Social protection and redistribution policies for green growth

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Why have environmental taxes?

- Aim is to put human activity on to an environmentally sustainable footing while maintaining (and improving) living standards
- Environmental taxes* aim to make the price of consumption goods = marginal social cost (i.e. the economic cost of production + social cost of environmental degradation*)
- Other policy instruments work by regulating activity – also impose costs

*Other taxes could target other social externalities
Why be concerned about social protection?

• Fairness – concern that the burden of adjustment falls on those most able to bear it rather than the least well off

• Political economy – worthwhile reforms are more likely to gain support if perceived to be fair and equitable (dimensions of equity include vertical and horizontal equity, intergenerational equity, international equity, ....)

• Effectiveness – well designed compensation may help transition to a cleaner/greener society
Distributional analysis

• Aims to identify who is impacted.
• Dimensions:
  – Income Vs Expenditure
  – Household type (singles, family, etc)
  – Geographical (urban, regional, rural, etc)
  – Age of household
  – Education, occupation, skill level ...
• What data and tools do we need?