A Global Climate Wealth Tax to Fund a Worldwide, Just Transition [redacted]

Introduction

Currently, Earth is in its sixth mass extinction.[2] This mass extinction is spurred by global carbon dioxide (CO_2) emissions reaching their highest level in millions of years.[3] These CO_2 emissions stem mostly from burning fossil fuels.[4] Concerningly, "close to half of all emissions since the industrial revolution have been produced since 1990, the year of the first report from the Intergovernmental Panel on Climate Change (IPCC)."

The rise in CO_2 emissions coincides with the rise in environmental inequality. Environmental inequality can be classified as an inequality in exposure to environmental harm and an inequality in CO_2 contributions.[5] This paper focuses on the inequality in CO_2 contributions. Between 1990 and 2019, the global top 0.01% in wealth per capita emissions growth – meaning the rise in emissions per individual person in the global top 0.01% – jumped 81%, compared with an increase of just 4% for the global middle 40% of the population.[6] The divergence in emissions growth demonstrates the carbon inequality that exists between the top 0.01% and the rest of the world. Carbon inequality is the unequal ability to pollute.[7] The driving force behind carbon inequality is consumption and investment emissions.[8]

Although consumption taxes are important, such as Chile's 2% tax on luxury goods, this paper proposes a global climate wealth tax that specifically targets investment emissions.[9] Individuals produce

---

[1] [redacted]

[2] Lucas Chancel, *World Inequality Report 2022*, WORLD INEQ. LAB 1, 116 (2021) (https://wir2022.wid.world/www-site/uploads/2022/03/0098-21_WIL_RIM_RAPPORT_A4.pdf).

[3] *Id.*

[4] *Id.* at 117.

[5] Lucas Chancel & Thomas Piketty, *Carbon and Inequality: From Kyoto to Paris*, WORLD INEQ. LAB, 12 (2015) http://piketty.pse.ens.fr/files/ChancelPiketty2015.pdf.

[6] Chancel, *supra* note 1, at 124.

[7] DARIO KENNER, CARBON INEQUALITY: THE ROLE OF THE RICHEST IN CLIMATE CHANGE 1, 1 (2019).

[8] A global luxuries tax has been explored in Timothy Mawe & Vittorio Bufacchi, *The Global Luxuries Tax*, 40 IUS GENTIUM 203 (2015). KENNER, *supra* note 6, at 7.

[9] These goods are yachts, helicopters, manned aircraft, and automobiles above a specific threshold. *Chile Enacts Tax Reform to Fund Pension Reform*, EY, https://www.ey.com/en_gl/tax-alerts/chile-enacts-tax-reform-to-fund-pension-reform (last visited Aug. 2, 2022).

investment emissions by holding shares in polluting companies.[10] These investments fund further development in fossil fuel extraction, contrary to the International Energy Agency's announcement that stopping new fossil fuel development is required to meet net-zero emissions by 2050.[11]

Others have proposed a global net wealth tax that includes a "pollution top-up."[12] A "pollution top-up" is an additional tax component, on top of a global wealth tax, focused on the stock ownership of oil and gas companies.[13] The proposed global climate wealth tax in this paper suggests a different tax design than a "pollution top-up" component to a global net wealth tax. This paper focuses on a narrow, global wealth tax targeting investment emissions to fund developing countries' transition to a low-carbon future.

Poorer groups have contributed the least to climate change but face the direst consequences; thus, a global climate wealth tax will help alleviate the global challenge of climate change, since "international taxation offers a viable and relatively direct form of redistribution."[14] A global climate wealth tax is in line with the United Nations (UN) Framework Convention on Climate Change's (UNFCCC's) principle of Common but Differentiated Responsibilities.[15] The overall goal of the climate wealth tax is multifold: provide reparations to developing countries, promote a change in wealthy individuals' investment portfolios, and reduce the value of fossil fuel companies.

This paper begins with a discussion on the overall theory of a global climate wealth tax, with an emphasis on the differences between income and wealth. Next, the paper evaluates the necessity of implementing a climate wealth tax at the international level. Then, the paper analyzes the design features of a global climate wealth tax. Finally, the paper assesses the proposal's strengths and weaknesses.

---

[10] KENNER, *supra* note 6, at 25.
[11] STÉPHANIE BOUCKAERT ET AL., NET ZERO BY 2050: A ROADMAP FOR THE GLOBAL ENERGY SECTOR 1, 99 (Edmund Hosker ed., 2021).
[12] Chancel, *supra* note 1, at 132.
[13] *Id.*
[14] KENNER, *supra* note 6, at 49; Ilan Benshalom, *How to Redistribute: A Critical Examination of Mechanisms to Promote Global Wealth Redistribution*, 64 UNIV. TORONTO L. J. 317, 327 (2014).
[15] The Common but Differentiated Responsibilities principle acknowledges that all states are responsible for addressing environmental degradation but not all states are equally responsible. United Nations Framework Convention on Climate Change, Mar. 21, 1994, art. 3 ¶ 1.

Global Climate Wealth Tax as a Concept

An annual global climate wealth tax on fossil fuel investments could be seen as compensation for past and ongoing carbon emissions. Fossil fuel companies, such as Exxon, and their executives have known about climate change for the past half century.[16] The richest 1% hold most of the productive and financial assets (directly, indirectly, and/or through asset managers), which means they influence how much fossil fuel production occurs.[17] Instead of targeting fossil fuel shareholders' income – in the form of dividend and capital gain taxes – this paper proposes taxing the wealth, which in this case is shareholders' value of fossil fuel companies' shares.

Income Versus Wealth

Targeting wealth is more important than targeting income. Wealth stems from capital accumulation and price effects.[18] Capital accumulation occurs when invested savings in capital stock grow.[19] Price effects reflect a change in market dynamics, such as an increase in a house's value due to a shortage in the housing market rather than improvements made to the house.[20] Wealth is held in two forms: financial assets, such as stocks and other equities, and non-financial assets, such as land.[21] In contrast, reported income entails wages, dividends, and interest.[22]

Net wealth is more heavily concentrated and more unequally distributed than income.[23] For example, in 2018, the top 26 billionaires globally held as much wealth as the bottom 50% of the world's population.[24] Furthermore, across 18 Organisation for Economic Co-Operation and Development (OECD)

---

[16] Shannon Hall, *Exxon Knew about Climate Change almost 40 Years Ago*, SCI. AM. (Oct. 26, 2015) https://www.scientificamerican.com/article/exxon-knew-about-climate-change-almost-40-years-ago/.
[17] KENNER, *supra* note 6, at 26-27.
[18] Chancel, *supra* note 1, at 74.
[19] Emmanuel Saez & Gabriel Zucman, *Progressive Wealth Taxation*, BROOKINGS PAPERS ON ECON. ACTIVITY 437, 444 (2019).
[20] Chancel, *supra* note 1, at 74.
[21] *Id.*
[22] Edward J. McCaffery, *Taxing Wealth Seriously*, 109 NAT'L TAX ASS'N 1, 12 (2016).
[23] Saez & Zucman, *supra* note 22, at 463; Org. for Econ. Coop. & Dev. [OECD], *The Role and Design of Net Wealth Taxes in the OECD*, OECD Tax Policy Studies, No. 26 at 31 (2018).
[24] Andrew Jackson & Toby Sanger, *Policy Forum: The Case for an Annual Net Wealth Tax*, 68 CANADIAN TAX J. 835, 836 (2020).

countries, the bottom 40% of the population held 20% of the population's total household *income* compared with just 3% of the population's total household *wealth*.[25]

A global climate wealth tax would shift wealth from those most responsible for the ongoing crisis – fossil fuel shareholders and developed countries – to those least responsible for climate change – developing countries.[26] The gap in wealth inequality has not been so wide since the beginning of the 20th century.[27] The first step to reduce the wealth inequality gap while simultaneously providing much-needed funding for low-carbon investments in developing countries is a global climate wealth tax.

A global climate wealth tax could help launch a global net wealth tax. A global net wealth tax is essential in curbing inequality, between countries and within countries. Should a global net wealth tax be developed, a global climate wealth tax would complement a global net wealth tax. Individuals holding investments in fossil fuel companies should pay additional taxes in the form of a global climate wealth tax – as well as a global net wealth tax – for contributing more to climate change.

Need for an International Agreement

A global government does not exist to enact a global tax.[28] To overcome this challenge, a widespread, international agreement could tax and pool the proceeds.[29] Without an international government to create international taxation standards, an organization that can broker an agreement among competing interests is necessary. Internationally pooling resources means sovereign nations could lose revenue to others.[30] The potential harm makes agreement difficult.[31] However, a global climate wealth tax could initially be introduced using (1) a "global tax," similar to the UN Convention on the Law of the Sea (UNCLOS) Article 82; (2) the unilateral approach, similar to the success of the Foreign

[25] These countries are Australia, Austria, Belgium, Canada, Finland, France, Germany, Greece, Italy, Korea, Luxembourg, the Netherlands, Norway, Portugal, the Slovak Republic, Spain, the United Kingdom, and the United States. OECD, *supra* note 26.
[26] Alex C. Michalos, *A Case for a Progressive Annual Net Wealth Tax*, 2 PUB. AFFS. Q. 105, 118 (Apr. 1988).
[27] McCaffery, *supra* note 25, at 5.
[28] Richard Bird & Jack Mintz, *Sharing the Wealth: Article 82 of UNCLOS – The First Global Tax?*, 64 BRIT. TAX REV. 537, 538 (2019).
[29] *Id.*
[30] *Id.*
[31] *Id.*

Account Tax Compliance Act (FATCA); or (3) the consensus approach, similar to the OECD's enactment of the base erosion and profit sharing project (BEPS).

First, one example exists of a "global tax" enacted through a UN Convention. UNCLOS Article 82 requires annual payments for deep-sea mineral extraction in international waters.[32] Article 82 is an "innovative proposal that countries should make a contribution to the international community with respect to resource development within their own national jurisdiction . . . ."[33] The International Seabed Authority (ISA) collects and disburses any funds.[34] Article 82 demonstrates the international community's recognition of the importance of planetary well-being and, to some extent, a willingness to more evenly share wealth.[35]

Several key aspects of Article 82 include the following: requiring annual payments, exempting developing countries from making payments, and processing the funds through the ISA.[36] The UN Convention sets the tax rates.[37] However, Article 82 created a vague tax base, leaving the specifics to the country charging the tax.[38] Article 82 exemplifies the ability for international cooperation to enact a tax for an environmental reason with an amenability to redistribute the wealth.

Second, the unilateral approach succeeded when the United States (U.S.) enacted FATCA in 2010.[39] FATCA "imposes an automatic exchange of data between foreign banks and the U.S. tax authority."[40] To enforce the sharing of information by the foreign banks, the U.S. imposes a 30% tax on all dividends and interest income paid to uncooperative banks.[41] By 2011, the European Union (EU)

[32] Bird & Mintz, *supra* note 32.
[33] *Id.* at 541.
[34] *Id.* at 539.
[35] *Id.* at 552.
[36] *Id.* at 543.
[37] *Id.* at 552.
[38] *Id.* at 543, 552.
[39] Chancel, *supra* note 1, at 156.
[40] *Id.*
[41] *Id.*

adopted its own iteration of FATCA.[42] As a result, in 2014, the OECD developed the Common Reporting Standards to set guidelines for countries to share financial and tax information.[43]

Although the U.S. is unlikely to take the lead on a global climate wealth tax given the current political climate, the EU could spearhead a global climate wealth tax. Presently, the EU requires unanimous consensus in establishing a new tax, which could prove problematic.[44] The EU could establish a payment scheme through a new category of the EU's National Contribution. The EU's National Contribution is a method to sidestep the EU's tax unanimity requirement. However, the decentralized process would likely induce tax competition, similar to Switzerland's cantons varied wealth taxation rates.[45] Additionally, under the National Contribution method, countries could pay the fees themselves rather than enacting a global climate wealth tax, such as Austria's decision to pay the country's fee for plastic usage rather than enact a plastic tax.[46]

A third approach to enact a global tax relies on the OECD's consensus approach. The OECD does not wield a legally enforceable power.[47] However, the OECD provides a space for sovereign nations to reach a consensus.[48] The OECD and the UN developed a comprehensive, international tax coordination through BEPS and the UN Double Taxation Agreement.[49] BEPS is an international project to limit multinational enterprises' (MNE) ability to exploit tax rules by shifting MNE profits to jurisdictions with little or no taxes despite conducting little or no economic activity in those jurisdictions.[50] The BEPS

---

[42] *Id.*
[43] *Id.*
[44] *Communication from the Commission to the European Parliament, the European Council and the Council: Towards a More Efficient and Democratic Decision Making in EU Tax Policy*, European Commission 2 (Jan. 15, 2019) https://ec.europa.eu/taxation_customs/system/files/2019-01/15_01_2019_communication_towards_a_more_efficient_democratic_decision_making_eu_tax_policy_en.pdf.
[45] EU Council Decision 2020/2053 (7), 2 (Dec. 14, 2020) https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32020D2053&qid=1609775612824.; Florian Scheuer & Joel Slemrod, *Taxing Our Wealth*, 35 J. ECON. PERSPS. 207, 211 (2021).
[46] *Plastic Tax*, KPMG 2 https://assets.kpmg/content/dam/kpmg/xx/pdf/2021/09/plastic-tax.pdf.
[47] Joanna Faith, *The Global Tax Police*, 20 INT'L TAX REV. 14, 16 (2009).
[48] *Id.*
[49] Bird & Mintz, *supra* note 32, at 537.
[50] *OECD/G220 Inclusive Framework on BEPS*, OECD (2018) https://www.oecd.org/tax/beps/flyer-inclusive-framework-on-beps.pdf.

package includes 15 actions for international coordination to minimize MNE tax avoidance.[51] Presently, 97 jurisdictions have signed the Multilateral Convention to Implement Tax Treaty Related Measures (MLI).[52] The MLI allows the implementation of BEPS actions without requiring over 1,700 renegotiated individual tax treaties.[53] BEPS established two pillars: (1) determining allocation and taxing rights and (2) designing a minimum level of tax on profits.[54]

In 2021, 134 jurisdictions agreed to Pillar Two's 15% global minimum tax on MNEs.[55] Additionally, 12 jurisdictions with no or minimal tax began tax information exchanges through the OECD's Forum on Harmful Tax Practices.[56] These 12 jurisdictions' tax information exchanges are annually reviewed.[57] The tax information exchanges require some disclosures of ownership chains, including the ultimate owner.[58] Furthermore, a large majority of jurisdictions are modifying their tax treaties, under the MLI, to prevent "treaty shopping."[59] Taxpayers treaty shop to exploit inconsistent rules from thousands of bilateral treaties between countries.[60] BEPS includes a provision for reevaluating the minimum standards every five years.[61] BEPS also provides annual updates to the *Corporate Tax Statistics* database to enable further study of corporate tax policy.[62]

Despite the absence of a global government to enact a global tax, a global climate wealth tax is achievable, as exemplified by UNCLOS Article 82, FATCA, and BEPS. To avoid tax evasion, a global climate wealth tax must be enacted at the international level. Recent studies have shown that when third-

---

[51] *Id.*
[52] *OECD/G220 Inclusive Framework on BEPS: Progress Report July 2020-September 2021*, OECD 1, 3 (2021) https://www.oecd.org/tax/beps/oecd-g20-inclusive-framework-on-beps-progress-report-july-2020-september-2021.pdf.
[53] *Id.* at 2
[54] *Id.*
[55] *Id.*
[56] *Id.* at 3.
[57] *Id.* at 6.
[58] *Id.* at 7.
[59] *Id.* at 3.
[60] Gabriel Zucman, *Taxing Across Borders: Tracking Personal Wealth and Corporate Profits*, 28 J. ECON. PERSPS. 121, 124 (2014).
[61] OECD, *supra* note 49, at 6.
[62] *Id.* at 18-19.

party reporting is absent, taxable wealth's response to a wealth tax is tax evasion.[63] Additionally, wealth taxes subject to tax limits, base erosion, and weak enforcement are likely to fail.[64]

To begin, tax limits create a maximum amount that an individual can owe through a wealth tax compared to the individual's net income tax.[65] A global climate wealth tax should not include any tax limits, as fossil fuel companies' executives could easily limit their incomes to drastically reduce their wealth tax liabilities. Next, base erosion occurs when wealth taxes exempt certain assets, such as the Spanish wealth tax exempting certain business assets depending on the owner's involvement.[66] A global climate wealth tax would not include any exemptions, because the tax design includes a high net wealth threshold. Therefore, exemptions are unnecessary. Finally, weak enforcement occurs in instances lacking information and auditing.[67] The lack of information allows the ultra-wealthy to evade their taxes. For example, based on data from the "Panama Papers," the top 0.01% in Norway, Sweden, and Denmark evaded about 25% of the income and wealth taxes they owed.[68] However, an information exchange in the form of a Global Asset Registry (GAR), as proposed later in this paper, would strengthen enforcement. Additionally, a provision requiring auditing and enforcement at the international level would bolster a global climate wealth tax's efficacy, such as the peer reviewing provision under BEPS.[69]

Although the enforcement of a global climate wealth tax would be at the national level, an international package will stop potential taxpayers from treaty shopping.[70] One of BEPS's action items limits treaty shopping for MNE.[71] The same action is needed for a global climate wealth tax. To minimize capital flight before widespread adoption, a high exit tax should be included in a global climate wealth tax structure.[72]

---

[63] Scheuer & Slemrod, *supra* note 42, at 218.
[64] Saez & Zucman, *supra* note 22, at 479.
[65] *Id.* at 478.
[66] *Id.*
[67] *Id.* at 480.
[68] Scheuer & Slemrod, *supra* note 42, at 221.
[69] OECD, *supra* note 49.
[70] Zucman, *supra* note 57.
[71] OECD, *supra* note 49.
[72] Jackson & Sanger, *supra* note 27, at 847.

Global Climate Wealth Tax Design

The tax base targets fossil fuel companies' shares, rather than the distributed income, to ensure that the wealth itself is taxed. Fossil fuel investments directly contribute to worsening climate change by enabling fossil fuel companies to continue producing CO_2 emissions and delaying a transition to renewable energy.[73] Thus, the holders of fossil fuel companies' shares bear a greater responsibility for climate change adaptation and mitigation – and they should pay accordingly. To minimize administration costs, all global carbon wealth taxpayers would pay the same rate – 5% – despite different fossil fuels' varied levels of greenhouse gas emissions.

Tax Base

The tax base is calculated by multiplying the number of common stock and preferred stock shares held by the taxpayer in fossil fuel companies with the shares' market value at the end of the year. The tax base calculation applies to both public and private companies. To avoid tax dodging, especially within the initial implementation period, the tax base includes any shares held throughout the year. Shares sold partway through the year will owe a tax proportional to the number of days the taxpayer held the shares. Shares held in Exchange Traded Funds or mutual funds would receive the same treatment.

The tax base will not allow any deductions, such as charitable contributions. Charitable deductions provide the easiest path for individuals to reduce their estate and income tax base by giving away the asset.[74] Allowing charitable contributions – to institutions such as private foundations – provides high-net-worth individuals with a way to avoid paying taxes. Future consideration must be given to the potential of taxpayers shifting fossil fuel shares to private foundations and pension funds to minimize taxpayers' tax base.

Additionally, a global climate wealth tax should not have a ceiling mechanism. Most countries that had net wealth taxes included ceiling mechanisms that limited the amount of the wealth tax in

---

[73] KENNER, *supra* note 6, at 34.

[74] Jason S. Oh & Eric M. Zolt, *Wealth Tax Design: Lessons from Estate Tax Avoidance*, 74 TAX L. REV. 175, 180 (2021).

relation to the taxpayer's income.[75] Under the ceiling mechanism, the wealth tax owed could be only a fraction of the taxpayer's taxable income.[76] A ceiling mechanism is not necessary for a global climate wealth tax, as any liquidity issues could easily be resolved by selling off the shares. Removing any loopholes ensures that a global climate wealth tax avoids the policy failure of base erosion.

Shareholders in fossil fuel companies that make more than 50% of their annual investments in renewable energy would not be subject to a global climate wealth tax. Currently, Chevron, Shell, ExxonMobil, and BP show no evidence of entering the renewable market at that scale.[77] Oil and gas companies' average expenditures on renewable energy were less than 1% of their total expenditures between 2015 and 2019.[78]

A potential challenge to correctly calculating the tax base is the shares' value of privately held fossil fuel companies. Private companies must be valued before determining the shareholder's value.[79] For large private businesses, global financial industries already value these private businesses for venture capital funding, mergers and acquisitions, or share issuances.[80] In the U.S., financial industries could report these valuations to the Internal Revenue Service to determine the value of the privately held shares, instead of relying on the company to report their valuation.[81] Allowing companies to report their own valuations would likely lead to undervaluation to limit tax liability. Leading proponents of a global net wealth tax, Emmanuel Saez and Gabriel Zucman, recommend creating a valuation market for large private companies.[82] In contrast, small private businesses are not regularly valued.[83] Switzerland solved this dilemma through a simple formula – taking the book value of the business assets multiplied by the

---

[75] Emmanuel Saez & Gabriel Zucman, *Wealth Taxation: Lessons from History and Recent Developments*, 111 AEA Papers & Proc. 58, 59 (2022).
[76] *Id.*
[77] Mei Li et al, *The Clean Energy Claims of BP, Chevron, ExxonMobil and Shell: A Mismatch Between Discourse, Action and Investments*, PLOS ONE (Feb. 16, 2022) https://doi.org/10.1371/journal.pone.0263596.
[78] International Energy Agency, *The Oil and Gas Industry in Energy Transitions*, at 7 (2020), https://iea.blob.core.windows net/assets/4315f4ed-5cb2-4264-b0ee-2054fd34c118/The_Oil_and_Gas_Industry_in_Energy_Transitions.pdf.
[79] Oh & Zolt, *supra* note 78, at 190.
[80] Saez & Zucman, *supra* note 22, at 482.
[81] *Id.*
[82] *Id.*
[83] *Id.* at 483.

average profits in recent years.[84] The same formula could be applied to small, private fossil fuel companies.

Double taxation is also a potential challenge to a enacting a global climate wealth tax base. For example, corporations are taxed on the company's net income, and the individual owner of the company's shares is taxed on the wealth holdings of these shares, hence creating double taxation. However, many people face double or triple taxation.[85] For example, in the U.S., a wage-earner is taxed on their wages and again on the bank interest from saving those wages.[86] Additionally, the amount taxed is more important than the number of times an item is taxed.[87] If an asset is not adequately taxed, then the subsequent tax does not constitute double taxation.[88]

Tax Rate

To maximize the tax's effect on taxpayer behavior, economists should be consulted prior to the implementation of a specific tax rate. Plausibly, a global climate wealth tax could be set at a 5% rate. This tax rate would be low enough that cash-strapped taxpayers could sell off stock to pay a global climate wealth tax, avoiding significant liquidity issues. Ideally, the tax would deter shareholders from continuing to invest in fossil fuel companies.

However, a 5% global climate wealth tax is less than the average stock price gains for Chevron, Shell, ExxonMobil, and BP.[89] The average stock price gains of the four oil companies over 2021 amount to over 29%.[90] With Russia's invasion of Ukraine, the stock market prices are likely skewed higher because of the major oil companies increased demand.[91] The average stock price gains over the past five

---

[84] *Id.*
[85] McCaffery, *supra* note 25, at 17.
[86] *Id.*
[87] Michalos, *supra* note 29, at 121.
[88] OECD, *supra* note 26, at 58.
[89] Based on the author's computations. NASDAQ, https://www nasdaq.com/market-activity/stocks/ (last visited Aug. 5, 2022).
[90] Based on the author's computations. These profits were calculated prior to fossil fuel companies' disclosures of their 2022 profits. *Id.*
[91] Aaron Gregg, *Exxon, Chevron Post Blockbuster Profits on Oil Price Boom*, WASH. POST (July 29, 2022) https://www.washingtonpost.com/business/2022/07/29/chevron-exxon-oil-gasoline-profits/.

years are more likely to provide an accurate average rate of return, which is approximately 11%. Based on the five-year average stock price gains, a global climate wealth tax would equate to an annual 45% tax on fossil fuel capital income.[92]

Taxpayers

Taxpayers with a net wealth above $10 million would be subject to a global climate wealth tax. The net wealth threshold would consider household wealth rather than individual wealth, in order to limit tax evasion by transferring assets to other members of a household. In 2021, over 1,845,660 adults worldwide held a net wealth above $10 million.[93] People with a net wealth above $10 million have the ability to pay the tax and, thus, should be subject to the tax.[94] *Net wealth* is defined as all assets less debts.[95] This means that a taxpayer with real-estate assets worth $10 million, a mortgage (debt) worth $2 million, and fossil fuel investments worth $5 million has $13 million in net wealth. Therefore, the taxpayer would be subject to an annual global climate wealth tax of 5% on the $5 million investment assets in fossil fuel companies.

The beneficial owner of the fossil fuel companies' shares would be required to pay the tax. The beneficial owner is the person that truly owns or controls (benefits from) the asset.[96] The tax must target *any entity* to avoid the transfer of shares to shell companies, investment funds, or trusts to avoid taxation. The purposes of taxing wealthy individuals holding fossil fuel shares are to (1) target wealthy individuals living off fossil fuel capital, (2) incentivize defunding fossil fuel companies, (3) galvanize shareholders to push fossil fuel companies toward renewable energy investments, and (4) reduce the grip fossil fuel companies and their shareholders have over politics. "[T]racking individual investment emissions is a

[92] Scheuer & Slemrod, *supra* note 42, at 209.
[93] Chancel, *supra* note 1, at 20.
[94] Michalos, *supra* note 29, at 125 (discussing the justiciability of taxing people who are able to pay).
[95] OECD, *supra* note 26, at 51.
[96] *It Is Time for a Global Asset Registry to Tackle Hidden Wealth*, INDEP. COMM'N FOR REFORM INT'L CORP. TAX'N 1, 4 (Apr. 2022), https://static1.squarespace.com/static/5a0c602bf43b5594845abb81/t/625d8347a29a317f33672802/1650295641140/ICRICT+GAR+report+EN.pdf.

more accurate way of identifying responsibility and complicity" in the continued delay in adequately addressing climate change.[97]

Taxable Event

The tax should be assessed annually based on ownership. Annual assessments allow continuous monitoring of wealth.[98] Similar to BEPS, an annually updated database could provide vital information to tax policy scholars.

Administrating the Tax

The administration of a global climate wealth tax is country dependent. The costs associated with administrating and enforcing a global climate wealth tax would fall in subsequent years after its establishment.[99] Ideally, a global climate wealth tax should be separate from income tax. For example, in the U.S., a global climate wealth tax should be filed separately from the income tax, similar to the sales and use tax. Having a separate tax system is necessary to avoid tax avoidance strategies already in place.[100] To maximize compliance, prepopulated returns are critical.[101] In prepopulated returns, the government compiles the return with the relevant information and tax amount owed. Prepopulated returns limit taxpayers' ability to minimize their tax liability. However, comprehensive reporting is essential to the administration of prepopulated returns.[102]

For countries to create prepopulated returns and know which taxpayers must pay a global climate wealth tax, a GAR is a necessity. A GAR, a global initiative, would link assets to their beneficial owners, providing countries with the information necessary to tax the beneficial owners.[103] A GAR is essential to

[97] KENNER, *supra* note 6, at 43.
[98] Michalos, *supra* note 29, at 117.
[99] Scheuer & Joel Slemrod, *supra* note 42, at 223.
[100] Oh & Zolt, *supra* note 78.
[101] Saez & Zucman, *supra* note 79, at 61.
[102] *Id.*
[103] INDEP. COMM'N FOR REFORM INT'L CORP. TAX'N, *supra* note 100.

limit the illicit financial flows to tax havens.[104] Additionally, a GAR would provide the information to prepopulate tax returns to ensure maximum compliance.[105]

Privacy concerns could arise.[106] Despite wealthy individuals' conspicuous displays of their wealth – through material goods, such as cars and homes – the level of information disclosure can be limited.[107] However, full wealth transparency would be required to enforce a global climate wealth tax. Currently, tax havens hide household wealth up to 10% of the global GDP.[108] Specifically, for the purpose of a global climate wealth tax, a GAR would have to include the beneficial owners of financial securities in public and private fossil fuel companies. A GAR would have to be established at the national level before the creation of an international registry.[109]

Currently, at the national level, many central securities depositories exist to keep track of who owns equities and bonds issued by domestic firms.[110] A GAR would merge these central securities depositories into one comprehensive unit.[111] However, a GAR would require the creation of a global identifier to identify the beneficial owner.[112] Increasingly, wealthy individuals mask their ownership through shell companies, foundations, and trusts.[113] Without a global identifier, the beneficial owner may remain unknown and, thus, untaxed.[114] Additionally, tax havens must be enticed (or punished) into complying with a GAR that identifies the beneficial owner.[115] Therefore, international cooperation is essential to the administration and success of a global climate wealth tax.[116]

---

[104] *Id.*
[105] Saez & Zucman, *supra* note 79, at 61.
[106] *A Roadmap for a Global Asset Registry*, INDEP. COMM'N FOR REFORM INT'L CORP. TAX'N 1, 8 (Mar. 2019), https://static1.squarespace.com/static/5a0c602bf43b5594845abb81/t/5c988368eef1a1538c2ae7eb/1553498989927/GAR.pdf.
[107] *Id.* at 9.
[108] INDEP. COMM'N FOR REFORM INT'L CORP. TAX'N, *supra* note 100, at 3.
[109] *Id.*at 5.
[110] Zucman, *supra* note 57, at 137.
[111] *Id.*
[112] *Id.*
[113] *Id.* at 141.
[114] *Id.* at 137.
[115] Zucman proposes sanctions proportional to the income generated from protecting tax evaders. *Id.* at 145.
[116] *Id.* at 137.

Revenue

A global climate wealth tax will, initially, provide significant revenue. Table 1, prepared by the author, provides a low estimate of potential revenue. The revenue should be directed to a fund that disperses money to developing countries for climate change adaptation and mitigation. However, a global climate wealth tax is an environmental tax, and its implementation will ideally change taxpayer behavior. Thus, revenue from a global climate wealth tax should shrink over ensuing years.

Projected Revenue from Public Fossil Fuel Companies' Executives and Directors as of December 31, 2015

Table 1

Country	Amount of Shares	Amount in U.S. Dollars	Climate Wealth Tax
America	31,199,645	$ 1,711,704,219.83	$ 85,585,210.99
Australia	1,214,725,727	$ 1,699,076.74	$ 84,953.84
Austria	220,500	$ 127,074.35	$ 6,353.72
Belgium	2,836	$ 694,473,495.91	$ 34,723,674.80
Canada	26,619,384	$ 121,457.38	$ 6,072.87
China	8,367	$ 744,962.66	$ 37,248.13
Denmark	54,000	$ 1,226,072.97	$ 61,303.65
France	459,293	$ 12,432,291.22	$ 621,614.56
Germany	3,600	$ 52,258.47	$ 2,612.92
Ghana	1,940	$ 4,660.23	$ 233.01
Ireland	6,478,476	$ 15,716,723.69	$ 785,836.18
Italy	126,696	$ 1,269,604.00	$ 63,480.20
Lebanon	1,540,092	$ 18,066,651.07	$ 903,332.55
Lesotho	2,204	$ 9,711.82	$ 485.59
Liberia	3,243	$ 283,859.79	$ 14,192.99
New Zealand	8,795	$ 127,670.34	$ 6,383.52
Norway	230,986	$ 3,234,230.76	$ 161,711.54
South Africa	1,790	$ 7,887.55	$ 394.38
Spain	464,138,978	$ 648,525,450.51	$ 32,426,272.53
Sweden	2,077,695	$ 10,878,934.14	$ 543,946.71
Switzerland	1,000	$ 44,807.60	$ 2,240.38
The Netherlands	110,156	$ 1,420,843,852.35	$ 71,042,192.62
United Kingdom	601,749,592	$ 1,338,447,661.77	$ 66,922,383.09
Grand Total	**2,349,764,995**	**$ 5,880,042,615.16**	**$ 294,002,130.76**

[117]

Table 1 uses public information about executive and director shareholder wealth attributable to some public fossil fuel companies' shares as of December 31, 2015. The author relied on 2015 data because this information was the most readily available. These data represent only a small subset of

[117] Table 1 was created by the author relying on the *Polluter Elite Database* for the initial data. The author compiled total shares held based on nationality, applied the applicable exchange rate to the shares' value, and calculated a 5% tax rate on the shares' value in U.S. dollars. The author assumed that all executives and directors met the net wealth threshold to qualify for the tax. Dario Kenner, *The Polluter Elite Database*, WHYGREENECONOMY? (June 2019) https://whygreeneconomy.org/the-polluter-elite-database/.

taxpayers, those who hold positions at various public fossil fuel companies. Although the information is older, Table 1 demonstrates the magnitude of a global climate wealth tax. Given the fossil fuel industries' record-breaking profits in 2022, the potential revenue from a global climate wealth tax is likely much, much greater.[118] As countries pivot to net-zero carbon systems, the revenue from a global carbon wealth tax will decline. Ideally, the revenue earned in the meantime will sufficiently assist developing countries with their climate change adaptation and mitigation strategies.

The Green Climate Fund (GCF) is one possibility as the recipient of the revenue. The GCF was established in 2010 under the Cancún Agreements as a financial vessel for developing countries for climate change adaptation and mitigation projects.[119] The GCF is an international organization that could collect and redistribute a global climate net wealth fund to developing countries to help them adapt and mitigate to climate change, without having to create a new organization. A global climate wealth tax could also direct revenue through the Climate Investment Fund and/or Least Developed Countries Fund.[120] First, each country would collect the revenue from its residents. Then, those countries would owe that money to the GCF (or the applicable organization). Finally, the GCF (or the applicable organization) would collect and disburse the collected revenue.

The fossil fuel companies and their shareholders hold the greatest responsibility for assisting developing countries in their efforts to adapt and mitigate to climate change. These shareholders are unlikely to bear the cost of their pollution; however, they should not be let off the financial hook.[121] If wealthy individuals are taxed on the transfer of their environmental costs to others, perhaps they will be more inclined to protect the environment.[122] Regardless, these shareholders should be held financially accountable for their CO_2 emissions. By requiring the funds to fill the coffers of the GCF or a similar

---

[118] Mike Lee, *Big Oil Sees Record Profits with Volatility on the Horizon*, ENERGYWIRE (Aug. 1, 2022) https://www.eenews.net/articles/big-oil-sees-record-profits-with-volatility-on-horizon/.
[119] *About GCF*, GREEN CLIMATE FUND, https://www.greenclimate.fund/about/timeline (last visited Aug. 4, 2022).
[120] *Annual Results Report*, GREEN CLIMATE FUND 1, 10 (2022) https://www.greenclimate fund/sites/default/files/document/20220412-arr2021.pdf.
[121] KENNER, *supra* note 6, at 56.
[122] *Id.* at 51.

fund, GCF or a similar fund would no longer remain at the mercy of the political whims of the pledging nations.[123]

Global Climate Wealth Tax Assessment

The strongest aspect of a global climate wealth tax is the targeting of specific, wealthy taxpayers holding investments in fossil fuel companies. A tax is more palatable when it targets a smaller group and is seen as fair.[124] Additionally, long term, a global climate wealth tax would aid in the creation of a global net wealth tax through the establishment of a GAR.

One advantage of a global climate wealth tax is that it bolsters a carbon tax. As the group, Patriotic Millionaires, points out, "[f]or the ultra-wealthy, any tax functions exclusively as a constraint on their rate of wealth accumulation, as it has no other impact on their lives."[125] Therefore, a carbon tax is insufficient to account for carbon inequality. To reduce the wealthy's wealth, a global climate wealth tax, and eventually a global net wealth tax, is necessary. However, a carbon tax is complementary to a global climate wealth tax. A carbon tax is still needed to attach a price to CO_2 emissions for the general public.

However, the level of international agreement required to properly enact a global climate wealth tax is a weakness. International cooperation is needed to disclose wealthy taxpayers' financial holdings and ensure that taxpayers do not flee to other countries to avoid the tax.

Another potential challenge to a global climate wealth tax is enticing larger countries, such as the U.S., to join the agreement. A possible solution would include removing a country's funding contribution pledge if the revenue surpasses the country's GCF pledge. Another solution would include desirable offers in other parts of the agreement. For example, even though some countries, such as the U.S. and Canada, had nothing to gain from UNCLOS Article 82, they still supported the required payments because these countries had more to gain from UNCLOS in its entirety.[126]

---

[123] Hilary Beaumont, *How the US is Hindering Global Climate Financing*, Al Jazeera (July 15, 2022) https://www.aljazeera.com/news/2022/7/15/how-the-us-is-hindering-global-climate-financing.
[124] Michalos, *supra* note 29, at 125
[125] *Oppose Limitless Inequality Growth and Restore Civil Harmony (OLIGARCH) Act*, PATRIOTIC MILLIONAIRES 1, 3 https://patrioticmillionaires.org/wp-content/uploads/Oligarch-Act-Memo.pdf.
[126] Specifically, the U.S. and Canada gained extended coastal control. Bird & Mintz, *supra* note 32, at 541-42.

Another challenge facing the implementation of a global climate wealth tax is the fossil fuel companies' significant political power. For example, in 2021, fossil fuel companies sent at least 503 lobbyists to the 2021 UN Climate Change Conference (COP26).[127] The fossil fuel companies were better represented at COP26 than any country.[128] Clearly, the fossil fuel companies' political influence – at the national and global levels – exacerbates carbon inequality. Fossil fuel companies and their shareholders use this outsized influence to delay climate policy.[129]

Wealthy shareholders of fossil fuel companies use their money to secure power within political institutions to block climate policy through lobbying.[130] In addition to their immense political influence, these wealthy shareholders, such as the Koch brothers, fund climate change denial groups.[131] Fossil fuel companies and their wealthy benefactors' grip on U.S. politics is evident in the sevenfold funding (in the form of subsidies) provided to fossil fuel companies compared to renewable energy sources.[132] Beyond the U.S., the United Kingdom's Conservative government cut subsidies for renewable energy in 2015.[133] Overcoming fossil fuel companies' lobbying power is possible with the proper incentives to national governments and support of the general public.

Conclusion

Growing wealth inequality is a problem that must be abated to ward off the worst of climate change. A global climate wealth tax is the first step in that direction. A global climate wealth tax would decrease the wealth stored in fossil fuel companies and start the process of globally taxing wealth.

Wealthier nations and wealthier individuals have profited handsomely through exploiting developing countries. For example, capital income has left African countries on an average of three times

---

[127] Matt McGrath, *COP26: Fossil Fuel Industry has Largest Delegation at Climate Summit*, BBC (Nov. 8, 2021) https://www.bbc.com/news/science-environment-59199484.
[128] *Id.*
[129] Alvin Powell, *Tracing Big Oil's PR War to Delay Action on Climate Change*, HARV. GAZETTE (Sept. 28, 2021) https://news.harvard.edu/gazette/story/2021/09/oil-companies-discourage-climate-action-study-says/.
[130] Fergus Green & Noel Healy, *How Inequality Fuels Climate Change: The Climate Case for a Green New Deal*, ONE EARTH 1, 4 (Jun. 17, 2022) https://www.cell.com/one-earth/fulltext/S2590-3322(22)00220-2.
[131] KENNER, *supra* note 6, at 69.
[132] *Id.* at 70.
[133] *Id.* at 86.

the rate of international aid flowing back into these countries between 1970 and 2012.[134] A global climate wealth tax provides reparations for past harms by developed countries that will result in future catastrophes in developing countries.

[134] Chancel, *supra* note 1, at 172.