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Committee: GA2

Issue: Measures to implement carbon tax for multinational corporations

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INTRODUCTION

- A carbon tax is a government-imposed fee on greenhouse gas emissions from burning fossil fuels, aimed at incentivizing lower emissions and promoting cleaner energy alternatives.
- Multinational corporations engage in large-scale production, distribution, and marketing across multiple countries, contributing significantly to greenhouse gas emissions through their operations.
- There is an urgent need for a carbon tax to address climate change, as rising greenhouse gas emissions from various sectors threaten global ecosystems, economies, and communities
- A well-designed carbon tax can drive investment in low-carbon technologies while raising revenue that can be reinvested in green initiatives and offsetting the tax burden on vulnerable populations

Background Information

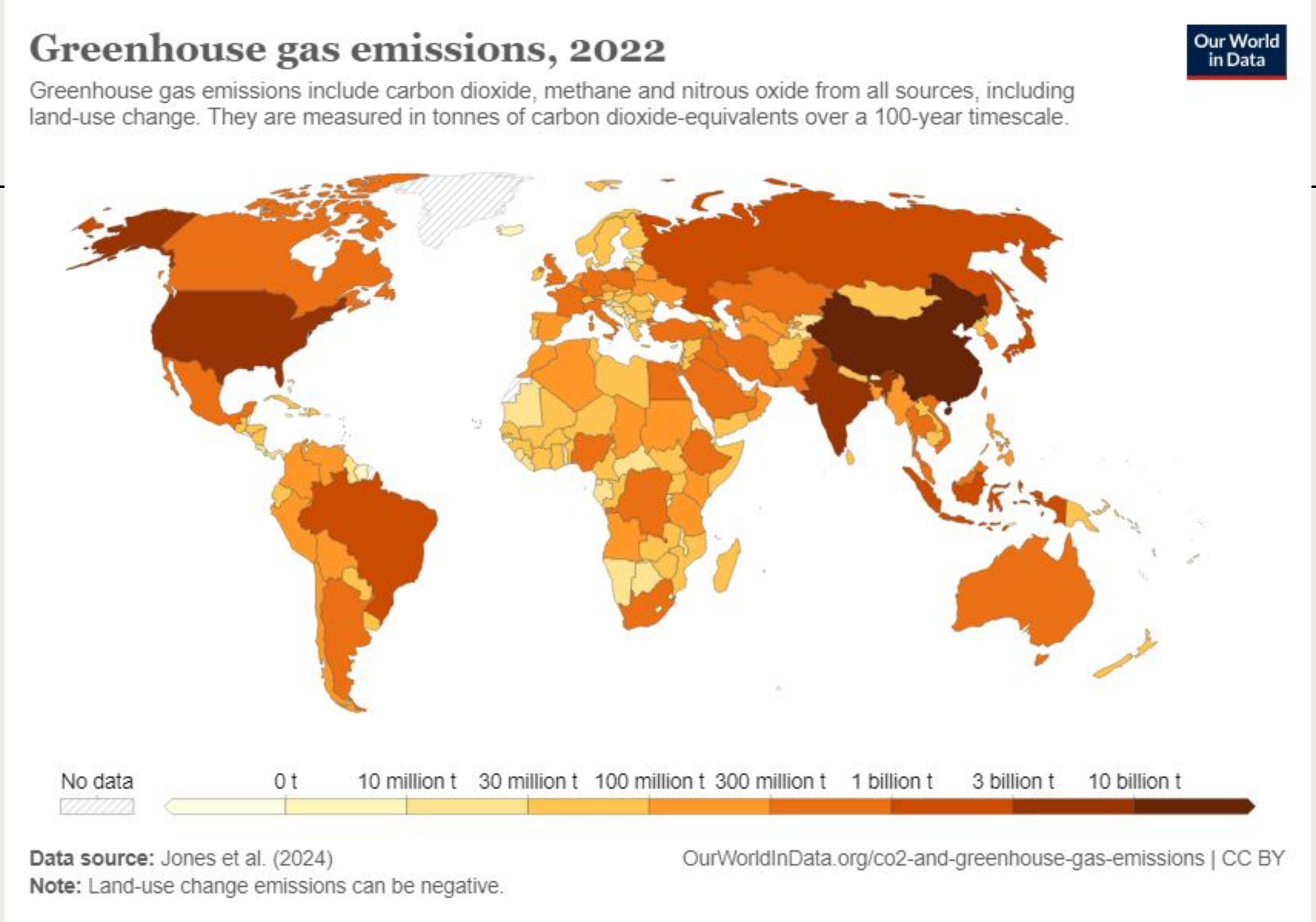
Factors Contributing to Global Warming by MNCs:

- **High Emissions from Operations**: MNCs are responsible for a significant portion of global emissions, with some estimates showing that just 100 companies account for over 70% of global greenhouse gas emissions since 1988.
- **Global Supply Chains**: The global shipping industry, largely driven by MNCs, emits over 1 billion tonnes of CO_2 annually, contributing nearly 3% of global emissions.
- **Lack of Sustainable Practices**: In countries with weak environmental regulations, industrial activities by MNCs contribute to nearly 20% of global deforestation and significant water resource depletion.
- **Carbon Outsourcing**: Research shows that about 25% of global CO_2 emissions are linked to the production of goods and services that are exported from one country to another, often by MNCs seeking lower production costs.

Background Information

Factors That Make Carbon Taxes Hard to Implement:

- **Economic Concerns**: Studies estimate that a carbon tax of $50 per tonne of CO_2 could lead to a 12% increase in electricity costs, significantly affecting industries which depend heavily on energy.
- **Political Resistance**: In the U.S., only 33% of citizens supported a carbon tax in 2019 showcasing the political challenges in gaining public approval.
- **International Coordination**: The lack of a unified carbon tax system results in carbon leakage, with studies showing that up to 15% of emissions reductions in countries with carbon taxes could be offset by increases in other regions.
- **Complexities in Tax Design**: The price of carbon varies widely, from as low as $1 per tonne in some countries to over $100 per tonne in others, complicating international efforts to set a globally effective and fair carbon tax.



Greenhouse gases emitted by countries over 100 years

Relevant Treaties or Past Solutions

- **Kyoto Protocol (1997)**: This treaty required industrialized nations to reduce their greenhouse gas emissions and was one of the first to introduce carbon pricing mechanisms, including the concept of carbon taxes as a way to meet climate targets.
- **Paris Agreement (2015)**: Signed by 196 countries, this agreement aims to limit global warming to 1.5-2°C. It encourages countries to implement carbon pricing strategies, including carbon taxes, to meet their emission reduction targets under Nationally Determined Contributions (NDCs).
- **EU Emissions Trading System (EU ETS)**: As the largest cap-and-trade system in the world, the EU ETS sets a carbon price for over 11,000 power plants and factories, providing a market-based solution for reducing emissions and a model for how MNCs could manage their carbon output.

POSSIBLE SOLUTIONS

- **Universal Carbon Tax Framework**: Countries could collaborate under organizations like the UN or IMF to establish a standardized carbon tax for MNCs, preventing carbon leakage and ensuring global consistency.
- **Gradual Carbon Pricing**: Introduce carbon taxes gradually, giving MNCs time to adopt greener technologies and adjust operations, reducing economic shocks.
- **Incentivizing Carbon Offsetting**: Governments can offer tax credits or incentives for MNCs to invest in carbon offset projects like reforestation and carbon capture.
- **International Monitoring and Enforcement**: Create a global body to monitor emissions, set carbon pricing guidelines, and ensure compliance, with penalties for non-compliance.

APPENDICE

1. https://carbonpricingdashboard.worldbank.org/what-carbon-pricing
- This link provides information on the basic working of carbon taxes.

2. https://www.pwc.com/us/en/services/tax/library/carbon-taxes-and-international-trade-what-are-the-key-issues.html
- This link presents the key issues on carbon taxes.

3. https://www.ey.com/en_gl/insights/tax/how-businesses-can-best-navigate-the-global-carbon-tax-maze
- This link showcases how businesses can navigate carbon taxes.