Mr. Ramy Youseff, Chair of the Intergovernmental Negotiating Committee

to draft a United Nations Framework Convention on International Tax Cooperation

Re: Input in connection with Draft Issue Note of Workstream I

Submission to the Intergovernmental Negotiating Committee on the UN Framework Convention on International Tax Cooperation

Abstract

Drawing from the 'Draft Issue Note' elaborated by the co-leads of the Workstream I of the Intergovernmental Negotiating Committee on the United Nations Framework Convention on International Tax Cooperation, this submission will focus on a specific question posed therein regarding "whether there are additional aspects of international tax cooperation approaches that contribute to sustainable development that should be addressed" in the framework convention. In that regard, the organizations part of REDFIS (Latin American and Caribbean Network for Sustainable Climate Finance) submit their main findings under a policy brief analysis under the title *"Políticas Fiscales y Financiamiento Climático: Propuestas desde América Latina y el Caribe"* (*Fiscal Policy and Climate Finance: Proposals from Latin America and the Caribbean*), authored by the Global Initiative for Economic, Social and Cultural Rights (GI-ESCR), Grupo de Financiamiento Climático para América Latina y el Caribe (GFLAC), Dejusticia, and the Center for Economic and Social Rights (CESR). The submission provides legal analysis on the specific normative obligations of States with regards to the intersection between fiscal policy and climate finance, and policy proposals for fiscal structures aligned with a just climate transition conducive to the attainment of sustainable development goals and compliance with human rights obligations.

The full referenced policy brief (in Spanish) can be accessed here.

Submission

The organizations part of the Latin American and Caribbean Network for Sustainable Climate Finance (REDFIS) appreciate the work carried out by the Committee and the opportunity to provide expert inputs and feedback towards the 'Draft Issue Note' elaborated under Workstream I. We stress the importance of ensuring meaningful and timely participation of civil society and other relevant stakeholders in all the work related to the

Framework Convention's deliberations, as per determined through paragraph 9.c of the ToRs regarding the alignment of tax cooperation with international human rights law, which applies both substantively and procedurally.

<u>Section I. Legal Analysis on the Normative Obligations of States with regards to the Intersection between Fiscal Policy and Climate Finance</u>

The Terms of Reference (ToR) of the UN Framework Convention on International Tax Cooperation (UNFCITC) identify the pursuit of sustainable development in its economic, social, and environmental dimensions as a foundational commitment. This mandate is not aspirational: it reflects existing legal obligations that States have undertaken through the Paris Agreement, international human rights instruments, and the 2030 Agenda for Sustainable Development. These interrelated regimes create a normative framework in which international tax cooperation must contribute directly to a just climate transition.

1. **The Paris Agreement: Finance Flows and Non-Market Approaches**

The Paris Agreement enshrines the alignment of finance flows with climate objectives in Article 2.1(c), which requires all State Parties to make finance consistent with a pathway toward low greenhouse gas emissions and climate-resilient development. Public finance is existential to this obligation, as reflected in Article 9, which mandates developed States to provide financial resources to their developing counterparts for both mitigation and adaptation, with public funds playing a pivotal role.

Crucially, Article 6.8 introduces non-market approaches that support climate action outside the framework of emissions trading. These approaches encompass policy instruments and institutional arrangements that facilitate the reduction of emissions and the promotion of sustainability, including fiscal policy. Indeed, the UNFCCC has explicitly identified climate-responsive fiscal measures, including green taxes and subsidies, as part of this architecture.

From a legal standpoint, fiscal policy is not merely compatible with the Paris Agreement—it is <u>mandated</u> by it. For developed States in particular, designing fiscal systems that generate and channel resources toward climate action is therefore necessary to comply with their preexisting legal commitments.

2. **Extraterritorial Obligations and International Assistance**

Obligations under the International Covenant on Economic, Social and Cultural Rights (ICESCR) reinforce the aforementioned view. Article 2(1) of the ICESCR requires States to take steps, individually and through international assistance and cooperation, to realize economic, social, and cultural rights to the maximum available resources. These obligations apply extraterritorially: States must not undermine the rights of people beyond their borders and must actively support the fulfillment of these rights through financial and technical cooperation.

In the climate context, these extraterritorial obligations require that States with greater economic and historical responsibility contribute to the redistribution of resources through cross-border finance[1]. Hence, international tax cooperation that enables or facilitates such redistributive finance is not merely a matter of policy coherence, but rather of legal compliance.

3. **Sustainable Development Goals and Resource Mobilization**

The SDGs provide an overarching development framework within which the UNFCITC must operate, as determined by the TORs. However, current trajectories suggest that many countries, particularly in the Global South, will fall short of these goals without enhanced fiscal space. Climate shocks, debt burdens, and stagnant revenues all undermine progress toward sustainable development.

The 2030 Agenda recognizes that achieving the SDGs will require States to mobilize resources domestically and through international cooperation. Fiscal policy is a core tool for this. The UNFCITC must therefore facilitate policy space for just and sustainable fiscal systems, especially in low- and middle-income countries.

4. **A Human Rights-Based Approach to Fiscal Cooperation**

Human rights norms provide critical guidance on how to align tax cooperation with sustainability and justice, and should therefore be explicitly included under the commitments treated by Workstream I. These principles include:

a. Differentiation of Responsibilities

The principle of common but differentiated responsibilities (CBDR), first affirmed in the United Nations Framework Convention on Climate Change (UNFCCC) and subsequently reaffirmed in the Paris Agreement, holds that States with greater contributions to climate change and greater capacity to bear the financial burdens it poses must shoulder a larger

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[1] For further reference on the concept of extraterritorial obligations and their interplay with climate finance, see GI-ESCR, 'Boosting Ambition Through International Obligations: The Added Value of Integrating Human Rights to the Climate Financing Discussion'.

share of the response. Tax cooperation must reflect this by embedding differentiated obligations in the Framework Convention, particularly in relation to financial contributions, corporate accountability, and cross-border resource transfers.

b. Substantive Equality

Fiscal systems must reflect individuals' and corporations' capacity to contribute. High-income individuals and polluting sectors must bear a fairer tax burden. International tax rules should thus be designed to prevent tax avoidance by those with greater ability to pay[2] and to allow countries to tax value created within their jurisdictions, especially where natural resources or labor are extracted.

c. Procedural Guarantees

Tax policy must be transparent, participatory, and accountable. International tax cooperation must reinforce these principles by promoting exchange of information, civil society oversight, and inclusive decision-making. Data on tax agreements, incentives, and environmental impacts should be publicly available and subject to multi-stakeholder scrutiny.

d. Maximum Use of Available Resources

Under the ICESCR, States must use the maximum of their available resources to realize rights progressively. This includes fighting tax evasion, phasing out harmful tax expenditures, and strengthening progressive taxation. International tax cooperation must support these goals by creating frameworks for information sharing, capacity building, and equitable allocation of taxing rights.

Section 2. Policy Proposals for Fiscal Structures Aligned with a Just Climate Transition Conducive to the Attainment of Sustainable Development Goals and Compliance with Human Rights Obligations

In line with the mandate outlined in the Framework Convention's TORs—specifically the requirement to pursue international tax cooperation that contributes to sustainable

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[2] For an analysis of the compatibility between increasing transparency for 'sophisticated taxpayers' (those with more income who are able to engage in tax avoidance schemes through the assistance of enablers) and international human rights law, see GI-ESCR ''Taxpayers Rights' Under International Human Rights Law: Addressing the Weaponisation of Privacy and Confidentiality to Reinstate Tax Transparency in Favour of Tax Justice'.

development in its economic, social, and environmental dimensions—this section proposes a set of fiscal instruments that can operationalize this commitment. Drawing on experiences from Latin America and the Caribbean (LAC) and broader international evidence, these proposals offer a roadmap for States to comply with sustainable development commitments by embedding human rights and climate imperatives into tax systems, while enhancing both equity and economic resilience.

A. Wealth and Capital Taxation to Support Redistribution and Climate Action

Highly concentrated wealth and capital are key contributors to both global inequality and the environmental crisis. Empirical evidence confirms that the richest 1% globally are responsible for a disproportionately high share of greenhouse gas emissions, through consumption, investment portfolios, and carbon-intensive lifestyles. In this context, taxing extreme wealth and capital is not only a tool for redistribution—it is a matter of climate responsibility.

Proposals such as a globally coordinated 2% wealth tax on billionaires or a 60% income tax on the top 1% have shown the capacity to generate hundreds of billions in additional public revenue. As to regional applications of this proposal, and taking the case of the LAC region as an example, although only a small percentage of ultra-high-net-worth individuals reside in this area of the world, applying progressive taxation on luxury consumption, financial assets, and capital gains within national jurisdictions could still deliver significant fiscal and environmental returns, which would accordingly further increase through the scaling up that compatible international cooperation would imply on this regard.

These taxes have high redistributive potential and can contribute directly to mitigation and adaptation financing. In contrast to some sectoral taxes, wealth and capital taxes can be designed to be relatively non-distortive, especially when targeting idle or speculative capital. The evidence also suggests that moderate wealth taxes, if well-administered, do not depress investment or growth, and may even encourage more productive allocation of capital.

B. Environmental Taxes with Redistributive Safeguards

Environmental or “green” taxes are crucial tools for internalizing the negative externalities of polluting activities. They can take multiple forms—carbon taxes, pollution charges, resource extraction levies, and transportation taxes—and be applied across key sectors such as energy, transport, agriculture, and waste.

However, for environmental taxation to align with human rights and sustainable development obligations, its design must go beyond revenue generation. These taxes should be embedded in a broader fiscal framework that guarantees their proceeds are used to fund climate action, especially measures that directly benefit vulnerable populations.

Carbon taxes, for instance, must be set at levels that genuinely incentivize decarbonization. Revenues should be allocated for renewable energy expansion, public transport development, and just transition funds that sufficiently support workers and communities affected by the phasing out of fossil fuels. In extractive industries, taxes on natural resource exploitation must be accompanied by investment in economic diversification and ecological restoration, particularly in territories with high social and environmental vulnerability, which therefore proves the need to further expand fiscal space.

Importantly, environmental taxes can be regressive if not carefully implemented. Lower-income households often spend a higher share of their income on energy, transport, or food, and may lack access to cleaner alternatives. Therefore, redistributive measures—such as energy vouchers, transport subsidies, or direct cash transfers—must be integrated into green fiscal policies to avoid further exacerbating preexisting inequalities, which would directly oppose the attainment of SDGs and compliance with human rights obligations.

C. Review and Reform of Tax Expenditures and Harmful Subsidies

Tax expenditures, including exemptions, deductions, and credits, are often deployed without adequate scrutiny or alignment with SDGs. Many countries in the Global South forego significant public revenue through tax benefits extended to sectors that are carbon-intensive or environmentally damaging.

Evidence shows that fossil fuel subsidies, whether explicit or in the form of tax breaks, continue to outweigh climate finance in many jurisdictions. These subsidies not only contradict the polluter-pays principle but also violate the obligation to use the maximum available resources efficiently and equitably for the progressive realization of economic, social and cultural rights, as mandated by international human rights law.

Therefore, the Framework Convention should include commitments encouraging States to systematically review tax expenditures in light of climate and human rights criteria. This includes conducting environmental and social impact assessments of tax benefits, prioritizing benefits for clean energy and low-emission sectors, and phasing out subsidies to activities with high carbon intensity or environmental degradation.

D. Combating Tax Abuse and Illicit Financial Flows to Strengthen Climate Finance

Tax evasion, aggressive tax avoidance, and illicit financial flows significantly undermine States' ability to invest in climate action and fulfill their human rights obligations. These practices disproportionately benefit high-income individuals and multinational enterprises, often in sectors with large environmental footprints.

To reverse this, international cooperation must enable greater transparency, automatic exchange of information, and effective taxation of cross-border wealth and corporate profits. Country-by-country reporting, public beneficial ownership registries, and inclusive frameworks for setting global tax rules are essential tools in this regard.

Moreover, the link between tax justice and climate justice must be made explicit. Countries must be empowered to tax MNEs operating in carbon-intensive sectors—such as fossil fuels, mining, or industrial agriculture—especially when these activities impact local ecosystems and communities.

Section 3. Conclusion

Fulfilling the commitment to sustainable development requires States to reclaim fiscal sovereignty and align their international cooperation efforts with climate and human rights imperatives. The UN Tax Convention should serve as a vehicle for this alignment, creating space for countries to close loopholes, recover lost revenue, and channel funds toward a just transition.

The Latin American and Caribbean Network for Sustainable Climate Finance (REDFIS) appreciates the opportunity to further participate in this process and is available to actively engage with State Parties in providing technical expertise on the lines explored above whenever required.

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