

# Preface

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The role of economic policy instruments for the transition to a low-carbon economy is widely recognised. An extensive range of such policy instruments including taxes, tradable permit schemes and subsidies has been widely implemented among countries to shift private investment decisions and consumer behaviour towards cleaner and more resource-efficient production and consumption patterns. While complementary instruments including regulations, technology mandates and consumer awareness campaigns do play a role in the transition to a decarbonised world, economic instruments still remain the dominant policy tool for achieving low-carbon transition in a cost-effective manner.

Today, more jurisdictions than ever before are implementing pricing instruments in a bid to internalise negative environmental externalities. More work needs to be done in this respect as the under-pricing of these externalities is pervasive. For example, most carbon pricing instruments currently are implemented at levels that are clearly below those required to achieve the climate stabilisation targets acceded to in the 2015 Paris Agreement on climate change.

To enhance the effectiveness of these instruments and increase their political acceptance, a consistent effort is required to align low-carbon development priorities with policies in other domains. Low-carbon pricing must go hand in hand with reforms in sectors such as finance, trade, land use, mobility and innovation.

Volume XXII of *Critical Issues in Environmental Taxation* sheds light on the role of economic instruments in contributing to a low-carbon future – experiences to date, challenges and opportunities in different sectors, and lessons that emerge from other environmental contexts. Many chapters (in Parts I and II) deal with taxes and subsidies in two of the most energy intensive sectors – stationary energy, and transport respectively. The book starts with a critical examination of different economic support schemes that have been implemented in Europe and Brazil to boost the generation and uptake of energy from renewable sources; the next chapters describe the theory and evidence of tax schemes to encourage low-carbon transport in European countries. Part III includes case studies that describe the evolution or the design of low-carbon strategies in Australia and East Asia.

Chapters in Part IV present case studies that deal with empirical modelling of decarbonisation policies associated with economic instruments. Finally, Part V addresses cross-cutting policy issues which, apart from low-carbon development, relate to water pollution and biodiversity protection.

Continuing the tradition of earlier volumes in this series, we believe that this book offers important insights to policy makers, tax experts, academics and researchers about the potential of environmental taxes and market-based instruments to facilitate a feasible, cost-effective and politically acceptable transition to low-carbon and resource-efficient societies.

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