

Higher petrol taxes don't hurt the poor: study

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Increased petrol taxation is a very effective instrument to reduce greenhouse gas emissions. A common argument against such a measure is that it hits poor people the hardest. Yet a new study by researchers at the University of Gothenburg, Sweden, – the largest ever of its kind – shows that it is middle- and high-income earners who are generally affected the most by petrol taxes, especially in poor countries.

The UN [climate](#) negotiations COP17 are currently underway in Durban, South Africa. The global emissions of greenhouse gases must decrease by at least two percent per year in order to keep our planet's temperature from rising by more than two degrees Centigrade.

"Petrol taxes are effective and actually don't affect [poor people](#) disproportionately. Powerful lobbyists have tried to undermine the whole idea of petrol taxes, claiming that the effects are too hard on the poor. Our results contradict this view, especially with respect to developing countries," says Thomas Sterner, Professor of Environmental Economics at the University of Gothenburg and lead author in the UN climate panel's (IPCC) working group Mitigation of Climate Change.

Thomas Sterner is also the editor of the new book Fuel Taxes and the Poor, The Distributional Effects of Gasoline Taxation and Their Implications for Climate Policy, authored by 35 renowned researchers.

The 35 researchers studied data from 25 different countries to investigate the concern that petrol taxes affect poor people the most. The team included leading researchers from China, India, Indonesia, USA,

Latin America, as well as many countries in Africa and Europe.

"The reason why the global climate negotiations are so slow has to do with global justice. Poor nations have not caused climate change and they want to be compensated rather than being forced to pay for adaptation and mitigation; they want their share of the atmospheric commons. Our research shows however, that increased fuel taxes are not, per se, incompatible with sustainable growth, reduced poverty and an improved climate," says Thomas Sterner.

The researchers conclude that although in some high-income countries particularly the US, petrol taxes may indeed be regressive and affect the poor more, in most countries, and particularly in the poor it is the middle- and high-income earners who are generally hit harder – the tax is progressive. India, China and many African countries are examples, where cars and fuels are luxury products. In many European countries such as Sweden the petrol tax is roughly neutral.

About 25 percent of the global emissions of fossil CO₂ can be traced to the transport sector, and this share has increased in recent years. In the EU it has grown from 20 to 30 percent in the last 20 years.

Thomas Sterner emphasizes that international climate negotiators should emphasize global justice and pay attention to distributional effects. "An increased petrol tax effectively reduces emissions of greenhouse gases from the transport sector, at the same time as it exemplifies these justice aspects."

Provided by University of Gothenburg

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