CARBON TAX FOR MALDIVES – FOOD FOR THOUGHT

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Carbon tax is one of the few tools that are considered among experts as means to reduce GHG emissions. But it is been plagued by word tax at the end of it. When a new tax is thought of, it would be natural that a person's thought would interpret as increased cost of goods and living conditions. But Carbon Tax may be the most effective tool to accurately administer "common but differentiated responsibilities" principle within a country to reduce emissions. According to IPCC models a carbon tax of 56.8USD/ton of CO2 would reduce emissions of 35% from Business As Usual scenario

Carbon Tax is essentially a tax levied on the amount of carbon-equivalent emission potential. In a country like Maldives such a tax could do miracles in terms of going low carbon. And it would be much easier to administer. Unlike Cap and Trade, to administer carbon tax we would not require additional capacity of carbon auditors, detailed MRV protocols. We would have to add Carbon tax alongside the existing import tax and all the required capacity needed would be catered within the same process. But unlike import tax which is a percentage of the price of the goods, carbon tax would be fixed based on the carbon content making this even simpler than import tax.

Levying carbon tax should be limited to fossil fuels in case of Maldives to make it simpler and easily digestible. And should be started with a modest level of may be 25USD/ton of CO2 which could be increased as time goes on. That's additional revenue of roughly 25.1 million USD for Maldives at current level of emissions. On the flipside, there would be an increase of fossil fuel price, for example diesel price would increase by roughly 95laari per liter, petrol price would rise by 80laari per liter and LPG 20kg tank price would rise by 20rf per tank. These laari amounts can easily add up to a sum which could be a real burden to the average citizens. Carbon tax revenue can be used to subsidize basic services (similar to NSPA program) like water services, public transport services and electricity services so that those prices would remain as in the normal condition and alleviate the burden on average citizen. And whatever fund remaining either could be used for public welfare spending and reap the benefits of double dividend or even setting up RE subsidy fund and other projects to reduce emission from other major sectors.

The domino effect of such a measure is many and below are some of them,

- In tourism sector, increased price of fossil fuel based energy services would make RE technologies more economically viable and catalyze the transition to low carbon technologies

- Energy efficient equipments and office appliances would become more popular.

- Private sea transport would be reduced and ferry services would be utilized more making it efficient

- Road transport would lessen as more and more car and motorcycle owners avoid unwanted rides/trips reducing traffic burden on capital making it a bit safer. It would also motivate more environmentally friendly and healthy transport methods like bicycle and walking.

- And if the revenue used correctly could reduce the gap between the classes of rich and poor

- There could be many more after effects and some may be even negative but it definitely looks like that grass could be much greener in the future with Carbon Tax than without it.

Reference: Climate Change 2007, Mitigation of Climate Change, Page 237-238