



## Carbon tax

### Description

#### What is Carbon tax:

- The carbon tax is a tax levied on greenhouse gas emissions. This tax will make carbon-based fuels expensive and hence discourages their use. That results in reduced carbon emissions.

#### Points to speak:

- Carbon tax encourages companies to shift to eco-friendly alternatives and to reduce the usage of carbon-based fuels. This will eventually help in slowing down climate change.
- Initially, the carbon tax was implemented in the 1990s in some countries including Norway, Denmark, Germany. At present, approximately 40 countries have imposed a carbon tax.
- While some countries could reduce carbon emissions through a carbon tax, some could not. For example, Denmark could reduce emissions, while Norway couldn't. So, the carbon tax has mixed results.
- India does not have a carbon tax, but it imposes coal cess as an indirect tax to discourage coal usage.
- As some countries have a carbon tax, some people started to shift their manufacturing base to other countries where there is no carbon tax and strict environmental regulations. And they export the output goods to many countries, including the countries, where there is a carbon tax. This is also resulting in unfair competition between imported goods and goods manufactured by domestic manufacturers, who pay the carbon tax.
- So, the EU and the US are working on imposing a carbon border tax to levy a carbon tax on imports that were manufactured by emitting greenhouse gases. This can result in reduced emissions and also a level playing field between imports and domestic manufactured goods.
- India and other countries opposed carbon border tax because it is against World Trade Organization rules, and is discriminatory towards the developing countries. Moreover, developed countries are responsible for 79% of historical carbon emissions, and developing countries are yet to peak their emissions to raise their standard of living.

### Conclusion:

Levying carbon tax on businesses and industries is very beneficial for the environment. This will reduce greenhouse gas emissions, and will force companies to use eco-friendly alternatives. Thereby it will help in slowing down climate change.

### Your Turn...

What is your opinion on the carbon tax? Express your thoughts through the comment section below. And subscribe to our blog to read answers to the trending GD topics.

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### References:

- [Carbon Tax](#)
  - [How EU's proposed carbon border tax will work & why India is among the nations opposing it](#)
  - [The Case Against A Carbon Tax](#)
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