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Incentives for Reducing Global Fossil Fuel Combustion: Something to Look Forward to

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| Type of presentation | Oral |
| Scope: | It is proposed that the attractiveness of a permit system be enhanced by redistributing all revenues to all humans and by integrating it into a system of positive and negative income taxes, also including rent-based income. In this way “lead” markets such as Germany would be integrated into an efficient, global system. |
| Keywords: | Sustainable energy generation; global perspective; lead markets; emission permits; efficiency; taxation; rents. |

Background & Context

While the emissions from fossil fuels are decreasing in some countries, they are increasing globally. To limit climate risks and promote sustainability, a mechanism is needed to reduce these emissions on a global scale. Permits have been discussed as a means to achieve this. However, their current implementations have not been able to deliver, largely due to resistance from some countries, including some large ones, and some industrial groups (Gilbertson, Reyes 2009).

Content & Findings

We propose to enhance the attractiveness of permit schemes by redistributing their revenues to the population on an individual basis and global scale. Similar veins of thoughts have been discussed as a “negative income tax” (Rhys-Williams 1942, Friedman 1962, Gerhardt/Weber 1984, Jaeger/Weber 1988).

If a permit system with such an income stream were implemented, it would provide:

- A reduction in the use of fossil fuels and emissions.
- Lower costs than those of other systems, as the price of permits would only rise to the level needed (Dales 1968).
- Transparency of the mechanism, as the burden would be designed to achieve the emission objective and the revenues be redistributed to everybody.
- An incentive for developing more energy-efficient ways of life and related energy consumption and production technologies.

Such a process would embed countries which support a faster transition to sustainability in a global trend. It would reduce the risk of being a first mover or lead market. Furthermore, the process would create economic incentives to search for the most efficient sustainable paths at a global scale. Thus, it would be an efficient global governance process.

Conclusion

The proposal could be made known to those who would benefit from it most in the short run, i.e. the poorer part of the world population, via the Internet, traditional media, and, of course, also via oral communication. It could even be communicated and discussed on a novel type of a little regulated high-power wireless Internet (Elsner, Weber 2012) to overcome a lack of local networks and to counter any censorship. Such a dissemination and discussion of the concept would reduce the power of rent-earning groups, as in OPEC countries. Because it would be beneficial to the poorest part of the population, opposition from affluent actors could be counter-balanced.

The process could be supported by globally operating organisations, such as the United Nations, ICANN or NGOs. The volume of globally necessary emission permits depends on the reduction targets to be set and is unknown because of the nature of the process. Hence the amount available for redistribution is unknown, too. It may be necessary to make one payment per year for reasons of efficiency, e.g. via a mobile phone-based payment system. The burden on middle-income earners could be counterbalanced by making purchases of permits partially tax deductible. In order to increase both the ecological effects and the income redistribution effects, the implementation of an emission permit redistribution system could be amended with a redistribution system for other permit or rent revenues, and combined with a taxation system with both positive and negative taxes. The author argues that income distribution has a free variable (Jaeger, Weber 1988), so the design and in particular all rates would be subject to political negotiation. Given the positive social and ecological effects, the majority of the world's population would then have "something to look forward to", as Lady Rhys-Williams put it in her pioneering work (1942) on a new social contract.

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