we need to move the whole world's taxation systems away from income tax and various consumption taxes to a universal carbon consumption tax. The least economic disruption is achieved by not changing the overall tax take.: the massive rises in the cost of carbon consumption will be offset by other tax cuts, such as the abolition of GST. As the policy succeeds, and CO<sub>2</sub> emissions are lowered, the overall tax take can be maintained by increasing the carbon consumption tax rate. This is the only kind of action that will seriously concentrate the efforts of the private sector on reducing CO<sub>2</sub> emissions.

Equity is essential for the policy to succeed. As many countries as possible need to agree on a uniform, world-wide rate of the carbon tax. And the tax needs to be levied on consumers rather than producers. It is the consumers who can afford to pay, and it is their behaviour that needs to be changed. When consumer goods produced in China are consumed in the UK for example, the carbon tax should be paid by the UK consumer rather than the Chinese manufacturer or even the Australian coal exporter.

The carbon tax will and should fall much less heavily on developing countries, because most people there have not yet achieved an energy-wasting lifestyle, but it will help prevent them from going down that path. Those individuals that have started to consume too much energy are the ones who can afford to pay the tax.

In some cases, poor people need to change their behaviour too. Slash-and-burn agriculture, which pollutes the tropical atmosphere with ash and CO<sub>2</sub>, needs to be eliminated, through both a carbon tax and subsidies for alternatives paid for with carbon tax collected elsewhere.

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