



THE ITALIAN CLIMATE CHANGE THINK TANK

# TOWARDS AN INTERNATIONAL CLIMATE AND DEVELOPMENT TAX SYSTEM

Perspectives and opportunities

TECHNICAL REPORT  
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## EXECUTIVE SUMMARY

Since the 2008 global financial crisis, taxation has become an important area of international cooperation. Indeed, today, **taxation is discussed in all major international economic decision-making fora, from the G20 to the United Nations.** The agenda is full of pressing issues: from the adoption of common rules for taxing multinationals' profits and preventing tax evasion, the introduction of global taxes to generate revenue for global public goods, to the establishment of multilateral decision-making and regulatory bodies.

The climate crisis and its associated costs have contributed substantially to placing international tax cooperation high on the international agenda. [Estimates of the investments needed in](#) developing countries to mitigate climate change, adapt economies and infrastructures to its effects, and deal with the costs of loss and damage are between USD 1800 and 2400 billion per year.

**In order to generate this level of resources and ensure that they are spent fairly and effectively, [a thorough reform of the international financial architecture is needed.](#) Greater international cooperation on taxation is a key pillar of such reform.** Taxation can facilitate the energy transition by disincentivising the use of fossil fuels; create additional resources to tackle climate change; contribute to climate justice by taxing fossil-intensive activities in the most polluting countries and allocating revenues to countries most vulnerable to climate change. At the national level, it can mitigate the shrinking of fiscal space caused by the rising cost of debt servicing, and limit the cut in public investment in the energy transition.

On the international agenda, there are three main categories of instruments for international climate taxation:

1. **Carbon pricing**, which includes both markets for emission trading systems (or ETS) and the direct taxation of CO<sub>2</sub> consumption, also called **carbon tax**.
2. **Green taxes on activities or products directly related to greenhouse gas emissions**, such as fossil fuel extraction, and their use in the shipping and aviation sectors.
3. **Taxes on extreme wealth and on financial transactions.**

**These instruments can generate an important part of the additional resources needed for the New Collective Quantified Goal (NCQG) of climate finance**, to be defined at [COP29](#) in Baku, Azerbaijan. It is crucial, however, that the new international taxes lead to a net transfer of additional funding beyond existing official development assistance (ODA) and climate finance. This means that such taxes should be designed to avoid exacerbating inequalities between countries and don't lead to regressive effects within countries. Their revenues should be effectively spent on mitigation, adaptation and loss and damage activities. Finally, these taxes will have to be accompanied by macroeconomic stabilisation measures and green industrial policies.

In 2024 and 2025, there are numerous opportunities to consolidate international cooperation on taxation for sustainable development and climate, and to align it with the reform of the international financial architecture. These include the completion of the implementation of the two pillars of the OECD and G20 Framework Agreement on *Base Erosion and Profit Shifting* (BEPS); the negotiation of an [International Tax Convention at the United Nations; the discussion in the G20 of proposals for the international taxation of the ultra-rich](#); and the launch of the [Task Force on Global Solidarity Levies](#) promoted by France, Kenya and Barbados at COP28. Furthermore, [the Fourth International Conference on Finance for Development under the auspices of the United Nations](#) will take place in July 2025 in Spain.

**Estimates suggest that the financial resources to achieve the Sustainable Development Goals (SDGs) and the Paris Agreement exist in the global economy, and that greater international tax cooperation, including through 'green' taxes, could generate hundreds of billions of dollars. Mobilising them is a matter of sheer political will.**

# 1 INTRODUCTION

Until recently, tax policies and in particular fiscal policies were not considered areas of international economic and financial cooperation. However, the situation has gradually changed since the 2008 global financial crisis, to the point that in 2024, taxation is being discussed and negotiated in all major international economic decision-making forums, from the G20 to the United Nations. On the agenda there are the adoption of common rules for taxing multinationals' profits and preventing tax evasion, the introduction of global taxes to generate revenue for global public goods, and the establishment of multilateral tax decision-making and regulatory bodies.

Among the factors that have caused this evolution, are the emergence of clear loopholes in national tax systems that some multinational companies and some super-rich (*ultra-high net worth* individuals) exploit to evade profits and wealth from taxation, and the explosion of the digital economy, which escapes national borders. The increased understanding and awareness of the phenomenon of international tax evasion, elusion and avoidance has motivated the development of common rules within the G20 (such as the OECD's project to combat *base erosion and profit shifting*) and the EU (such as the adoption of a [blacklist of tax havens](#) and a directive on [country-by-country reporting](#)).

At the same time, public support for more progressive taxation has grown in many countries, partly due to civil society's commitment to tax justice, and the recognition by international financial institutions such as [the International Monetary Fund \(IMF\)](#) and [the Organisation for Economic Cooperation and Development](#) (OECD) that taxation is an effective tool against inequality and does not necessarily harm economic growth. [According to a survey of 17,000 people in 17 G20 countries](#), a majority of the population (68%) supports the introduction of higher taxes on large assets as a way to generate resources for the energy transition. In Italy, [according to a poll](#) of 4000 people [conducted by Demopolis for Oxfam Italy](#), seven out of 10 citizens support the introduction of a tax on large wealth.

Another important factor that has helped put international tax cooperation high on the agenda of the global economic discussion is the climate crisis and its associated costs. Taxation can both facilitate the energy transition by disincentivising the use of fossil fuels and incentivising investment in renewable energy, and create additional resources to tackle climate change. It can also contribute to climate justice through international taxes that target fossil-intensive activities in the most polluting countries and allocate the revenues generated to countries most vulnerable to climate change. At the national level, an increased application of progressive tax measures can mitigate the shrinking fiscal space caused by the rising cost of debt servicing, and prevent austerity measures and cuts in public investment in the energy transition. In other words, taxation can and should become one of the pillars of national and international climate finance.

The contribution of taxation and fiscal policies to climate finance is particularly critical in the context of the negotiations for a 'New Collective Quantified Goal' (NCQG), due to be concluded at COP29 in Azerbaijan. This will replace the previous one, which called for the richest countries to contribute USD 100 billion a year to global climate finance by 2020 and up to 2025.

To reflect actual climate finance needs, the new target would have to be of an order of magnitude significantly higher than USD 100 billion per year. In fact [estimates of the investments needed in](#) developing countries (DCs) to mitigate climate change, adapt infrastructures and economies to its

effects, and deal with the costs of the losses and damage it causes are in the range of \$1,800 to \$2,400 billion per year. If one also includes the costs of achieving the other Development Goals by 2030, the figure is between USD 3000 and 5400 billion per year., [estimates of the investments needed in developing countries to mitigate climate change, adapt infrastructures and economies to its effects, and deal with the costs of the losses and damage it causes, are in the range of \\$1,800 to \\$2,400 billion per year. Including the costs of achieving the other Sustainable Development Goals by 2030, the figure is between USD 3000 and 5400 billion per year.](#)

The current international financial architecture and its governance system are not adequate to mobilise this level of resources for climate and development. This is demonstrated by the fact that global net financial transfers to developing [countries have fallen to their lowest level](#) since the 2008 global financial crisis, reaching USD 51 billion in 2022, and that [one in five emerging economies transfers more to their foreign creditors than they receive in investments, loans or development aid.](#)

The strengthening of international tax cooperation should therefore be seen [in the broader context of the reforms of the international financial architecture](#) currently under discussion, which aim to establish a decision-making model that gives greater voice and representation to the interests of developing countries, strengthen the global economic safety net, and increase development and climate finance, both concessional and private. A comprehensive plan for such reforms, including the contribution of international taxes to public finance, was recently detailed in the [Bridgetown Initiative](#), a document initiated by Barbados Prime Minister Mia Mottley, that articulates an alternative vision for a global financial system that would reduce the debt burden on poorer countries and improve their access to climate and development finance. Estimates suggest that these reforms could actually generate the additional resources needed, [in the order of trillions of dollars per year](#), including [up to \\$2 trillion](#) through more progressive tax systems, new taxes and greater international tax cooperation. For this potential revenue to have a real impact, however, there must be channels to redistribute it to the countries that need it the most, and to invest it in activities that support mitigation, adaptation and loss and damage.

In 2024 and 2025, there are numerous opportunities on the international political agenda to implement and deepen the reforms needed to harness the full potential of international tax cooperation for sustainable development and climate and to align these reforms with those of the international financial architecture. In addition to the negotiations for the 'new collective quantified target' at COP29, these include the implementation of the two pillars of the OECD and G20 Framework Agreement on *Base Erosion and Profit Shifting* (BEPS); the negotiation of an International Tax Convention at the United Nations; the discussion at the G20 of proposals for the international taxation of the ultra-rich; and the launch of the *Task Force on Global Solidarity Levies* promoted by France, Kenya and Barbados at COP28. Furthermore, the Fourth International Conference on Finance for Development under the auspices of the United Nations will take place in July 2025 in Spain.

A strong emphasis is expected from these processes on the role of national and international taxation in the reform of the international financial architecture and its specific contribution to generating the resources needed to address the challenges posed by climate change, just transition and sustainable development.

## 2 THE ROLE OF INTERNATIONAL TAXATION IN THE REFORM OF THE INTERNATIONAL FINANCIAL ARCHITECTURE

Achieving climate finance targets is a challenge at national and international level due to the amount of resources required and the nature of the activities needed to combat climate change. Broadly speaking, these include *mitigation* policies, which aim to reduce greenhouse gas emissions; *adaptation* policies, which aim to help local communities prepare as safely as possible for the changing climate by transforming infrastructure and productive activities; and mechanisms to deal with the *loss and damage* caused by climate disasters. The countries most exposed and vulnerable to these effects are mainly poorer countries (including many small island states) that have contributed the least to causing climate change. This is why international finance for loss and damage involves the international redistribution of resources in line with climate justice principles.

Climate change mitigation includes all activities aimed at accelerating the energy transition, which can offer profit opportunities for public and private investment. This makes their financing possible through a variety of financial instruments that attract domestic and international capital. In contrast, the financing of adaptation activities, and even more so of loss and damage compensation, is more difficult to obtain through financial markets because it offers fewer opportunities for monetary returns, especially in the short term. Therefore, adaptation and loss and damage require the mobilisation of national and international public finance in the form of grants or loans at highly concessional rates. At COP27, a new fund (Loss and Damage Fund) was established to provide for the loss and damage suffered by developing countries, and prepared to receive contributions from a 'wide variety of public and private resources'. At COP28, [the Fund had collected funding commitments of USD 700 million, \(of which about 100 million from Italy\)](#), a tiny fraction of the resources actually needed.

According to [estimates by](#) the *Independent High Level Expert Group on Climate Finance* commissioned by the COP26 and COP27 chairs, between USD 3 trillion and USD 5400 billion per year of additional investments in developing countries are needed to achieve the Sustainable Development Goals (between USD 1200 billion and USD 3000 billion) and at the same time address climate change and energy transition in an equitable and inclusive manner (between USD 1800 billion and USD 2400 billion). This includes USD 250 billion per year for investments in adaptation and resilience and USD 300 billion to address the costs of loss and damage from climate disasters (as well as USD 1575 billion in just energy transition and USD 300 billion in sustainable agriculture).

In order to generate this level of resources and ensure that they are spent fairly and effectively, [a thorough reform of the international financial architecture and the institutions that govern it is necessary](#). In particular, among the pillars of this reform must be greater international cooperation on tax issues, including the creation of international taxes whose revenue is allocated to climate action in developing countries.

Taxes are one of the most powerful economic policy instruments in the hands of governments. Their power lies in the fact that, if designed well, they can achieve multiple objectives at the same time, including changing consumer and business behaviour, generating resources for the public treasury and reducing inequality. This triple action means that certain types of taxes can contribute simultaneously to fiscal and climate justice at the national and international level.

In particular, through increased international cooperation in tax matters, it is possible:

1. Generate new and additional resources for public finance for climate and development.
2. Accelerate the process of decarbonisation and energy transition by introducing monetary disincentives (*carbon pricing*) to the use of fossil fuels.
3. Reduce inequalities in income, wealth and fossil emissions at national and international level by taxing extreme wealth.

In addition, a more effective fight against illicit financial flows and the prevention of tax evasion and avoidance at the international level can strengthen domestic resource mobilisation (DRM) and especially tax collection in developing countries. According to [an analysis by Tax Justice Network](#), \$480 billion of public resources are lost annually due to evasion towards tax havens by multinational corporations and the super-rich. [According to UNCTAD](#), \$89 billion leaves the African continent each year in the form of illicit financial flows. Eliminating these abuses is a necessary condition to ensure that governments are able to collect the tax revenues they are owed.

Improving the mobilisation and management of public finances is crucial in the context of the debt crisis faced by many countries in recent years, [especially in Africa](#), as the high levels of debt servicing costs in many cases are literally draining the coffers of many states, taking resources away from public spending on essential services. [UNCTAD estimates that 3.3 billion people live in countries that spend more on debt burdens than on public spending on education or health](#). In the face of the shrinking fiscal space caused by the rising cost of servicing debt, the introduction of progressive fiscal measures, which focus on the wealthiest sectors of the population and spare the poorest, can prevent painful austerity measures in the short term and bring public debt back to sustainability in the medium to long term. In the case of highly indebted European countries, such as Italy, it can speed up the return of debt levels within the parameters imposed by the European Union without having to compromise public investment in the energy transition.

In the remainder of this report, we look at two key aspects of the international tax cooperation agenda that can have a major impact on climate finance and more generally on the reform of the international financial architecture: the proposed new international taxation instruments and the ongoing policy processes that can lead to progress in their implementation.



### 3 INTERNATIONAL TAXATION INSTRUMENTS FOR CLIMATE FINANCE

The need to generate additional resources for climate and development has fuelled the discussion on the adoption of international taxation instruments. Three categories of instruments are discussed in this section:

1. Carbon pricing, which includes both markets for *emission trading systems* ([ETS](#)) and taxation of CO<sub>2</sub> consumption, or carbon tax.
2. Green taxes on the extraction of fossil fuels or their use in maritime transport or aviation.
3. Taxes on large wealth and financial transactions, which are required to contribute more to the national and international tax effort for public goods.

For all three categories, numerous options have been proposed, some already effectively in use (such as *carbon taxes*), others with potential for implementation in the short term (maritime transport tax), others with a long negotiation process ahead. For all of them, however, it is possible to envisage a path of gradual implementation, e.g. starting from the regional/European level and expanding to the global level.

When evaluating and comparing the different options, the following factors must be taken into account:

- Financial potential and thus the ability to generate public revenue.
- The technical characteristics and possible obstacles to their implementation, including of a political and institutional nature.
- The redistributive impact at national and international level and possible socio-economic effects.

Many of the options on the table are taxes that would have to be implemented at the national level. Their effective use for climate and development at the international level would require the creation of an accompanying regulatory and institutional framework, e.g. multilateral funds prepared to receive the revenue generated and reallocate it to the beneficiaries.

For the impact of these taxes to be truly redistributive and support investments for climate, development and global public goods, it is critical to clearly establish how revenues are to be managed. Clarifying their intended use would also serve to ensure public support for these measures.

The following sections present the main international tax proposals currently under discussion in the various international fora.

#### 3.1 CARBON PRICING

Carbon pricing policies (i.e. mechanisms to price greenhouse gases emitted through the production of goods and services) aim at making high-emitting activities more expensive than sustainable ones and thus disincentivise the use of fossil fuels in favour of cleaner sources. *Carbon pricing* is promoted by institutions such as the [World Bank](#), the [International Monetary Fund](#) and the [OECD](#) as an effective tool to correct market imperfections, i.e. markets' inability to put a price on fossil emissions that reflects their negative externalities.

At a global level, two main strategies have been developed to attribute a cost to greenhouse gas emissions:

1. Markets for emission trading systems (or ETS).
2. Taxation of the CO<sub>2</sub> content of the fuel used, or carbon tax.

ETSs (also called cap and trade schemes) are mechanisms to set a price on CO<sub>2</sub> emissions in the form of 'permissions' that companies in certain high-impact sectors (heavy industry, energy) must purchase in order to obtain the right to emit CO<sub>2</sub> into the atmosphere. Governments set a cap on the number of emissions allowed into the market over a given period of time (*cap*) and define a certain number of permissions, i.e. licenses to emit, that companies can sell or buy (*trade*). Periodically, the cap is lowered, and the quantity of licenses is reduced. The reduction in supply causes prices to rise, with the result that buying a license (i.e. a right to issue) becomes increasingly expensive.

According to the [World Bank](#), at least 53 states and 40 sub-national areas currently apply more than 110 carbon pricing measures in total. However, their impact is still limited. [The Institute for Climate Economics \(IC4E\) calculated](#) that in 2023 more than 70 per cent of emissions subject to *carbon pricing* were priced at less than \$20 per tonne of CO<sub>2</sub> equivalent emitted. This price is still a long way from the price deemed necessary to achieve the goals of the Paris Agreement [according to the estimates of the 2017 Stern-Stiglitz report](#), which had indicated a price of USD 40 to 80 per tonne of CO<sub>2</sub> in 2020 and USD 50 to 100 in 2030.

The effectiveness of carbon pricing can be compromised by the so-called *carbon leakage*, which occurs when companies relocate production to countries where it costs less to pollute because there are no equivalent *carbon pricing* policies. To limit this phenomenon, greater international harmonisation on CO<sub>2</sub> prices is needed, as suggested by the IMF, which proposes the implementation of an international carbon price floor, i.e. an internationally agreed minimum price. However, this proposal is met with strong political resistance, especially from oil-producing countries. Given the urgency of the energy transition, the difficulty of its implementation should not distract or delay the adoption of regulatory and energy policies that do not require such a difficult international alignment of interests.

Depending on how it is implemented, [carbon pricing can have significant regressive effects](#) if the additional cost of producing fossil-intensive goods and services (including energy and transport) is passed on to consumers, or if compensation mechanisms (usually financed by proceeds from the sale of allowances or tax revenues) fail or are too weak. [Many countries in Europe and around the world](#) implement *carbon taxes* at the domestic level, the revenue from which is entirely collected, managed and spent at the domestic level and is not necessarily allocated to international climate and development finance. Finally, *carbon pricing*, especially when implemented via emissions trading markets, can transfer the volatility of fossil fuel markets to consumer-facing prices and trigger high and unpredictable inflation rates. As shown [by a study by economist Isabel Weber simulating the impact of the European ETS on Germany's major industrial sectors](#), it is necessary to accompany the operation of markets with macroeconomic and energy price stabilisation policies, as well as green industrial policies to foster the economic transformation associated with the energy transition.

In order to overcome these limitations, numerous proposals have been developed for international taxes directed at fossil companies or highly polluting activities, the proceeds of which should be allocated at source to international climate funds for developing countries. This would put the 'polluter pays' principle into practice. The international redistribution of the revenue generated by

these taxes would in fact help ease the economic burden of the energy transition faced by countries historically less responsible for climate change, but more vulnerable to it.

### BOX 1 – THE EUROPEAN UNION EMISSIONS TRADING MARKET (EU ETS)

The European Union's emission trading systems (ETS) is the first to have been established and one of the world's largest. It was created in 2005 and progressively expanded to cover more fossil-intensive production sectors. Its first version - the so-called ETS1 - covers the energy sector, heavy industry and aviation.generated revenue of EUR 30 billion.

Between 2022 and 2023, as part of the [Fit for 55](#) package (the EU's plan to reduce emissions by 55% by 2023), [reforms were introduced to the ETS](#), including the extension to emissions from buildings and road transport (ETS2, which will come into force from 2027) and to [maritime transport](#).

In addition, a CO2 price adjustment mechanism was created at the European border for a number of products (including iron, steel, [cement](#), aluminium, fertilisers, [hydrogen](#)) arriving from non-EU suppliers, the so-called CBAM (*Carbon Border Adjustment Mechanism*). It operates as a CO2 duty that aims to rebalance the cost between goods produced in the EU, with higher environmental standards, and those imported from non-EU countries. In the long run, it aims at promoting European rules not only as a standard within the EU but also in its trading partners. [It has, however, been strongly criticised](#) for its negative impact on the competitiveness of many developing countries, [especially African countries, for which the CBAM could end up costing USD 25 billion a year](#), a figure equal to three times the development aid received by the continent. In other words, these countries are being asked to contribute to the cost of the energy transition in Europe and undergo a “[green squeeze](#)” on their international trade, even though they have contributed little to global climate change.

The ETS reform package also foresees that revenues will be fully used for expenditures associated with energy transition and climate adaptation, domestically and at the European level (including through contributions to the Social Climate Fund, Modernisation Fund and Innovative Fund) but also in climate-vulnerable countries. Until now, [the percentage of revenues actually allocated to international climate and development funds has been minimal \(approx. EUR 200 million per year\)](#), but the extension of the ETS to new sectors offers an opportunity to expand this contribution,

## 3.2 TAXES ON THE EXTRACTION OF FOSSIL FUELS

Coal, gas and oil companies are among the main contributors to climate change, [generating 80 per cent of global greenhouse gas emissions](#). These companies often [benefit from huge subsidies: according to an estimate by the International Institute for Sustainable Development](#), in 2022 G20 countries allocated USD 440 billion in public support to fossil fuel production, including USD 54 billion in direct subsidies. [Legambiente estimates that in Italy environmentally harmful subsidies reached EUR 94.79 billion in 2022](#) (including subsidies to consumers to tackle the energy emergency). Moreover, some companies [resort to green laundering practices](#), i.e. they channel funds

for fossil fuel investments through 'secret jurisdictions', thus evading taxation, environmental regulation and public scrutiny.

To ensure that fossil fuel companies contribute adequately to climate finance, two proposals for global taxes on fossil fuel production have been made.

**1) Fossil fuel extraction levy**, otherwise called [climate damages tax](#), proposed by the [Stamp Out Poverty](#) campaign. It targets fossil fuel producers and is calculated on the basis of the amount of carbon dioxide contained in each extracted unit of oil, gas or coal. This tax would increase the cost of producing fossil fuels and thus also their market price. Its main positive effects would be the generation of a predictable and additional resource stream and the disincentive to use fossil fuels. However, it would also have negative economic effects on the countries where the deposits are located, mostly middle and low-income countries.

To mitigate this negative impact, it is proposed that the revenue generated in these countries should be kept entirely (or largely) at the domestic level, ideally for investments in climate adaptation and/or to offset the increased cost of fossil fuels passed on to consumers. High-income countries (G7/OECD countries), on the other hand, should allocate at least 50% of the revenue from the tax to international climate funds. A tax with these characteristics would have a strong revenue potential. [Stamp Out Poverty estimates](#) that a global tax of USD 5 per tonne of CO<sub>2</sub> could generate around USD 216 billion per year. If OECD countries retained 20 per cent of the revenue for domestic investment and allocated the rest to the Loss and Damage Fund, the latter would receive about \$44.6 billion. The campaign suggests that the tax could be gradually increased in increments of five dollars each year to give countries and companies time to adjust to the new prices. Assuming a \$35 tax in 2030, the global revenue would reach \$900 billion, of which \$720 billion would go to the Loss and Damage Fund.

A limitation of this tax is that its introduction on a global level would require an agreement under the auspices of the UNFCCC, not only on the imposition of the tax but also on the transfer of part of the revenue to an international climate fund by the governments or companies taxed.

## **2) Fossil fuel companies windfall tax**

The energy crisis triggered by the Russian invasion of Ukraine has generated an exponential increase in the revenues of oil and gas companies vis a vis an explosion in the cost of energy for consumers that [has impoverished many people around the world](#). The five largest publicly traded oil companies (BP, Shell, Chevron, ExxonMobil and TotalEnergies) [have made profits of over USD 281 billion since the outbreak of the war](#), while [Italy's ENI made profits of EUR 20.4 billion in 2022, the peak year of the crisis, doubling its 2021 figure](#).

At the 2022 UN General Assembly, [Secretary General António Guterres called for the introduction of a tax on the extra profits of fossil fuel companies](#). Many countries have actually introduced temporary taxes on the extra profits thus generated (*windfall taxes*), using the revenue to subsidise the cost of energy for consumers. For example, on 30 September 2022, [the European Union agreed to introduce a mandatory temporary solidarity contribution](#) on oil and gas companies, calculated on taxable profits exceeding a 20 per cent increase in average annual taxable profits from 2018 for the fiscal year 2022-2023. [Between 2022 and 2023, 15 of the 27 EU member states](#) introduced the solidarity contribution and eight adopted equivalent measures. [In 2022, the measure had generated revenue of EUR 6.85 billion among the member states that had implemented it](#). Great Britain also introduced an extraordinary tax on fossil companies.

These recent “mandatory and temporary solidarity contributions” were mainly introduced to support households and businesses in coping with the cost of the energy crisis. The political space exists, however, to turn them into permanent measures aimed at generating resources at least in part for climate finance in developing countries. As in the case of taxes on the extraction of fossil fuels, their management would be in the hands of national governments, on which the final use would then depend.

### 3.3 INTERNATIONAL MARITIME SHIPPING EMISSION TAX

According to the UN agency dedicated to international maritime transport (International Maritime Organization – IMO), [commercial maritime shipping](#) contributes almost 3% of global greenhouse gas emissions. In 2018, the IMO adopted a strategy to reduce the sector's fossil emissions, which was revised in 2023 to align it with the goals of the Paris Agreement. [According to the revised strategy](#), IMO member states commit to achieving net zero emissions from international shipping by 2050, with an interim target to reduce emissions by at least 20 per cent by 2030. Among the tools outlined to achieve these goals is the introduction of a tax on fossil fuel emissions from commercial ships. The details of the tax are under discussion, and it is expected to be adopted in 2025 and implemented from 2027.

[The International Chamber of Shipping \(ICS\) has proposed](#) that the tax takes the form of a fixed tax per tonne of GHG emitted, calculated on the basis of the GHG concentration contained in the fossil fuel used. [The tax could be levied when ships are refuelled](#) and the revenue transferred directly to a fund managed by the IMO, thus avoiding going through national tax systems.

[The World Bank estimates that the tax could generate revenues between USD 40 and 60 billion per year](#), and between USD 1,000 and 3,700 billion between now and 2050, depending on the price per tonne set. [According to a model developed for the Getting to Zero Coalition](#), decarbonising the entire international maritime trade sector by 2050 would require an average price per tonne of CO<sub>2</sub> of between USD 191 and USD 358. Other proposals suggest taxes between USD 100 and USD 250 per tonne of CO<sub>2</sub>, to be reviewed and adjusted periodically to reflect changes in fossil and non-fossil fuel prices and the combined effect of any other measures.

The ongoing discussion also concerns the use of any revenue generated by the tax, with the main options being to use the resources to subsidise the decarbonisation of the sector and in particular the transition to the use of non-fossil fuels (such as biodiesel, bioethanol, biomethane) and for climate finance for the poorest and most climate vulnerable countries.

The adoption of a tax on international maritime trade is supported by EU countries, where [maritime emissions are already included in the ETS](#), and by many developing countries, especially those highly vulnerable to climate disasters. It is, however, opposed by some large emerging economies, [including China, Brazil, Argentina and India](#), due to the potential negative impact on their economies, both in terms of the additional costs that the shipping industry would face and the possible impact on the price of goods transported by sea and on their value chains. [Many African countries](#) would experience similar negative effects. Additional shipping costs would affect shipowners with fewer resources and more difficult access to infrastructure and renewable energy sources the most; higher consumers prices would mainly penalise poorer consumers and countries more dependent on imports of goods by sea, such as small islands and less advanced countries with weak domestic manufacturing sectors.

The most direct way to solve the problem would be to compensate the poorest and most vulnerable countries to climate change [through a rebate system based on the proceeds of the tax](#). The tax would be applied uniformly to all ships, but a percentage of the revenue would be redistributed to countries with a greater negative impact.

### 3.4 AVIATION TAX

According to the International Energy Agency (IEA), [the aviation sector contributed around 2% of global fossil emissions in 2022](#) despite only 10% of the global population using air transport. [These percentages are set to increase](#) in line with economic growth and the increase in per capita income of less developed countries. [The International Civil Aviation Organisation \(ICAO\) estimates that emissions from the sector could triple by 2050 compared to 2015 levels](#). An acceleration in the decarbonisation process of aviation is therefore necessary. However, the industry has so far opposed the adoption of direct taxes on its emissions. Instead, the discussion has focused on taxing the consumption of air transport through a surcharge on airline tickets, with part of the revenue potentially to be allocated to climate finance.

In 2006, a group of countries agreed on the introduction of a voluntary solidarity levy on international airline flights (International Airline Passenger Levy – IAPAL), based on a proposal made in 2005 in the *UN Declaration on Innovative Sources of Financing for Development*, and earmarked for financing health programmes in developing countries. The tax has been implemented by several countries independently. For example, in France the tax is levied on passengers departing from French airports and calculated progressively according to flight class and destination. In France alone, [it generated more than EUR 1 billion between 2006 and 2013, most of which went to UNITAID](#).

[The International Council on Clean Transportation \(ICCT\) simulated the potential impact of a fixed aviation tax](#) and of a progressive one that taxes frequent flyers more. A fixed tax per airline ticket of \$25 in 2019 would generate about USD 121 billion, equivalent to the amount that, according to estimates of the International Civil Aviation Organisation, needs to be invested annually in decarbonising aviation to stay in line with the Paris Agreement. The same figure could also be reached with a progressive tax starting at USD 9 per ticket for the second annual flight per passenger and reaching USD 177 from the 20th flight onwards. About 81% of the revenue would be generated by frequent travelers (2% of the global population) and 90% by the 10% of the global population. Rich countries would contribute 67% of the total revenue. In other words, the tax would be very progressive and in line with the principles of “polluter pays” and “common but differentiated responsibilities”. It would be relatively easy for airlines to collect the revenue when purchasing tickets and pay it into a designated fund for climate action, either directly or through ICAO.

The limitation of this proposal is that if not well articulated, it risks overlapping with the [Carbon Offsetting and Reduction Scheme for International Aviation \(CORSA\) recently adopted by ICAO](#) to regulate and stabilise emissions in the sector at 2020 levels. At the European level, CORSA is already integrated into the EU's Emissions Trading Scheme, which covers flights arriving in and departing from the EU ([box 1](#)). To avoid unfair duplication, the airline ticket tax should therefore be designed in such a way that it integrates with existing provisions.

### 3.5 GLOBAL MINIMUM TAX ON EXTREME WEALTH

Wealth has increased significantly in recent decades, and it has become increasingly concentrated in the hands of a few people, to the point that [the richest 1% of the world's population has captured almost two-thirds of all new wealth created since 2020](#). The EU Tax Observatory research center, [estimates that there are around 3,000 multi-billionaire individuals](#) (in dollars) worldwide, and that on a global scale the stock of offshore financial wealth (i.e. held in tax havens) has grown over the last two decades, reaching a figure of USD 12 trillion (12% of planetary GDP) by 2022. More than a quarter of total offshore wealth evades taxation through more or less legal practices; moreover, on a global scale, billionaires pay minimal effective tax rates (between 0% and 0.5%) when compared to the value of their assets.

The extreme accumulation of wealth is not only associated with economic and social inequalities, but also with highly polluting investments and consumption patterns that contribute to deepening the climate crisis. [According to an Oxfam analysis](#), the richest 1% of the world's population produces as much fossil emissions as the poorest five billion people, equivalent to about two thirds of humanity. It also estimated that [in 2030 the emissions of the richest 1% will be 22 times greater than the level compatible with the target](#) needed to keep climate warming below 1.5°C, equivalent to 2.8 tonnes of CO2 per capita per year.

Taxing large assets in a systematic and effective manner can therefore not only ensure that everyone contributes proportionally to the tax effort towards achieving public goods such as climate mitigation and adaptation, but also help reduce fossil emissions by discouraging highly polluting luxury consumption.

For years, numerous national and global campaigns have been pushing for taxation of extreme wealth. Various options have been put forward. Following the Brazilian government's willingness to discuss wealth taxation at the G20, the proposal put forward by Gabriel Zucman, director of the EU Tax Observatory, has been gaining traction globally. [his proposal](#) envisages the establishment of a global minimum tax on the net wealth of billionaires at a rate of 2%. In effect, this would be a minimum rate of taxation, aimed at ensuring that all multi-billionaire wealth holders (around 3,000 individuals) pay at least the equivalent of 2% of their wealth in taxes each year, including the amount paid in income tax. A billionaire who already pays the equivalent of 2% of his wealth in income taxes would have no additional tax to pay, or would only have to pay the difference between what he already pays and the 2%. The participating countries would agree to a common standard, which they would then implement through national measures, e.g. through the use of deemed income taxes. According to estimates by the EU Tax Observatory, the tax applied to the tax base of 3,000 multi-billionaires would generate revenues of about USD 250 billion per year. [his proposal](#) envisages the establishment of a global minimum tax on the net wealth of billionaires at a rate of 2%. In effect, this would be a minimum rate of taxation, aimed at ensuring that all multi-billionaires (around 3,000 individuals) pay at least the equivalent of 2% of their wealth in taxes each year, including the amount paid in income tax. A billionaire who already pays the equivalent of 2% of his wealth in income taxes would have no additional tax to pay, or would only have to pay the difference between what he already pays and the 2%. The participating countries would agree to a common standard, which they would then implement through national measures, e.g. through the use of presumptive income taxes. According to estimates by the EU Tax Observatory, the tax applied to the tax base of 3,000 multi-billionaires would generate revenues of about USD 250 billion per year.

### 3.6 FINANCIAL TRANSACTION TAX

The idea of a financial transaction tax was first proposed by the American economist James Tobin in 1972, with the aim of generating resources for public spending. Since then, numerous versions of the tax have been proposed and discussed as a tool to limit financial speculation and, more recently, as a source of public finance for climate action. From a technical and administrative point of view, it is considered a relatively easy tax to implement, as financial transactions are highly regulated. It is potentially a very progressive tax, which would provide a predictable flow of resources extracted from the most affluent segments of the population without significant negative impacts on markets.

The potential revenue of a global financial transaction tax would be huge even if it were implemented at a very low rate, given the daily volume of transactions that occur worldwide in financial markets ([for the US alone, estimates are](#) around USD 90 trillion a year for stocks and USD 216 trillion for bonds, not counting the derivatives market). [The US Congressional Budget Office](#) in 2020 estimated that a 0.1% tax applied nationally could generate over USD 770 billion over the coming decade.

Many countries have already introduced some form of financial transaction tax. For example, Great Britain has introduced a *stamp duty* on transactions in financial securities that generates around EUR 4 billion per year; in 2021 France introduced a 0.3% tax on transactions in shares of companies based in the country with a capitalisation of more than EUR 1 billion. [According to a study by the Université de la Sorbonne](#), a similar tax applied in all G20 countries would generate between 156 (0.3% rate) and 260 (0.5% rate) billion dollars a year. [A discussion on the introduction of a financial transaction tax has been going on since 2013 within the European Commission](#).



## 4 OPPORTUNITIES AND POLITICAL PROCESSES TO ADVANCE THE INTERNATIONAL TAXATION AGENDA

The agenda on international taxation accelerated during 2024, and in 2025 there are many important opportunities to advance the discussion and implementation of international tax reforms. These opportunities intersect with appointments on the international architecture reform agenda and signal an unprecedented political will on tax cooperation.

The following sections briefly present the main processes at work. These are to be assessed in the light of the fact that there is no multilateral institution set up to regulate and manage international tax issues. This is why international tax cooperation to date has largely replicated the limitations of global economic governance, in which developing countries have little influence and decision-making power. For example, the discussion on the adoption of international rules to limit tax evasion and tax avoidance by multinationals has mainly taken place at the G20/OECD, excluding the majority of developing countries. These countries are victims of these practices, but their tax regimes and economic structures differ from those of rich countries and therefore need different solutions.

To ensure that international tax cooperation proceeds in a manner consistent with the principles of climate and economic justice, it is crucial to redress this imbalance and ensure that all countries concerned have equal negotiating power. This is especially true for international 'green' tax proposals that may adversely affect the economies of developing countries by imposing environmental standards for which they are not yet ready and undermine the competitiveness of their productive sectors.

The adoption of a UN Framework Convention on Taxation may help solve some of these problems. However, this is a lengthy negotiation process that risks being further slowed down by the precarious geopolitical environment. This is why other narrower and more focused initiatives on specific issues are critical to keep political will high and to give practical, if partial, implementation to the agenda.

### 4.1 THE OECD AND G20 BASE EROSION AND PROFIT SHIFTING (BEPS) PROJECT

Following the 2008 financial crisis, G20 countries together with the OECD launched the BEPS (Base Erosion and Profit Shifting) project to tackle the problem of international tax evasion by multinationals, perpetrated in particular through the shifting of profits obtained in high-tax countries to others with low or no tax burden, aiming to establish internationally shared and homogeneous and transparent rules. After a first phase with limited results ([BEPS 1.0](#)), a new phase (BEPS 2.0) was launched in 2019 with the aim of avoiding unilateral misaligned measures by countries on the taxation of the digital economy and ensuring that multinational companies pay a fair share of taxes wherever they operate. BEPS 2.0 also aimed to involve more countries beyond those belonging to the OECD and the G20, through [the Inclusive](#) Framework, which [147 countries](#) had joined by May 2024.

The BEPS 2.0 project is based on two '*pillars*': *Pillar 1* provides a combination of proposals to standardise tax allocation rules for multinationals based on where they actually make their profits. *Pillar 2* establishes a 15% global minimum tax rate for large multinationals with a substantial economic footprint. It is a measure aimed at combating tax avoidance by large multinational corporations through the practice of 'optimising' their tax burden by shifting profits to tax-free

jurisdictions. If effectively adopted by a sufficient number of countries, [it can help to increase tax revenues because it reduces the need to enter into a downward 'tax competition'](#) to attract investments of foreign multinationals. The reaching of [an agreement in 2021 on Pillar 2](#) with political endorsement by the G7 was celebrated as a historic decision, but was also criticised [for the too low level of the agreed tax rate and the lack of ambition of the rules actually adopted](#), which benefit host countries that are tax havens [and do not reflect the reality and needs of many developing countries](#). [While its implementation is advancing in the EU and other OECD countries, the US is delaying the process](#).

## 4.2 G20 DISCUSSION OF A PROPOSAL FOR INTERNATIONAL WEALTH TAXATION

In July 2024, the G20 Finance meeting in Rio de Janeiro achieved a historic result, namely the approval by the Finance Ministers and Central Bank Governors of the twenty largest industrialised economies of a [joint declaration on international tax cooperation](#) in which the issue of wealth taxation is explicitly addressed. [Thanks to Brazil's leadership](#), which from the outset identified the fight against economic inequality as a central theme of its presidency, for the first time the G20 explicitly recognised that progressive taxation is a key tool in the fight against income and wealth inequality and an objective to which international tax cooperation must contribute.

The statement follows the publication of the [Blueprint for a Coordinated Minimum Effective Taxation Standard for Ultra-High-Net-Worth Individuals](#), commissioned by the Brazilian presidency to Gabriel Zucman, which outlines the characteristics of an international tax on extreme wealth ([section 3.5](#)) and the actions necessary for its implementation. Although the statement does not go so far as to endorse the proposal, it expresses the political will to work together to make taxation of the super-rich more effective and limit tax evasion. This is the first time the G20 has taken such an explicit position on this issue, and a necessary step to eventually establish a binding legislative process. In order to move in that direction, it is critical that this stance is reiterated in the final declaration of the G20 leaders at the November summit in Rio de Janeiro, and that South Africa, which will assume the presidency in 2025, will maintain the issue at the centre of its agenda and policy efforts.

## 4.3 GLOBAL SOLIDARITY LEVIES TASKFORCE

At COP28, the governments of France, Kenya and Barbados launched the Taskforce on the Global Solidarity Levies (GSL Taskforce). Subsequently, Antigua and Barbuda, Colombia, Marshall Islands, Senegal, Spain and Denmark also joined the working group, with the EU, UN and IMF following as observers.

The Working Group has a mandate to discuss options to identify international taxes and levies that have the potential to generate resources for sustainable development and climate action, while ensuring equity and progressivity, focusing on routes available to tax the most polluting sectors, such as oil & gas, heavy industry, aviation and the financial sector.

The stated intention is to help to develop the political will of a small group of countries motivated to act as a frontrunner in the implementation of certain taxes, in alignment and coordination with other ongoing initiatives, such as the UN Convention on Taxation, reforms in the OECD, the discussion in the IMO of maritime transport taxes, etc.

The working group aims to identify concrete proposals to be announced at COP30, including both possible taxes and options for the use and management of the revenue raised.

#### 4.4 THE UN FRAMEWORK CONVENTION ON INTERNATIONAL TAXATION

[In November 2023, the UN General Assembly passed a resolution](#) which kick-started the path towards the approval of a framework convention (UN Tax Convention) to establish rules on global taxation and combat illicit financial flows and tax havens. This is a historic decision because the Convention would give decision-making power on international taxation to the United Nations, where the “one country, one vote” rule applies, giving developing countries greater ability to represent and pursue their own interests. It is no coincidence [that the 48 countries opposed to the decision were almost all countries from the Global North](#) (including Italy), compared to 125 votes in favour led by African countries (and 9 abstained). Besides the more egalitarian and inclusive decision-making process, UN negotiations on global tax rules are also more transparent than the negotiations at the OECD, which until now have taken place behind closed doors, without the involvement of civil society.

In August 2024, an intergovernmental committee of twenty countries approved a '[zero draft](#)' of the [document](#) (*Terms of References - ToRs*), which describes in general terms the objectives, principles, and content of the Convention, which is expected to be approved in 2027. Among the topics to be addressed by the Convention are the taxation of multinational corporations, combating tax evasion and tax avoidance of the super-rich, tax transparency and cooperation, and environmental taxation. In particular, the commitment expressed in paragraph 10.c to explore forms of cooperation on environmental issues [compensates for the removal from the text of a more explicit reference to the need to establish climate-related tax rules](#), introducing the possibility of linking the Convention process to other international initiatives on the subject, including the Taskforce on GSL.

#### 4.5 FINANCING FOR DEVELOPMENT SUMMIT (FFD)

In July 2025, [the Fourth International Conference on Financing for Development \(FFD4\) will be held](#) in Spain under the leadership of the United Nations. The previous international conference was held in 2015 in Addis Ababa, Ethiopia, and established the institutional framework for financing the Sustainable Development Goals (SDGs). This new meeting aims at taking stock of the situation in light of the growing gaps in development and climate finance and in the achievement of the SDGs. It will also bring the discussion on reforming the international financial architecture to the highest possible political level and within an equal decision-making forum between rich and developing countries. It will therefore be an important opportunity to reach consensus and uniformity of rules and vision on the implementation of the necessary measures to adapt finance for development and climate to real needs, including in the area of taxation and international tax cooperation.

## 5 CONCLUSIONS AND RECOMMENDATIONS

Never before has there been such an alignment of common sense and political will to strengthen international tax cooperation, and to include and align it with a broader reform of the international financial architecture.

Taxation is one of the most powerful economic policy instruments in the hands of governments and can play a key role in redressing economic imbalances to foster sustainable growth and innovation needed for a just energy transition. Crucially, it can and must be one of the pillars of climate finance.

On the international agenda there are three broad categories of instruments for international climate taxation: carbon pricing; international taxes directed at the extraction of fossil fuels or their use in maritime shipping or aviation; and taxes on extreme wealth and financial transactions. These instruments can generate an important part of the additional resources needed for investment and climate action, including contributing to the new climate finance target (NCQG) to be defined at COP29. Furthermore, a tax on large assets would help reduce economic inequality, generate new resources for public spending and global public goods, and could also mitigate the most polluting behaviours of the super-rich. Finally, fairer and more progressive taxation can expand the fiscal space for public investment in the energy transition.

However, the actual impact of these instruments depends on compliance with certain principles:

- New international taxes must lead to a net transfer of new and additional funding compared to Official Development Assistance (ODA) and climate finance.
- This new resource flow must be predictable and sustainable and used primarily for the enhancement of grant-based public funding for climate and development.
- The historical responsibility of economically advanced countries, common but differentiated responsibilities and respective capacities to contribute should be considered in the design of multilateral policies.
- The “polluter pays” principle should be applied as much as possible, focusing on the big polluters.
- The imposition of new taxes and fees should contribute to and not undermine the Paris Agreement's goal of limiting global warming to within 1.5 degrees Celsius.
- New taxes and levies should not increase inequalities (in line with UN Sustainable Development Goal 10) between countries (global equity), e.g. with negative impacts on the budgets of poor or highly indebted countries; likewise, they should not increase inequalities within countries (social equity) through regressive impacts on economic and gender equality.
- Carbon pricing, i.e. the pricing policy applied to fossil fuel emissions, should not be left entirely to markets, but accompanied by macroeconomic stabilisation measures and green industrial policies that foster economic and energy transformation.

In 2024 and 2025, there are numerous opportunities on the international political agenda to implement and deepen the reforms needed to harness the full potential of international cooperation in taxation for sustainable development and climate, and to align these reforms with those of the international financial architecture.

In order to ensure that international tax cooperation proceeds in a manner consistent with the principles of climate and economic justice and contributes effectively and substantially to climate finance, it is necessary that all countries concerned have equal negotiating power in these processes.

To this end, successful negotiations at the UN and the elevation of the tax issue within the FFD is crucial. At the same time, political initiatives restricted to a limited group of countries, or aimed at resolving specific issues, are critical to maintain governments' attention on the topic, and to give practical, albeit partial, implementation to the agenda.

**Estimates suggest that the financial resources to achieve the Sustainable Development Goals and the Paris Agreements exist in the global economy, and that increased international tax cooperation, including through 'green' taxes, could generate hundreds of billions of dollars. Mobilising them is primarily a matter of political will.**



THE ITALIAN CLIMATE CHANGE THINK TANK

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