



## China to Tax CO<sub>2</sub>, Reform Coal and Water Pricing

**China leapfrogs the United States in greenhouse gas (GHG) policy.**

Eric Wesoff: February 22, 2013

The Chinese government is taking the lead on carbon legislation.

China surpassed the United States in renewable energy and efficiency investment in 2011. (China invests approximately \$65 billion per year in cleantech compared to the \$45 billion invested by the U.S., according to a report by conservation group WWF.)

This year China leapfrogs the United States in greenhouse gas (GHG) policy. According to *China Daily*, "China will proactively introduce a set of new taxation policies designed to preserve the environment, including a tax on carbon dioxide emissions, according to a senior official with the Ministry of Finance. The government will collect the environmental protection tax instead of pollutant discharge fees, as well as levy a tax on carbon dioxide emissions."

According to Xinhua, the official press agency of the Chinese state:

- "It will be the local taxation authority, rather than the environmental protection department, that will collect the taxes."
- "The government is also looking into the possibility of taxing energy-intensive products such as batteries, as well as luxury goods such as aircraft that are not used for public transportation."
- "To conserve natural resources, the government will push forward resource tax reforms by taxing coal based on prices instead of sales volume, as well as raising coal taxes."
- "A resource tax will also be levied on water."

When and how the new policy will be implemented was not specified in the article.

Nancy Pfund, Managing Partner at DBL Ventures, had this to say, "As a major source of carbon emissions, China's move to implement a carbon tax is good news for the planet, and good news for cleantech investment. China is already a leader in supporting the growth of clean industries to the tune of billions and billions of dollars, from solar to clean transportation to wind, and putting a price on carbon with a tax will drive more demand, as well as more innovation. If this policy comes to fruition, I would expect to see more activity on the part of U.S. cleantech companies in China, a trend which we are already witnessing. Finally, China's leadership in pricing carbon will have ripple effects across the world and raise the bar for U.S. energy policies and those of other nations. When a country as large as China and as economically important as China makes a move like this, the global momentum on climate change suddenly gets a lot more inexorable."

It is difficult to contemplate what market or political forces could motivate U.S. politicians to act on carbon legislation, although we could see executive orders from President Obama anointing the EPA as carbon enforcer.