



Green and progressive taxes for the socio-ecological transition



Perspectives from Latin America and the Caribbean

Executive Summary



The triple planetary crisis and inequality require us to act now

The scientific evidence is unequivocal. Latin America and the Caribbean (LAC) face a triple planetary crisis that threatens to reverse decades of development. According to the latest IPCC report, if urgent adaptation and mitigation measures are not implemented, our region will be disproportionately impacted by extreme weather events, water stress and accelerated biodiversity loss.¹

In a constantly changing world, the region faces the imperative of carrying out a socio-ecological transition that allows the reconciliation of social and economic well-being with environmental protection. Achieving this paradigm shift requires structural transformations, including the transition to decarbonised and diversified energy matrices, restoration of vital ecosystems, and democratisation of agri-food systems to guarantee food sovereignty.

This transition is not only a necessary aspiration, but also an inescapable political challenge to build alternatives that allow us to move towards a sustainable and just future. It is necessary to act now. The data are clear: this decade represents the last opportunity to steer economies within environmentally safe and socially just limits.²

The polluters must pay

It is crucial that those historically responsible for the triple planetary crisis contribute first and foremost to addressing the unequal effects of the emergency. In 2021, around 50% of global greenhouse gas (GHG) emissions came from just 3 major emitters (China, the United States of America and the European Union), while the group of least developed countries only generated 0.56% of these emissions.³ In 2021, the LAC region contributed less than 5% of global emissions, with Brazil, Mexico and Argentina being the countries with the highest emissions.⁴

Developed countries have built their economic growth relying heavily on fossil fuels and environmentally harmful extraction methods. They now have a responsibility to mobilise tens of trillions of dollars in climate finance for the Global South to support sustainable development and adaptation measures. While this support is critical, the sheer scale of the climate crisis also implies that all countries, including in Latin America and the Caribbean, pursue ambitious domestic green tax reforms and enhanced regional cooperation on fiscal policy innovation. Implementing progressive taxation and redirecting public spending towards decarbonisation and resilience-building are key to complement international climate finance commitments.

¹ Intergovernmental Panel on Climate Change (IPCC). (2022). *AR6 Climate Change 2022: Impacts, Adaptation and Vulnerability*. Disponible al 15/11/2023 en: <https://www.ipcc.ch/report/sixth-assessment-report-working-group-ii>

² Ibid.; UN Environment program. (2023). *Emissions Gap Report 2023: Broken Record – Temperatures hit new highs, yet world fails to cut emissions (again)*. <https://doi.org/10.59117/20.500.11822/43922>

³ Friedlingstein, P. and others. (2022). Global Carbon Budget 2022. *Earth System Science Data*, 14(11), 4811–4900. <https://doi.org/10.5194/essd-14-4811-2022>.

⁴ Ibid.



Similar to the case of States, individuals have highly unequal contributions to the current crisis. Globally, higher income groups have substantially larger carbon footprints compared to lower income groups. For example, the richest 1% of people worldwide have carbon emissions that are equivalent to those of the poorest 66% combined.⁵ This extreme disparity is driven by the high-carbon consumption patterns of wealthy households, especially related to fossil fuel usage. As incomes rise, use of private jets, luxury vehicles, yachts and other carbon-intensive expenditure grows rapidly, dramatically increasing emissions and environmental footprints.⁶ Overall, between 50 to 70% of global emissions can be attributed to the investments and activities of the ultra-wealthy and high-income groups specifically.⁷ Tackling the triple planetary crisis requires recognising and addressing the outsized climate impacts of high-net worth lifestyles and consumption, which greatly surpass those of low-income households.

Given their disproportionate and excessive contribution to the crisis, taxing the ultra-rich and their luxury consumption and investments is a progressive and effective measure to reduce their environmental footprint, while generating funds for the ecological transition and supporting those most vulnerable to climate impacts.

Latin America and the Caribbean must lead a reform of the global tax system

Globalization and the digitization of the economy have enabled large multinational corporations, including major polluters, to avoid paying taxes where they operate and produce emissions. Instead, they establish tax residency in countries with little or no taxation and shift profits there through loopholes. This profit shifting to low/no tax jurisdictions makes tax collection and enforcement harder across borders, compounding tax evasion and avoidance. The United Nations Economic Commission for Latin America and the Caribbean (ECLAC) reports that Latin America and the Caribbean countries lost \$325 billion in 2018 tax revenue, equal to 6.1% of regional GDP, due to such abuses.⁸ As a result, some countries' tax systems collect less than half the public revenue they could invest in a socio-ecological transition.

⁵ Khalfan, A., Nilsson Lewis, A., Aguilar, C., Lawson, M., Jayoussi, S., Persson, J., Dabi, N., Acharya, S. (2023). *Climate Equality: A planet for the 99%*. <https://doi.org/10.21201/2023.000001>

⁶ Bárcena Ibarra, A. (2020). *La emergencia del cambio climático en América Latina y el Caribe: ¿seguimos esperando la catástrofe o pasamos a la acción? Vol. Libros de la CEPAL, N° 160 (LC/PUB.2019/23-P)*. Comisión Económica para América Latina y el Caribe (CEPAL).

⁷ Dabi, N., Maitland, A., Lawson, M., Stroot, H., Poidatz, A., y Khalfan, A. (2022). *Carbon billionaires: The investment emissions of the world's richest people*. <https://doi.org/10.21201/2022.9684>

⁸ Comisión Económica para América Latina de Naciones Unidas (CEPAL). (2023). *Estudio Económico de América Latina y el Caribe 2023. El financiamiento de una transición sostenible: inversión para crecer y enfrentar el cambio climático* (LC/PUB.2023/11-P). Disponible al 15/11/2023 en: <https://www.cepal.org/es/publicaciones/67989-estudio-economico-america-latina-caribe-2023-financiamiento-transicion>.



The global tax system is outdated and favours wealthy northern nations. After decades of systematic tax abuse by major polluting corporations and economic elites, the time has come for them to contribute their fair share through progressive reforms that make the system more effective and inclusive. To fund the socio-ecological transition, regional and global cooperation is needed to implement a new fiscal pact. Latin American and Caribbean countries must act jointly to reform international tax rules for the region's benefit. Otherwise, weakened fiscal and revenue capacities will continue hampering environmental protection as well as economic and social development across the region.

Urgent change is needed through fiscal policy to support social and environmental transformation. Research demonstrates that with strong commitment, cooperation across levels of government, and public engagement, agreement can be forged on forward-thinking, sustainable-oriented tax policy. People worldwide are calling for more initiatives on this front. The health of the planet and marginalised communities leaves no time to waste in pursuing impactful new approaches to taxation and spending.

Progressive and green tax proposals for the socio-ecological transition in LAC

Human rights law and environmental law play a crucial role in constructing a fiscal agreement that effectively serves the region. Integrating a rights-based approach into the formulation of fiscal policies for LAC can ensure the development of more inclusive and comprehensive agreements that foster sustainable progress for both current and future generations.

Addressing the pressing issues of wealth inequality and environmental degradation requires innovative solutions. This report proposes a set of green and progressive fiscal measures tailored for the region, aiming to generate a consistent revenue stream to fund the ecological transition while discouraging environmentally detrimental behaviours.

Specifically, the proposed package includes levies on inequitably distributed wealth, measures to counteract abuse and tax competition, taxation of extractive industries, and green taxes. This approach seeks to acquire the necessary resources to shift away from coal dependence, involving those who have disproportionately benefited from a system that has exacerbated socioeconomic disparities and environmental harm.

The pursuit of more equitable and sustainable societies demands the exploration of comprehensive and just alternatives. These proposals put forward a path in that direction.



Green and progressive taxes for the socio-ecological transition

Taxes on wealth and capital

- Introduce a regional wealth tax for those possessing more than \$1 billion (USD) at a rate of a 2% rate.
- Implement an extraordinary tax of 10% on individuals with fortunes exceeding \$1 billion (USD) linked to highly polluting activities.
- Raise taxes on high-end vehicles and those with a high-fuel consumption.
- Establish a regional tax on private air travel with a per-kilometre rate, with a higher impact on larger and more polluting aircrafts.
- Implement a tax on extraordinary and unexpected gains.
- Set regional transparency and carbon footprint reporting standards and requirements for multinational companies.

Combatting tax Avoidance, Evasion, and Illicit Financial Flows

- Coordinate regionally to advocate for an increase in the global minimum tax from 15% to 25%.
- Create a Regional Asset Registry to identify the true owners and locations of wealth.
- Establish a tax nexus based on significant economic presence with a distribution formula.
- Support, along with other Global South blocs, a legally binding UN Tax Convention.

Green Taxes on Energy and Carbon

- Introduce carbon taxes in various forms (downstream, upstream, and midstream).
- Implement schemes to reallocate resources from green taxes to activities facilitating the transformation of the energy matrix and model.
- Introduce taxes on fossil fuels at points of sale and distribution.
- Adopt compensatory measures and avoid gender biases.

Green taxes on natural resources

- Implement flexible royalties to the owner of reserves based on the production value, fluctuating between 5% and 25% based on the resource's price variation.
- Establish a tax on the net profit of extractive industries with a progressive scale ranging from 25% to 65%.
- Adopt a tax on extraordinary gains with tiered rates capturing between 50% and 75% of profits exceeding a reasonable profitability threshold.

Green taxes on pollution

- Introduce taxes on plastics, especially single-use.
- Levy the generation of organic and inorganic urban waste with contaminating materials to encourage safe waste management practices.
- Impose levies on industrial processes emitting polluting gases affecting air quality (methane, sulphur, nitrogen oxides, among others).

Green taxes on transportation

- Impose levies on private motor vehicles, especially luxury ones like yachts, aircraft, and private cars.
- Introduce taxes on the acquisition of private vehicles generating highly polluting emissions.

Tax benefits

- Evaluate, transparently and participatively, the impacts of fiscal benefits to ensure they are progressive and contribute to driving a socio-ecological transition.
- Align public finances with a socio-ecological transition promoting the transformation of economies toward a social and environmental well-being scheme based on justice and equity.
- Adopt fiscal benefits targeting industries and the general public that encourage the use of renewable energies.
- Redirect budgets tied to carbon-intensive activities towards areas related to climate change and sustainability.

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