**Draft – Suggestions for Update of the ICC Tax & SDGs Position Paper**

**Introduction**

The International Chamber of Commerce (ICC), as the world business organization, works to promote open, rules-based multi-lateral trade and investment, sustainable economic growth, responsible business conduct and a global approach to regulation. ICC supports business’ contribution to peace, prosperity and inclusive growth. In the area of taxation, ICC seeks to promote transparent and non-discriminatory treatment of foreign investments and earnings that eliminates tax obstacles to cross-border trade and investment.

ICC is an indispensable partner of intergovernmental organisations and international stakeholders in leveraging business engagement for a more sustainable world. ICC has also a key role as focal point business and industry at UNFCC, representing the business community views and insights. In 2015 the United Nations (UN) General Assembly adopted the [2030 Agenda for Sustainable Development](http://www.un.org/sustainabledevelopment/development-agenda/) and the 17 [UN Sustainable Development Goals](http://www.un.org/sustainabledevelopment/sustainable-development-goals/) (SDGs), calling on all countries to improve the lives of people everywhere. A core aim of the SDGs is to eradicate poverty in all its forms and dimensions, recognizing that it is the greatest global challenge and is an indispensable requirement of sustainable development.[[1]](#footnote-1) Improving economic growth is a necessary driver to achieving this goal. ICC’s mission to promote a system of open, cross-border exchange for the benefit of society as a whole underlines the integral role that international business plays in fostering growth and development.

In occasion to the UN Summit of the Future (22-23 September 2024) and the 4th International Conference on Financing for Development, it becomes more relevant than ever to update the 2017 ICC Tax & SDGs Position Paper.

During the Summit of the Future discussions will take place on how nations can collaborate more effectively to create favorable conditions for the smooth implementation of the 2030 Agenda for Sutainable Development. While during the 4th International Conference on Financing for Development in 2025, impulse will be on the mobilization of all policies and resources for development with the aim of implementing policies and raising the necessary financial resources to achieve the 2030 Agenda and its Sustainable Development Goals at the global level.

However, to get the fulfilment of the SDGs back on track by 2030, government spending alone will not be enough. Thus, there is also a need for the optimization of tax systems that can incentivize private sector investments to advance sustainability and the UN SDGs. This could be done through promoting green taxes and other taxation mechanisms such as R&D incentives, indirect taxes, VAT, and carbon pricing. It is also central to ensure that investments in sustainability are always considered deductable business expenses and governments must also ensure that tax systems are robust, transparent, well-functioning and not open for misuse.

This ICC paper will address how effective tax policy can facilitate economic growth, and in doing so, support the UN SDGs. The paper will highlight measures that would support trade growth and outline the potential risk areas that exist. By examining specific taxation measures and incentives, the paper aims to provide insights into how the private sector can actively contribute to the realization of these global sustainability objectives.

**ICC policy approaches in support of SDG principles**

ICC has been actively engaged throughout the UN SDG campaign and has continuously underscored the importance of **collaboration between the private sector and intergovernmental organizations as vital to making progress towards achieving the SDGs and ensuring a more sustainable and prosperous future for all.**

ICC issued the [Business Charter for Sustainable Development](https://iccwbo.org/publication/icc-business-charter-for-sustainable-development-2015/) (2015), which was specifically designed to enable companies to contribute to implementing the SDGs. Based around eight guidelines, the Charter sets out a strategic framework to enable companies to place sustainability at the heart of their operations. These guidelines include sustainable value chain approaches, transparency in communications and reporting, as well as inclusive economic growth and improvement. The framework makes the case for sustainability as a key driver of competitiveness in today’s economy.

As the international community confronts the task of implementing the SDGs, ICC stresses the need for governments to maintain and strengthen investment promotion and protection agreements to help realize the vision of driving foreign direct investment in sustainable development. Investment, including foreign direct investment (FDI), plays an important role in determining a country’s economic prospects. In [Foreign Direct Investment – Promoting and protecting a key pillar for sustainable development and growth](https://iccwbo.org/publication/policy-statement-foreign-direct-investment/) (2016) eight policy principles are established to provide a foundation for leveraging the investment needed to eradicate poverty, combat climate change and ensure inclusive growth. The paper notes that nations, as well as sub-central governmental units, should focus on clear, non-discriminatory and well-implemented policies, including on taxation. In doing so, countries help create a climate that nurtures private investment, including FDI.

In order to fully leverage information communication technology (ICT) for sustainable development, policy approaches must be consistent with the mutually supporting layers of the ICT ecosystem, spanning economic, technical, social, cultural, and governance issues. To this end, ICC also published a roadmap – [ICT Policy and Sustainable Economic Development](https://iccwbo.org/publication/ict-policy-sustainable-economic-development/) (2017) – to support governments in developing an interoperable, open, seamless and secure ICT ecosystem underpinned by private sector investment and robust multi-stakeholder dialogue. ICC encourages all governments to consider these recommendations in the development of enhanced policy frameworks, to harness the power of ICTs to drive economic, social and environmental progress towards realisation of the SDGs.

Additional reports prepared by ICC to be included:

* ICC Guideline on Tax Principles for Multinational Businesses (2017)
* Tax Charter (2018) <https://iccwbo.org/news-publications/policies-reports/icc-tax-charter/>
* Why trade is critical to achieve the Sustainable Development Goals (21 September 2022): <https://iccwbo.org/news-publications/policies-reports/why-trade-is-critical-to-achieve-the-sustainable-development-goals/>

**Interplay between tax policy making and economic growth**

The world’s population is predicted to increase by 2 billion people by 2050,[[2]](#footnote-2) and the population of the world’s least developed countries is projected to double[[3]](#footnote-3) by 2053, in some countries even tripling.[[4]](#footnote-4) Climate change, an increasingly potent driver of migration, could force 216 million people across six world regions to move within their countries by 2050.[[5]](#footnote-6) As stated in the Political declaration of the high-level political forum on sustainable development convened under the auspices UN General Assembly, at the midpoint of the 2030 Agenda, the progress on most of the SDGs is either moving much too slowly or has regressed below the 2015 baseline.[[6]](#footnote-7) Under such circumstances, the need for large-scale investment in economic growth and development becomes evident.

Whilst there is no panacea, it is evident that greater alignment of investment and tax policies would be essential in promoting investment, job creation and economic growth. International commerce remains a powerful mechanism to help lift people out of poverty. Tax is intrinsically linked to development as taxation provides the revenue that states need to mobilize resources and reinforce a country’s infrastructure. Taxation “provides a predictable and stable flow of revenue to finance public spending, and shapes the environment in which investment, employment and trade takes place.”[[7]](#footnote-8)

Further, it is important to have a fair, efficient, and effective revenue collection infrastructure to promote economic and social development. Domestic resource mobilization[[8]](#footnote-9) (DRM) has been proposed as a way to meet the SDGs with the development finance already available. However, DRM can be impeded by unclear and confusing tax systems. It is imperative that companies are able to move products and services into areas where they are most needed without unnecessary administrative impediments. In addition to raising revenues, taxation policy also needs to support and encourage investment.

Points on compliance burdens and simplification to be added here.

**SDGs – how tax policy can facilitate their achievement**

The adoption of the 2030 Agenda for Sustainable Development brought a commitment from all countries to a set of universal, integrated and transformational goals and targets – codified in the 2030 Agenda. However, translating the vision of the SDGs into action is a major challenge. In addition to the ICC policy initiatives, the OECD released the document[Policy Coherence for Sustainable Development](http://www.oecd.org/development/policy-coherence-for-sustainable-development-2017-9789264272576-en.htm) (2017),which seeks to inform policy making by showing how a policy coherence lens can support implementation efforts, drawing on OECD evidence and analysis.[[9]](#footnote-10) It identifies challenges and good institutional practices for enhancing policy coherence in SDG implementation, drawing on the experience of the early implementers of the SDGs. The report introduces eight building blocks for policy coherence for sustainable development, as well as a conceptual “coherence monitor to track progress on policy coherence.”[[10]](#footnote-11)

Policy coherence helps create a level playing field which is essential to encourage investment. Successful economies create an enabling environment and infrastructure, which incorporate well-implemented policies that attract investment and support economic development and growth.

The aim of the SDGs is to relieve poverty and improve economic growth, and the private sector can be viewed as a key driver to achieving this goal. Many businesses are directly invested in the SDGs which provide a blueprint for human progress and a call for action for businesses to contribute to a better future. Businesses contribute directly through environmental actions to reduce energy consumption and the reliance on fossil fuels, through investment in technology and infrastructure, the creation of jobs and economic prosperity and indirectly by providing the skills and opportunities for the economically disadvantaged and through good governance, inclusivity and diversity.  Taxation policy is a key component to help promote investment and economic development and has an integral role to play in facilitating the achievement of the SDGs as illustrated in the overview below:

**Goal 1: No poverty**[[11]](#footnote-12)

1.1 By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than $1.25 a day

1.a Ensure significant mobilization of resources, including through enhanced development cooperation.

1.b Create sound policy frameworks.

1.2: By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its components according to national definitions

1.3: Implement nationally appropriate social protection systems and measures for all

Revenue collection contributes to national treasuries, which finances national development plans and in turn works towards reducing poverty. Effective tax policies are integral to ensuring that profits are taxed where economic value is created; corporate income tax should be levied according to where economic activity takes place and profits are earned. Collaboration with business, for an inclusive and transparent process, throughout international tax policy initiatives has been essential to helping define the contours of a suitable global tax framework that encourages business activities, job creation and economic growth. Governments must agree on acceptable forms of tax competition and in return businesses must adhere to rules and principles agreed upon by and between countries. Predictable tax rules are essential for cross-border trade, business investment, jobs and growth. They set a solid foundation that enables mobilisation of resources.

**Goal 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture**

**Goal 3: Ensure healthy lives and promote well-being for all at all ages**

By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being

**Goal 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all**

**Goal 5: Achieve gender equality and empower all women and girls**

5.1 End all forms of discrimination against all women and girls everywhere

5.5 Ensure women’s full and effective participation and equal opportunities for leadership at all levels

of decision-making in political, economic and public life

5.a Undertake reforms to give women equal rights to economic resources, as well as access to

ownership and control over land and other forms of property, financial services, inheritance and natural

resources, in accordance with national laws

Research shows that foreign direct investments have a positive effect on gender equality and reducing the wage gap. Effective tax policies that promote investments can therefore have a positive effect on the achievement of this goal. A growing economy also opens up opportunities for female entrepreneurship within the value chain. Business investments can improve the overall sustainable economic development of a country or region, reduce inequality and promote inclusive growth.

**Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all**

7.1**:** By 2030, ensure universal access to affordable, reliable and modern energy services

7.2**:** By 2030, increase substantially the share of renewable energy in the global energy mix

7.3:By 2030, double the global rate of improvement in energy efficiency

7.b. By 2030, expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all in developing countries, in particular, the least developed countries, small island developing States, and land-locked developing countries, in accordance with their respective programmes of support.

**Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all**[[12]](#footnote-13)

8.1 Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries.

8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services8.5 Achieve full and productive employment and decent work.

8.9 By 2030, devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products

8.10 Strengthen the capacity of domestic financial institutions.

The achievement of SDG 8 will require more private-sector investment. The [Addis Ababa Action Agenda](https://sustainabledevelopment.un.org/content/documents/2051AAAA_Outcome.pdf) (2015) recognises this by stating that “private business activity, investment and innovation are major drivers of productivity, inclusive economic growth and job creation”. Income tax treaties could help trade grow by providing greater certainty for business, reducing double taxation and providing a mechanism to fight tax avoidance. The World Bank’s [Paying Taxes 2018](http://www.doingbusiness.org/reports/thematic-reports/paying-taxes) report notes that for many businesses in developing countries the tax burden is already quite high. For example in sub-Saharan Africa, effective tax rates facing medium-sized companies are 7 percentage points higher than the world average.[[13]](#footnote-14) Tax policies that promote investment and innovation, particularly in developing economies, would go a long way in attracting foreign direct investment (FDI), which consequently provides opportunities for decent work, innovation and increased productivity to effectively increase the gross domestic product of countries. Financing is key to the success of the 2030 Agenda and sound investment and tax policies will play a critical role in leveraging the investment needed to eradicate poverty and ensure inclusive growth. Effective implementation of the SDGs requires widespread support from the private sector, awareness and recognition of the key role they have to play in achieving these goals, and an active response to ensure that business models align with the global objectives.

**Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.**

9.3Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets

9.5 Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending

9.bSupport domestic technology development, research and innovation in developing countries, including by ensuring a conducive policy environment for, inter alia, industrial diversification and value addition to commodities.

R&D tax incentives can have a major role in investing in research for the development of the SDGs.

*The recent report from ICC Sweden showed that there are currently numerous obstacles that disincentivize businesses from increasing their investments in R&D. E.g. the challenges from the inability to deduct expenses when collaborating with academia on research projects. Would be interesting to see other countries experience, particularly in the context of developing countries.*

**Goal 10: Reduce inequality within and among countries**[[14]](#footnote-15)

10.1 By 2030, progressively achieve and sustain income growth of the bottom 40 percent of the population at a rate higher than the national average.

10.4 Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality.

10.6 Ensure enhanced representation and voice for developing countries in decision-making in global international economic and financial institutions in order to deliver more effective, credible, accountable and legitimate institutions

10.a Implement the principle of special and differential treatment for developing countries, in particular least developed countries, in accordance with World Trade Organization agreements

Tax policies should be designed to support sustainable economic development, reduce inequality and promote inclusive growth. In addition, tax policies should be flexible and capable of adjusting to socio-economic changes as the fiscal environment in which they operate evolves.

**Goal 12: Ensure sustainable consumption and production patterns**

12.3 By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses production and supply chain, including post-harvest losses.

12.5:By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

There is a growing interest in the circular economy among businesses across all sectors to reduce possible waste and environmental impact, but the shift is being impeded by many barriers. What role can tax policy play in promoting the circular transition?

**Goal 13: Take urgent action to combat climate change and its impacts**

**Goal 13 has synergies with Goal 7 (Sustainable Energy), Goal 14 (Sustainable Marine Resources) and Goal 15 (Sustainable Terrestrial Ecosystems) and should be examined together.**

13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

13.2 Integrate climate change measures into national policies, strategies and planning

**Goal 14: Conserve and sustainably use the oceans, seas and marine resources for sustainable development**

**Goal 14 has strong synergies with Goal 13 (Climate Change) and should be examined together**

**Goal 15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation and halt biodiversity loss**

**Goal 15 has strong synergies with Goal 13 (Climate Change) and should be examined together**

**Goal 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions for all.**[[15]](#footnote-16)

16.4 By 2030, significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organized crime.

16.5 Substantially reduce corruption and bribery in all their forms

16.6 Develop effective, accountable and transparent institutions at all levels.

16.8 Broaden and strengthen the participation of developing countries in the institutions of global governance

Ensuring a consistent global approach that allows developing countries to adopt internationally recognised minimum standards is an important step in order to fight tax evasion. It should be noted, however, that work on illicit financial flows should be distinguished from measures to prevent tax avoidance, as this is a different phenomenon from criminal activity and requires different measures. These illegal activities should be clearly distinguished from the use of lawful and legitimate methods of tax planning and tax management. Greater cooperation between governments and the business community is needed to achieve a balanced and successful tax system that provides for the effective, accountable and transparent institutions that the SDGs call for. The principal aim of country-by-country reporting should be to develop a high-level risk assessment tool to provide tax authorities with a better overview of multinationals’ global activities and taxes paid, while expressly not being the basis of taxation itself. In addition, there is also a need for greater transparency from governments about how much tax is collected and how it is spent.

As an increasing number of tax authorities are revising their tax policies in response to the Global Minimum Tax and additional international standards and policies, it is evident that tax compliance could become more burdensome for business, particularly with increased reporting obligations. It will also result in greater costs for tax administrations at a time when there is great pressure on public funding.

As revenue bodies and businesses work to find their footing in the post-BEPS implementation environment, co-operative compliance is ever more relevant and could be a powerful tool that is a cost effective and efficient solution for the benefit of both business and tax administrations (alongside other related initiatives such as digitalisation). The OECD first referred to co-operative compliance as “a relationship that favours collaboration over confrontation and is anchored more on mutual trust than on enforceable obligations”[[16]](#footnote-17) and “a relationship with revenue bodies based on co-operation and trust with both parties going beyond their statutory obligations.”[[17]](#footnote-18) Thereafter, the OECD characterized the concept as “transparency in exchange for certainty.”[[18]](#footnote-19)

With the need to increase revenue yield and in response to perceptions that large multinationals engage in tax avoidance, some tax administrations have progressively adopted more adversarial approaches. Tax administrations are also under severe cost pressure and as a result they need to become as efficient as possible. Achieving efficiency also relies on responsible business practice by multinational enterprises and playing an appropriate role in the administration of taxes.

Recently, the OECD and the IMF issued a [joint report on tax certainty](http://www.oecd.org/tax/g20-report-on-tax-certainty.htm) as a response to heightened concern expressed by the G20 leaders about uncertainty in tax matters and its impact on cross-border trade and investment, especially in the context of international taxation. Co-operative compliance could be an effective response to addressing these challenges and plays a key role in achieving tax certainty, which in turn impacts cross-border trade and investment.

**Goal 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development**[[19]](#footnote-20)

17.1 Strengthen domestic resource mobilization, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection.

17.7 Promote the development, transfer, dissemination and diffusion of environmentally sound technologies to developing countries on favorable terms, including on concessional and preferential terms, as mutually agreed.

17.9 Enhance international support for implementing effective and targeted capacity building in developing countries to support national plans to implement all the Sustainable Development Goals, including through North South, South South and triangular cooperation.

17.16 Enhance the Global Partnership for Sustainable Development, complemented by multistakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the Sustainable Development Goals in all countries, in particular developing countries

There is a need to recognise and support existing initiatives aimed at capacity building through international organisation and collaboration between developing countries (e.g*.*, [UN Transfer Pricing Issues in Extractive Industries](http://www.un.org/esa/ffd/wp-content/uploads/2017/02/14STM_CRP9_TP-and-Extractive-Industries.pdf); the [Platform for Collaboration on Tax](http://www.worldbank.org/en/programs/platform-for-tax-collaboration) between UN, OECD, World Bank and IMF; OECD programmes through which businesses undertake to help tax authorities understand their business models).

The SDGs present an important roadmap which could guide policy at domestic, regional and international level, to redirect public and private investment flows to eradicate poverty and promote a more sustainable world for all. As a driver of economic growth and employment and an important source of investment, business has an integral role to play.

While governments have the ultimate responsibility to determine policy at domestic level, collaborative and meaningful action by business is fundamental to achieving the SDGs.

It is in this context that ICC highlights the following considerations for both businesses and governments.

**Key considerations for businesses and governments**

* Clear, consistent and transparent international standards of taxation are essential for cross-border trade, business investment, jobs and growth. Furthermore, co-operation is a key consideration to simplify administrative processes that facilitate trade.
* Governments should agree on acceptable forms of tax competition and avoid labelling businesses as aggressive tax planners or tax avoiders when using legislated tax incentives. In return, businesses must adhere to rules and principles agreed upon by and between countries.
* A lack of co-ordination between countries on tax rules (including differences between developing countries and emerging markets on source and residence-based taxation, differing definitions of economic instruments and legal entities, as well as administrative procedures) can lead to double-taxation or unintended double non-taxation.
* The key to balancing local tax legislations while avoiding double-taxation of businesses operating internationally is a dispute resolution mechanism.
* Tax must be raised in a way which is fair, reduces inequality and sustains economic growth – tax policies must not impede this.
* Potential Reference to the OECD/G20 Inclusive Framework Two-Pillars Reform
* There is a misconception that development funding could be financed entirely or primarily by “cracking down on the questionable tax practices of multinational enterprises.”[[20]](#footnote-21) the most important source of revenue for funding the SDGs keeps remaining economic growth. Thus, tax policies that encourage growth are required to meet these goals.
* Blind adherence to a push for more taxation is likely to have adverse consequences unless the international community prioritises improving the investment climate and support for better and more effective tax systems, rather than more tax collection.[[21]](#footnote-24)
* In some cases targeted taxes will help specific goals – such as relating to climate change; however the most important aspect is how to increase the overall tax take in developing countries to invest in the SDGs.[[22]](#footnote-25)
* Developing countries often have inadequate infrastructure, social protection and services. Many view the lack of resources from taxation as a constraint to achieving the SDGs.
* Co-operative compliance could be a powerful tool that is a cost-effective and efficient solution for the benefit of both business and tax administrations. It could also help in enhancing certainty for business, which is an important driver for trade and investment.
* Carbon pricing (including carbon taxation) is increasingly considered as an effective way to reduce GHG emissions, however the carbon pricing instrument needs to be considered and designed to focus on emissions reduction and removals in accordance with the 2030 and 2050 climate targets. The instrument should be part of a consistent policy addressing climate, energy, trade and taxation with this clear focus. The effectiveness of the policy could become muddled when multiple objectives are pursued, e.g., increasing the part of renewable energy, improving energy efficiency or plainly raising revenues. Where there are multiple objectives, carbon reduction should be prioritised.

**Conclusion**

Effective taxation policy works conjointly with investment policy as a key driver for foreign direct investment and economic growth. International tax rules serve to safeguard the fundamental principles of enhancing cross-border trade, foreign direct investment and economic growth while allowing economies to retain sovereignty over their tax policy in support of their own social and fiscal policy objectives. Determining the right balance for effective domestic resource mobilisation is essential, particularly for developing countries. Business is an indispensable partner for governments in implementing the 2030 Development Agenda. Collaboration is key, as all businesses, large and small governments, civil society and local authorities need to work together actively and constructively in partnership to achieve the UN SDGs by 2030.

**GOAL 7 together with GOAL 13, 14 & 15**

*ICC has a longstanding involvement in sustainability and climate action and stands squarely behind collective efforts to tackle climate change and limit global temperature increase to 1.5°C. We strongly support the use of market-based approaches and the successful implementation of a new phase of emissions trading under Article 6 of the Paris Agreement4—an essential part of international climate policy, reflecting the global challenge of ambitious mitigation action. We recognise that carbon pricing*

*mechanisms will play an instrumental role in achieving the goals of the Paris Agreement and advancing the UN SDGs.*

*Carbon pricing instruments are considered as an effective way to reduce GHG emissions and generally take the form of emissions trading systems or carbon taxation. The introduction of carbon pricing systems has expanded in recent years, with over 70 carbon pricing systems currently in place, both nationally and regionally.*

*The ICC Carbon Pricing Principles are aimed at helping policy-makers to find a balance when designing and implementing a carbon pricing instrument that should help countries achieve three main objectives:*

* *halving GHG emissions by 2030 and achieving net zero emissions by 2050 by both reducing emissions and increasing removals, in line with the latest and leading available science; > contributing to the achievement of the longstanding USD$100 billion climate finance goal and triple annual investments in low and net zero emissions technologies to $3.5 trillion by 2030, further promoting urgently needed climate action and supporting vulnerable actors in their efforts in line with the UN Sustainable Development Goals (SDGs) [SDG 13], while at the same time;*
* *keeping energy prices, also through complementary policies, at a level that does not impede consumer access to affordable and clean energy [SDG 7], does not impede economic growth and job creation [SDG 8] and does not overburden industry; and*
* *allowing the continued efficient conduct of business, innovation and infrastructure development [SDG 9]*

*Carbon pricing is an essential tool for comprehensive climate policy packages. It can assist governments in achieving existing nationally determined contributions at the lowest possible cost, scaling up investment for further climate mitigation and adaption efforts and ratcheting up ambition.*

*The overriding common objective of carbon pricing should be to reduce greenhouse gas emissions. The development of sustained and robust carbon markets maximises the effect of carbon pricing in achieving that objective.*

*As carbon pricing instruments are put in place, there is a growing risk of shifting emissions outside the countries that take action to mitigate emissions domestically. Several countries and regions, which have led change on carbon pricing, have introduced measures or are planning to do so to mitigate the risk.*

*When developing, designing and implementing national carbon pricing approaches, governments are encouraged to build on the ICC Carbon Pricing Principles and other existing guidance to increase effectiveness, minimise risks related to carbon leakage and promote linkage for greater international cooperation and coordination.*

*Any approaches to prevent carbon leakage should be considered and designed carefully and proportionately and without compromising trade rules.*

*National legal, regulatory and policy frameworks for carbon pricing market mechanisms should consider (i) linkage across national and sub-national compliance mechanisms to prevent greenhouse gas emissions leakage between countries; (ii) broader linkages between domestic compliance mechanisms, Article 6 mechanisms and the voluntary carbon markets, and (iii) broader climate, energy, trade and taxation policies.*

*Article 6 of the Paris Agreement on cross-border emissions trading itself is not designed to lead to a global carbon price. However, with the right operating rules, it has the potential to create the necessary transparency to forge a more cohesive multilateral approach to carbon pricing.*

*With respect to environmental taxation more generally, given its purpose to incentivise behavioural change, environmental taxation should not increase the overall tax burden. It is important to note that using taxation for pursuing environmental policies is an interference with markets and must thus be used with caution. This is even more important when taxation is levied on a country basis, and not levied on a co-ordinated and worldwide (or large regional) basis, requiring to take into account cross-border trade issues and their pricing effects caused by such domestic tax rules.*

*The design parameters for environmental taxation should provide a framework that underpins environmental policies in the most economically efficient manner as to affect behaviours for specific environmental goals in the most economically efficient manner. Such a framework has to be designed within and be consistent with the overall context of the total fiscal framework. Otherwise, environmental taxes may increase the economic costs of taxation while providing only a limited environmental benefit.*

*Tax is one of a number of policy instruments (market mechanisms are another possible instrument, for example) and policy-makers should seek to utilise the most appropriate policy instrument to achieve environmental goals.*

1. <https://sustainabledevelopment.un.org/content/documents/21252030%20Agenda%20for%20Sustainable%20Development%20web.pdf> [↑](#footnote-ref-1)
2. <http://www.un.org/sustainabledevelopment/blog/2017/06/world-population-projected-to-reach-9-8-billion-in-2050-and-11-2-billion-in-2100-says-un/> [↑](#footnote-ref-2)
3. <http://www.un.org/en/development/desa/population/pdf/commission/2014/documents/ECN920143_EN.pdf> [↑](#footnote-ref-3)
4. <http://www.unfpa.org/world-population-trends> [↑](#footnote-ref-4)
5. https://openknowledge.worldbank.org/entities/publication/2c9150df-52c3-58ed-9075-d78ea56c3267 [↑](#footnote-ref-6)
6. https://documents.un.org/doc/undoc/gen/n23/306/65/pdf/n2330665.pdf?token=nDLXreeltz8Sf84ZQ5&fe=true [↑](#footnote-ref-7)
7. <https://www.cgdev.org/publication/can-stopping-tax-dodging-multinational-enterprises-close-gap-development-finance> [↑](#footnote-ref-8)
8. <http://stats.unctad.org/Dgff2016/partnership/goal17/target_17_1.html> [↑](#footnote-ref-9)
9. https://www.unssc.org/news-and-insights/blog/why-policy-coherence-essential-achieving-2030-agenda [↑](#footnote-ref-10)
10. <http://www.oecd.org/development/policy-coherence-for-sustainable-development-2017-9789264272576-en.htm> [↑](#footnote-ref-11)
11. <https://unstats.un.org/sdgs/report/2017/goal-01/> [↑](#footnote-ref-12)
12. <https://unstats.un.org/sdgs/report/2017/goal-08/> [↑](#footnote-ref-13)
13. <https://www.pwc.com/gx/en/services/tax/publications/paying-taxes-2018.html> [↑](#footnote-ref-14)
14. <https://unstats.un.org/sdgs/report/2017/goal-10/> [↑](#footnote-ref-15)
15. <https://unstats.un.org/sdgs/report/2017/goal-16/> [↑](#footnote-ref-16)
16. OECD, “Study into the Role of Tax Intermediaries”, p39 (OECD 2008) [↑](#footnote-ref-17)
17. OECD, “Study into the Role of Tax Intermediaries”, p39 (OECD 2008) [↑](#footnote-ref-18)
18. OECD, Cooperative compliance: A Framework – From Enhanced Relationship to Cooperative Compliance”. P31 (OECD 2013) [↑](#footnote-ref-19)
19. https://unstats.un.org/sdgs/report/2017/goal-17/ [↑](#footnote-ref-20)
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