22-3 A graded form of an ecological tax must be levied on the value of output of sectors that are polluting. Discuss.

The ecological tax is the levy imposed on polluting industries to mark a transition from ~~less~~ more polluting to less polluting. India had pledged to remove 1 billion tonnes of CO_2 and reduce emission intensity by 45% of GDP by 2030 at the COP26.

Present mechanisms for ecological tax.

The CEC Clean environment tax cess a fiscal tool was used to reduce the use of coal. The proceeds of the cess was transfered to the National clean energy and environment fund which used the funds for rejuvenation of rivers, afforestation, etc.

Issues with the clean environment cess

① Generic cess as the cess was levied ₹400 / ton of coal uniformly and did not distinguish between high grade and low grade coal

② Subsumed under GST compensation and the funds earmarked for environment purpose was used to compensate states.

③ Revenue under utilisation - only 18% of the revenue collected between 2010-11 to 2017-18 was used for intended purpose.

④ The cess was increased from ₹200/ton to ₹400/ton but the actual price collected was ₹144/ton and ₹324/ton leading to revenue loss of ₹4900 crore and ₹0700 crore.

A graded form

the tax must be levied based on the target of output rather emissions and the taxation must include coal, iron and steel, cement, etc.

Also, the tax must not be inflationary and it could threaten the energy security of the country.

As per Global energy monitor, 30 fossil fuel companies contribute half of earth warming by emissions. A robust green tax can help restore environment.