Good research paper on should china implement a carbon tax

Business, Industries

Introduction

Being the fastest growing country in the world, China is one of the leading countries in greenhouse gas production globally. In the recent years, China has outdone United States of America in carbon dioxide emission because of the availability of many industries and automobiles using gasoline fuels. The rise on carbon dioxide production in China has been attributed to the huge production volume, and lack of policies to restrict the production of harmful gases. In addition, China signed lucrative contracts to use oil to run its industries instead of using other sources of power like solar, wind, or hydro-electric power that are less harmful to the environment.

In order to promote her international ranking, China has introduced many strategies such as pursuing capitalism, implementing a policy of the state, focusing on direct foreign investment using low goods exchange rates, and investing heavily on infrastructure. Through capitalism, China allows communist political system to be implemented where authorities rely on truth and fact. On the other hand, the state policy supports capitalism, making the country depend on state owned businesses. Moreover, the low exchange rate creates a competitive environment in different economic sectors attracting more investors to the country. Even with the introduction of these incentives, China’s economy is not completely perfect because of high rate of pollution from greenhouse gas emissions that interfere with climatic conditions and daily operations.

Most developed countries, and developing countries also, have initiated policies aimed at reducing the amount of carbon dioxide emissions in their respective environments. Majority of these countries have considered carbon

pricing, carbon tax being part of pricing. China should also initiate such a program and take opportunity of the available business opportunities that promote global development and growth powered by the green energy. China should implement a carbon tax. The following discussion gives an analysis of why China should implement a carbon tax starting with the background on the benefits and disadvantages of carbon tax, the proposed policy, potential objections, and conclusion.

Background information, benefits and costs

Background

In the recent years, China embarked on one of the largest climate control program aimed at establishing a national carbon emission trading system by the year 2015. China is globally known as the largest greenhouse gas emitter. The country has also gained a bad reputation of slowing down global efforts of promoting climate change. This reputation raises a question on whether or not to implement the carbon tax. With this matter of implementing carbon tax in China gaining more debate both in the parliament and in the community level, some experts have questioned the impacts it would bring because the country uses large quantities of hydrocarbon fuels. In order to show their concern and seriousness, the government has already appointed carbon-trading pilots in seven provinces and cities. The outcomes of these experiments will determine the future of climate policies in China.

China should regulate the emission of greenhouse gases into the atmosphere because of the dangerous climatic changes and the negative

implication from various parts of the world. The pressure from the international organizations prompted China to seek strategies land policies relating to the carbon tax in order to regulate carbon emission to the atmosphere. Carbon tax is crucial and appropriate tool that China can use in ensuring the overall reduction in the emission of greenhouse gases. The carbon tax will help the government of China to discourage and control carbon emission by the industries to the atmosphere.

The negative impact of carbon dioxide emission to the atmosphere is an issue affecting all countries globally. China being a major contributor to the problem should take chance of the situation and look for ways of minimizing their greenhouse gases emissions. In addition, the country has been given a responsibility and task to control carbon emissions in order to minimize economic and environmental damage to the whole world. With the new policy aimed at taxing industries using hydrocarbons for their production, the problem of carbon emission is likely to reduce and industries will look for alternative sources of energy.

Benefits

The introduction of carbon tax by the Ministry of Finance in China aims at discouraging the use of hydrocarbon fuels in Industries and uses other sources of energy like wind and solar associated with little volumes of carbon emissions. The dangerous effects of carbon emissions to the environment and the global economy led to the issue of stringent policies like carbon tax in order to reduce or discourage such emissions. Implementation of carbon tax in China will play a vital role in the collection of revenues that will

eventually help control regulation of greenhouse gases to the atmosphere. In addition, these revenues will help the government curb adverse effects of climate change such as low crop productivity. The imposition of carbon taxes on industries releasing high volumes of carbon dioxide emissions is effective in boosting the economic development and environmental protection and management.

Costs

On the other hand, implementation of carbon gas tax policies will come along with some extra costs. For instance, there would be an increased burden to business people and this will lead to a significant increase in cost of products. The effects will be passed to consumers who will be required to pay more for goods and services because of increased costs of production. In addition, the fact that low cost of production drives the Chinese economy will have an adverse effect to the rate of investment leading to reduced growth rate. However, benefits outweigh costs calling for a recommendation for China to implement carbon tax. In an effort to combat these harmful emissions, China’s Ministry of Finance has been given a go ahead by the government to tax every metric ton of carbon dioxide produced by an industry.

Policy proposal for the implementation of carbon tax in China

The Ministry of Finance in China announced a carbon tax at the end of year 2012. The statement read by the then Minister for Finance did not state the exact date when the implementation process will start leading to many

questions from the international community who always pushed China to tax hydrocarbon fuel users. In response to the international community, China implemented a Carbon Pricing Consultation (CPC) process that would allow the country and others decide on the best rates to tax for carbon dioxide emissions.

The first policy proposal is for the implementation of high tax charges for hydrocarbons. I would recommend that each metric ton of hydrocarbon be charged 5% of the maximum amount of carbon dioxide it can produce. In addition, all industries using hydrocarbon fuels will be required to pay an extra amount of money to the revenue government depending on the amount of fuel they use in a year. This proposal will play a significant role in reducing the amount of greenhouse gas emissions in China and encourage the use of green technology power sources. In addition, the proposed policy will see industries using hydrocarbon design facilities to capture carbon dioxide gases and convert it into a less harmful gas.

Rongxiang claimed that implementation of carbon tax has small environmental effects, but huge negative impacts to the country’s economy. Rongxiang proposed cap-and-trade approach as the best alternative to the carbon tax implementation. Economic experts, however, claim that the introduction of a domestic carbon price will create broad, efficient incentives aimed at reducing greenhouse gas emissions. In addition, a well managed program would gradually shift consumer demands, new investments, production methods, and technology advancements towards low-emissions-intensive goods and services.

Since China’s carbon tax is most likely to be small at the start, Chinese

officials, provide suggestions about the tax size. In the year 2011, the ministry of finance proposed a charge that started from 1. 60 dollars per carbon ton to 8 dollars per ton of carbon, ten years from then. The ministry of environment had already looked forward to tax worth about twice that of the finance ministry. To implement that proposal, I would propose an additional of less than 1 dollar should be made on the price of coal. Since coal in China was recently traded for about 86 dollars, finance ministry's procedure can be satisfactory as the implementation of tax become a success.

Secondly, I would propose a policy that embraces carbon pricing as a strategy for promoting low-carbon growth in the country. An increase in the price of hydrocarbon fuels would be a better move of encouraging industries use other forms of power like wind and solar. Increase in carbon prices and tax rates have the capability of shifting emissions, investment, production, and trade patterns. Some countries who have adopted carbon pricing policies have seen more growth in their industries and experienced low environment pollution rates. Environmental taxes are the best forms of taxes that help cope with the issue of carbon emission in many countries. As Kathy and Reklev suggests, implementation of local carbon tax as planned by the Chinese government would have little effects in reducing the greenhouse gases effect. This is because some organizations will corrupt their way to evade paying taxes.

Climate change experts claim that the best way of reducing and reversing the issue of global warming is to introduce taxes on the release of carbon dioxide coming from burning of fossil fuels. This forms the third policy

proposal for the implementation of carbon tax in China. Through taxation, big emitters will be penalized making businesses and consumers reduce their consumption of gasoline and electricity use. This program would lead to a gradual reduction in carbon emission over time leading to stabilization or total decline of global temperatures that have been on rise since the industrial revolution.

China’s carbon tax is so large than what the government could perceive. Analysts still perceive that the price of carbon will be needed so as continue with the trend, because America’s carbon emissions level is dropping. Theoretically, a huge, well-outlined carbon tax can restrain China’s emission notably. In 2012, an analysis carried out in Chinese Academy for Environmental Planning, showed that after 10 years, the eight dollars per ton of carbon will rise to 12 dollars. The small rise will imply that the China’s gas emission will grow at a very slow rate than expected.

Policy makers find it hard controlling prices and quantity. A small change in the allowed quantity of hydrocarbon fuel would have an enormous change in price while a large variation in price will yield a similar emission reduction. The final policy entails the quantity one uses determining the amount of tax paid. This leaves it for individuals and enterprises to decide the quantity of emissions they will produce. On the other hand, the government could determine the quantity of emissions and relate it to the level of production and determine the most appropriate payments for such emissions. Carbon tax is a form of replacing existing types of ineffective climate policies, but not a part of them as claimed by Rongxiang. The above policy will pay more

attention on the price for emission not the quantity of emission, and has the capacity of reducing global warming to a lower rate.

Potential objections to the implementation of carbon tax

In all fiscal and environmental logics that support the implementation of carbon tax in China, politics keep getting in the way and objecting such proposals. Some claim implementation of carbon tax will have negative impacts to the economy of the country while others argue that the process will lead to closure of industries that cannot afford the high cost of installing other forms of energy. People are already complaining of high revenues charged on raw materials, and the introduction of carbon tax will be another nightmare for many manufacturers.

The implementation of carbon tax will likely to raise the cost of production in the affected industries. Carbon taxes will make the cost of fuel used in production of various products and commodities increase. This focuses the cost of production to consumers through increased prices for goods. Consumer Rights bodies have objected the issue of taxing hydrocarbon fuels because of its negative economic impact bearing the fact that the rate of unemployment is still high in China. In addition, the objection comes from industries using fuel to conduct their production processes because they will end up losing their potential customers when price of production goes high.

The second objection on the implementation of carbon tax in China relates to ability of some organizations affording to pay taxes. The proposed payable amount per metric ton of carbon dioxide emitted might be unfavorable for small companies who receive less revenue. While big industries can manage

to pay for carbon taxes and maintain same prices for their products, small industries will not manage to cater for carbon taxes and sell goods at normal prices because of increased cost of production. The above issue will create a competitive environment whereby only big industries will enjoy the competitive advantage. Small industries are likely to bring many objections to the issue of implementing carbon taxes. Shenglu claimed that implementation of carbon taxes is likely to have a negative influence on the country's Gross Domestic Product (GDP) because of low returns from affected industries. " The proposed plan to implement carbon taxes on economic sectors and households would save the country's GDP to a greater extent", argues Shenglu.

On the other hand, the main reason for imposing carbon taxes among hydrocarbon fuel users in China is to discourage the use of fossil fuels like diesel and coal and encourage people use green energy such as solar and wind power. Objections will be experienced in industries that use huge amounts of power. For example, a vehicle assembly firm requires a lot of energy power various machines needed in production. Such amount of power may only come from fossil fuel because it is cheap. Replacing fuel with green energy might cost the industry a lot of capital, which most companies lack. The above issue might bring controversies among industry stakeholders because it might lead to low productivity. Michael and Shen discussed this issue in their Environment Law Journal and warned on the potential of potential objections from industry owners. Meanwhile, Michael and Shen offered alternatives to carbon taxes. These are traditional command-and control (CAC) regulation and tradable permit markets.

Conclusion

Many countries across the world already implemented carbon tax in order to decrease carbon emissions. Carbon tax is an instrument of the economy and must be implemented in order to minimize the amount of greenhouse gases emission to the atmosphere, which eventually leads to global warming. It is my wish that the Chinese government will consider my proposed policies of implementing carbon taxes. The policy should not be concentrated on industries only, but should extend to households and other economic sectors, including carbon intensive firms. The use of green energy will not only grant greater options to China, but also improve their future livelihood. Moreover, carbon tax is the key to energy crisis issues being experienced in many parts of the world because it promotes green technology, and encourages use of environmentally friendly resources such as solar, wind, and hydropower.

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