

## **5. Thinking on relationship between existing energy-related taxes**

***There are already taxes on fossil fuels: petroleum/coal tax and volatile oil tax. If these taxes could reduce CO<sub>2</sub> emissions, and the revenues from them could be used to combat climate change, then why are we studying Climate Change Tax?***

The petroleum/coal tax and gasoline tax were created with socio-economic goals other than combating climate change. Although these taxes do not focus on the carbon content of fossil fuels, since they do raise the price of fuel, as an end result they do act to suppress CO<sub>2</sub> emissions.

However, if the assessment and review of 2004 determines that these existing taxes are insufficient, then additional measures will have to be adopted. If a policy that further promoted energy conservation and the adoption of new sources of energy by raising the price on fossil fuels with a focus on carbon content were then seen as necessary, at the least a certain increase in the taxes on fossil fuels could not be avoided. This point must be thoroughly discussed, in order to gain the full understanding of the Japanese people and the taxpayers.

As discussed in **2. Nature and requirements of a tax**, if the rate of the Climate Change Tax is too low to sufficiently combat climate change, then in addition to promoting measures through the tax, new subsidies for these measures will be required. Thus, additional expenditures must also be studied.

In such a case, it must also be taken into account that some of the revenues from existing taxes are in fact being used to implement or subsidize anti-climate change measures. However, each of these existing taxes has its own intent and purpose, which places limitations on how their revenues can be used for measures to combat climate change. Additionally, in many cases the revenues themselves could be too small to achieve the reduction committed in the Kyoto Protocol.

For these reasons, it is thought that when the Programme is assessed and reviewed in 2004, it will be decided to adopt Climate Change Tax in addition to existing energy-related taxes, and additionally, to use their revenues for ACC measures. In the case, the Expert Committee believes that a decision should be made as to the division of responsibility between the new measures, and anti-climate change measures being funded by revenues from existing taxes, and necessary adjustments made. Coordination should be made with these existing taxes after the details of the Climate Change Tax have been ironed out, at which further detailed study will be appropriate.