2023-2024 Research Package

Topic 2: THW tax products according to their environmental and social footprint

Background:
In the face of escalating environmental and societal challenges, the concept of taxing products in accordance with their environmental and social impact has gained traction. This approach seeks to incentivize sustainability and responsible production by assigning a monetary value reflective of a product's overall footprint. The idea is twofold: to discourage the production and consumption of goods that contribute disproportionately to environmental degradation or social injustices, while simultaneously encouraging the development and adoption of eco-friendly and socially responsible alternatives. This proposal sparks a fundamental debate about the role of taxation in shaping consumer behaviour and promoting a more sustainable and equitable global economy.

Questions to think about:
The following questions are meant to help you approach the topic and to guide your research. Keep in mind how your answers might differ on proposition vs opposition.

How can we effectively measure the environmental and social footprint of products?
Quantifying and comparing the impacts of different products involves considering a range of factors. These criteria are pivotal in determining the tax implications, as they serve as the foundation for evaluating a product's overall impact on the environment and society. Considerations may encompass resource usage, emissions, waste generation, and ethical labor practices. For instance, carbon emissions are a critical metric, directly contributing to climate change. By including criteria like human rights standards, the policy ensures fair treatment of workers and equitable labor practices throughout the supply chain. Striking the right balance between these factors is essential to accurately reflect the true environmental and social footprint of a product. Ultimately, well-defined criteria serve as the guiding principles for a tax policy that effectively incentivizes sustainable and socially responsible production practices.

How might this policy affect the behaviour of both producers and consumers?
The potential economic consequences of a taxation-based approach to social issues includes considerations of market dynamics, potential impacts on businesses, and potential effects on consumers, particularly low-income households. This in turn may impact how producers alter their processes and how consumers shift their purchasing habits. This is especially important when examining industries with high environmental or social impacts.

How can such a taxation policy be implemented equitably?
A central concern to this debate is ensuring that the tax policy does not disproportionately affect vulnerable or low-income communities. This requires careful

design and potentially including mechanisms to offset any regressive effects. Additionally, considering the global impact is important, as some regions may be more affected than others.

What are the potential long term effects of implementing this policy?
Implementing a policy to tax products based on their environmental and social footprint holds both intended and potential unintended consequences. Intended outcomes include fostering sustainable production practices, driving technological innovation, and creating a more competitive market focused on sustainability. This policy also aims to reduce environmental and social impacts while promoting equity and social justice. However, challenges may arise, such as industry adaptation, market dynamics shifts, and potential disruptions. Careful consideration of global trade implications, ongoing public awareness efforts, and iterative policy adjustments will be crucial to navigating the multifaceted long-term consequences of this policy.

Links:

https://www.ey.com/en_gl/tax/how-businesses-need-to-navigate-environmental-incentives-and-penalties

https://www.eea.europa.eu/publications/the-role-of-environmental-taxation