Lesson 3 Book Excerpt

“Polluter Pays” Principle

p. 115-116

Vocabulary: stocks, derivatives, tax haven, royalty

Extractive industries shouldn’t be the only targets of the “polluter pays” principle. The U.S. military is by some accounts the largest single consumer of petroleum in the world. In 2011, the Department of Defense released, at minimum, 56.6 million metric tons of CO2 equivalent into the atmosphere, more than the U.S.-based operations of ExxonMobil and Shell combined.

Moreover, there is a simple, direct correlation between wealth and emissions—more money generally means more flying, driving, boating, and powering of multiple homes. One case study of German consumers indicates that the travel habits of the most affluent class have an impact on climate 250 percent greater than that of their lowest-earning neighbors… As journalist and climate and energy policy expert Gar Lipow puts it, “We should tax the rich more because it is the fair thing to do, and because it will provide a better life for most of us, and a more prosperous economy. However, providing money to save civilization and reduce the risk of human extinction is another good reason to bill the rich for their fair share of taxes.

Taken together, there is no shortage of options for equitably coming up with the cash to prepare for the coming storms while radically lowering our emissions to prevent catastrophic warming.

Consider the following list, by no means complete:

- A “low-rate” financial transaction tax—which would hit trades of stocks, derivatives, and other financial instruments—could bring in nearly $650 billion at the global level each year, according to a 2011 resolution of the European Parliament (and it would have the added bonus of slowing down financial speculation).
- Closing tax havens would yield another windfall. The U.K.-based Tax Justice Network estimates that in 2010, the private financial wealth of individuals stowed unreported in tax havens around the globe was somewhere between $21 trillion and $32 trillion. If that money were brought into the light and its earnings taxed at a 30 percent rate, it would yield at least $190 billion in income tax revenue each year.
- A 1 percent “billionaire’s tax,” floated by the U.N., could raise $46 billion annually.
- Slashing the military budgets of each of the top ten military spenders by 25 percent could free up another $325 billion, using 2012 numbers reported by the

Stockholm International Peace Research Institute. (Granted, probably the toughest sell of all, particularly in the U.S.)

- A $50 tax per metric ton of CO_2 emitted in developed countries would raise an estimated $450 billion annually, while a more modest $25 carbon tax would still yield $250 billion per year, according to a 2011 report by the World Bank, the International Monetary Fund, and the Organisation for Economic Co-operation and Development (OECD), among others.
- Phasing out fossil fuel subsidies globally would conservatively save governments a total of $775 billion in a single year, according to a 2012 estimate by Oil Change International and the Natural Resources Defense Council.

If these various measures were taken together, they would raise more than $2 trillion annually. Certainly enough for a very healthy start to finance a Great Transition (and avoid a Great Depression). And that doesn't count any royalty increases on fossil fuel extraction.