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**Committee of Experts on International
Cooperation in Tax Matters
Twenty-ninth session**

Geneva, 15-18 October 2024

Item 3(g) of the provisional agenda

Environmental Taxation

Co-Coordinators' report

Summary

Under this note, the Co-Coordinators present a progress report on the Subcommittee's work across five workstreams for the Committee's guidance and:

- 1) proposes for final approval the paper produced under Workstream 1 Part C "Phasing out fossil fuel subsidies", presented as Annex A to this note.
- 2) proposes for final approval the paper produced under Workstream 4 Part C "Potential responses to border carbon adjustments", presented as Annex B to this note.
- 3) proposes for final approval the paper produced under Workstream 5 "Other environmental measures other than carbon taxes", presented as Annex C-1 to this note as well as the accompanying "Inventory of select environmental taxes and other measures", being an appendix to that paper, presented as Annex C-2 to this note.
- 4) presents for discussion and first consideration the paper produced under Workstream 1 Part B "How to assess and correct the interaction between carbon taxes and other taxes", presented as Annex D to this note.

Background

1. The UN Tax Committee established the Subcommittee on Environmental Taxation during its Twenty-third Session. The Committee approved the Subcommittee's workplan at its Twenty-fourth Session (document [E/C.18/2022/CRP.9](#)), with progress updates reviewed at subsequent sessions, most recently at the Twenty-eighth Session (document E/C.18/2023/CRP.7). The Subcommittee's mandate is structured around five workstreams:
 - (a) **Workstream 1:** The interaction of carbon taxation with other national measures;
 - (b) **Workstream 2:** The role of carbon taxes and other measures in supporting energy transition;
 - (c) **Workstream 3:** The interaction between carbon taxes and carbon offsetting programs;
 - (d) **Workstream 4:** Carbon border adjustment mechanisms and how developing countries can avoid undesired spillover effects from the implementation of such measures by other jurisdictions;
 - (e) **Workstream 5:** Other environmental tax measures other than carbon taxes that are relevant for developing countries.
2. Since the Twenty-eighth Session, the Subcommittee convened two virtual meetings (28 May and 3–4 September 2024) to discuss draft papers and address Committee and observer feedback. The Subcommittee also coordinated with the Subcommittee on Extractive Industries Taxation, in alignment with respective mandates.
3. The Subcommittee's work aligns with several Sustainable Development Goals (SDGs), particularly SDG 13 (Climate Action) and its connections with SDG 7 (Affordable and Clean Energy), offering developing countries options to reduce emissions, foster a clean energy transition, and enhance climate resilience. This also supports SDG 17 (Partnerships for the Goals) through international cooperation on sustainable resource mobilization.

Progress Under the Workstreams

4. **Workstream 1** deals with interaction of carbon taxation with other national measures in the context of a broader tax reform and particular attention to fossil fuel subsidies. Part A considered the interaction between carbon taxes and other environmental measures (emissions trading and climate policy). It was approved at the Twenty-seventh Session, with the advance unedited version now available on the UN Tax Committee [webpage](#).
5. **Part B of Workstream 1** explores how carbon taxes can complement other fiscal measures in transitioning to a low-carbon economy. A brief concept was presented at the Twenty-eighth Session, and the paper is now submitted for discussion and first consideration (ANNEX D to E/C.18/2024/CRP.33). Furthermore, the Subcommittee proposes to adjust the title of this part to enhance clarity. The suggested new title is "Assessing the Interaction between Carbon Taxation and Mainstream Taxes: VAT, Personal Income Tax, Corporate Income Tax, and Excise Duties".

6. **Part C of Workstream 1** focuses on phasing out fossil fuel subsidies and their impact on carbon tax effectiveness. The paper is presented for final approval following revisions based on comments received at the Twenty-eighth Session (ANNEX A to E/C.18/2024/CRP.33).
7. **Workstream 2** on the role of carbon taxes and other measures in supporting energy transition was approved at the Twenty-eighth Session. The advance unedited version is available on the UN Tax Committee [webpage](#).
8. **Workstream 3** on the interaction between carbon taxes and carbon offsetting programs was approved at the Twenty-eighth Session. The advance unedited version is available on the UN Tax Committee [webpage](#).
9. **Workstream 4** considers carbon border adjustments and their impact on developing countries. The workstream is divided into three parts as follows:
 - Part A: Carbon leakage and ways to address it.
 - Part B: Border carbon adjustment measures.
 - Part C: Potential responses to border carbon adjustments.
10. **Parts A and B of Workstream 4** were approved at the Twenty-seventh Session, with the advance unedited version now available on the UN Tax Committee [webpage](#).
11. **Part C of Workstream 4** examines the impact of BCAs on developing countries and explores policy measures these countries can consider mitigating such effects. The EU Carbon Border Adjustment Mechanism (CBAM) is used as an example, being the only currently operational BCA. The paper was presented for discussion and first consideration at the Committee's Twenty-eighth session. The Subcommittee has further refined and updated this part in line with the comments received during the session and current developments, and now presents it for the Committee's final approval (ANNEX B to E/C.18/2024/CRP.33).
12. **Workstream 5** deals with other environmental measures other than carbon taxes, and the role such measures play in promoting sustainable development. The accompanying inventory provides examples of tax measures from various countries. The Subcommittee presents the paper for final approval (ANNEX C-1 to E/C.18/2024/CRP.33), along with the inventory (ANNEX C-2 to E/C.18/2024/CRP.33), and proposes to amend the title of the main paper to "Environmental taxation (other than carbon taxes)". A note calling for any comments on the work was included in the Co-Coordinator's report at the Twenty-eighth Session (paragraph 17 of E/C.18/2024/CRP.7) and in the Committee's Report of that session (paragraph 40). No comments have been received in that regard. The information used is that available from public sources.

Summary of the progress of the workstreams

13. The table below presents a summary of the above five workstreams.

Workstream title & parts		Status
Workstream 1: Interaction of carbon taxation with other national measures in the context of a broader tax reform and particular attention to fossil subsidies		
	Part A: Interaction between carbon taxes and other environmental measures (emissions trading and climate policy)	Approved – 27 th Session <i>[advanced unedited version available here]</i>
	Part B: How to assess and correct the interaction between carbon taxes and other taxes Proposed new title: Assessing the Interaction between Carbon Taxation and Mainstream Taxes: VAT, Personal Income Tax, Corporate Income Tax, and Excise Duties	1 st reading – 29 th Session
	Part C: Phasing out fossil fuel subsidies	Proposed for final approval – 29 th Session
Workstream 2: The role of carbon taxes and other measures in supporting energy transition		Approved – 28 th Session <i>[advanced unedited version available here]</i>
Workstream 3: The interaction between carbon taxes and carbon offsetting programs		Approved – 28 th Session <i>[advanced unedited version available here]</i>
Workstream 4: Border Carbon Adjustments: Impact and relevance for developing countries		
	Part A: Carbon leakage and ways to address it	Approved – 27 th Session <i>[advanced unedited version available here]</i>
	Part B: Border carbon adjustment measures	Approved – 27 th Session <i>[advanced unedited version available here]</i>
	Part C: Potential responses to border carbon adjustments	Proposed for final approval – 29 th Session
Workstream 5: Other environmental measures other than carbon taxes – Proposed new title: Environmental taxation (other than carbon taxes)		Proposed for final approval – 29 th Session

Issues for the Committee and next steps

14. The Co-Coordinator presents this report to inform the Committee of the progress of the various workstreams and to seek further guidance on the work. The Subcommittee:
 - Proposes for *final approval* the paper under Workstream 1 Part C “Phasing out fossil fuel subsidies”. The paper is presented as *Annex A* to this note.
 - Proposes for final approval the paper under Workstream 4 Part C “Potential responses to border carbon adjustments”. The paper is presented as *Annex B* to this note.
 - Proposes for *final approval* the main paper under Workstream 5 “Other environmental measures other than carbon taxes” and the accompanying “Inventory of select environmental taxes and other measures”. The papers are presented as *Annex C-1* and *Annex C-2*, respectively. The Subcommittee also proposes to *change the title of the main paper* to “Environmental taxation (other than carbon taxes)”.
 - Presents for *discussion and first consideration* the paper under Workstream 1 Part B “How to assess and correct the interaction between carbon taxes and other taxes”. The paper is presented as *Annex D* to this note. The Subcommittee also proposes to *change the title of that part* to “Assessing the Interaction between Carbon Taxation and Mainstream Taxes: VAT, Personal Income Tax, Corporate Income Tax, and Excise Duties”.

15. The Subcommittee plans to hold its final meeting under the current mandate in January 2025, aiming to finalize pending work and refine draft papers based on feedback from this session. In particular, it expects to present and propose for final approval the refined version of Workstream 1 (Part B) at the Committee’s Thirtieth Session.