ClimateWire

3. NATIONS: France pushes financial transaction tax to raise climate adaptation funds *(02/08/2011)*

Nathanial Gronewold, E&E reporter

UNITED NATIONS -- The French government will press the Group of 20 industrial nations to adopt a financial transaction tax during France's presidency of the group this year, its top climate negotiator confirmed yesterday.

Advocates say such a tax is the best way to generate billions of dollars in revenue to help poor countries deal with the impact of climate change and develop renewable energy systems. But the French government, while expressing support for the concept, warns that the debate will be fraught with difficulty due to the objections of major powers that are opposed to international taxation.

Speaking to a panel on climate financing and ethics held at U.N. headquarters yesterday, Paul Watkinson, France's lead climate change negotiator, said in a teleconference from Paris that the financial transaction tax would be discussed at G-20 gatherings this year.

Supporters propose a tax that would go beyond the levy on foreign currency exchange markets first proposed by the economist James Tobin, seeking something that would cover other financial instruments like commodity futures, credit default swaps and bonds. The American economist original proposed a small tax on currency speculation in the 1970s, but concerns over granting taxation authority to the United Nations have kept it from becoming a reality.

"We will be putting it on the agenda," Watkinson said. "We will see how far we make progress."

A financial transaction tax was one of the key recommendations made late last year by a high-level advisory group appointed by Secretary-General Ban Ki-moon. That same group proposed levying carbon emissions-based taxes on international air travel and shipping and even taxing transactions in the international carbon markets in an effort to raise the hundreds of billions of dollars in annual financing activists say is needed to combat climate change.

A U.N.-levied tax

The idea drew support from many at yesterday's panel discussion as concern grows that carbon taxes on international air travel and shipping may wind up harming poor countries. A coalition of U.N.-linked non-governmental organizations says that even a minuscule tax rate, such as 0.05 percent, could alone generate some $600 billion per year for climate mitigation and adaptation financing.

Supporters also suggested that the office of the U.N. Framework Convention on Climate Change could administer the tax. Many at the panel expressed concern that levies on shipping and air travel would end up harming developing countries that rely on trade for economic growth, unless they were somehow compensated for the measures.

During the panel debate, Francesca Ricciordone, a researcher at the International Trade Union Confederation, said shipping and air taxes "can have significant negative impacts" on poor nations. She said the financial transaction tax, by contrast, would be "a powerful redistribution measure" that her group would advocate for.

France is also keenly interested in advancing a "green climate fund" from which poor nations can make withdrawals to help finance their climate-related activities. The fund would be managed by a diverse group of developed and developing countries, but Watkinson cautioned that the concerns of potential donor nations must be addressed to make the plan viable.

"The key element is to make sure this new fund is credible," he said.

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   France pushes financial transaction tax to raise climate adaptation funds
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   Leaked cables show Wales increasingly uneasy with U.K. nuclear power stance
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   Tree ring data reveal evidence of history-changing Mexican droughts
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   Chesapeake sells more shale gas assets to pare debt load
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   Energy companies seek to 'farm' gas from microbic action on coal
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   Boulder County, Colo., running out of rooftops for solar arrays
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