



ELSEVIER

Available online at www.sciencedirect.com

ScienceDirect

The International Journal of Accounting 50 (2015) 418–426

**The
International
Journal of
Accounting**



CrossMark

Discussion of “The Association Between Energy Taxation, Participation in an Emissions Trading System, and the Intensity of Carbon Dioxide Emissions in the European Union”

Andreas Charitou

University of Cyprus

Received 5 August 2015

Available online 31 October 2015

Abstract

Even though the role of energy taxes on emissions has been examined extensively in recent years, there has been limited empirical research on the effect of implicit tax rates on energy on emissions in the European Union. In particular, at the pre-implementation of ETS (Emissions Trading System) era, Jeffrey and Perkins (2015) showed that there was an inverse relationship between a) implicit tax rates on energy and fuel with lower carbon content (effectiveness) and b) implicit tax rates on energy and consuming less fuel per unit of output (efficiency). However, at the post ETS era, they found that only the latter relationship exists and they posit that even though the energy taxation is not generally associated with the effectiveness, this is mainly due to ETS participation. Future research on emissions should consider a) whether energy taxation motivates investment activities (spending) and initiatives for reducing pollution and if so, their nature and b) whether energy taxation could be an impetus to renewable resources.

© 2015 University of Illinois.

JEL classification: G10; G30

Keywords: Energy taxation; Emissions trading system (ETS); European Union

1. Introduction

The importance of Corporate Social Responsibility (CSR) which intertwined with the corporate taxation has been emphasized in recent years by academics, researchers and policy makers. One of the major environmental issues that has been investigated relates to

<http://dx.doi.org/10.1016/j.intacc.2015.10.002>

0020-7063/© 2015 University of Illinois.

the Greenhouse Gas (GHG) emissions and most businesses are responsible for this issue, so many policy initiatives have been undertaken to this extent.

In 1995, the European Environment Agency (EEA) raised concerns about the inadequacy of policy initiatives to achieve the desired outcomes for sustaining the environmental objectives and each EU member country had to intervene for limiting the environmental damage. Energy taxation and tax policies designed and imposed, brought about profound results to this direction and mitigated the damaging effects of emission but what is more important is to further extend research for assessing the effectiveness of these policies regarding the motivation and achievement pertinent to the desired objectives. After a decade, the European Union Emissions Trading System (EU ETS), (also known as cap-and-trade) was established to fight global warming. Cap-and-trade is a two-step process. In the first stage, allowances (a number of pollution permits) are granted to firms who emit pollutants, by the regulator (government agency). At the second stage, a market is established by trading (buying and selling) those permits according to their emissions needs (Aldy, Krupnick, Newell, Parry, & Pizer, 2010).

To date, there is limited empirical evidence on the relation between energy taxation and greenhouse gas emissions. In addition, until now, there is scant research on how the energy taxation is connected to the different emission reduction strategies. In their paper, Jeffrey and Perkins (forthcoming) conducted a decomposition analysis of overall carbon emissions in order to consider the effectiveness measure (the carbon intensity of energy supply) and efficiency measure (energy intensity). Also, the authors posit that prior research was limited due to the fact that the determination of suitable tax rate was difficult. Jeffrey and Perkins (forthcoming) contribute to the literature in the following respects: First, they found that the higher the energy taxes imposed the lower the level of carbon intensity and also that the energy taxation is not generally related with the choice of using fuels with low concentration of carbon, (effectiveness). Second, ETS participation rendered the relationship between energy taxation and the effectiveness measure insignificant, which was weakly associated at ETS-pre era. This finding is an important due to the fact that optimal tax rate is hard to be estimated (Metcalf & Weisbach, 2009). Third, in the pre- ETS era the inverse relationships between energy taxation with energy intensity and carbon intensity holds whereas in the post ETS era, only the first one holds.

Specifically, we can draw a number of conclusions from this study. First, EU ETS brings about implementations of some jurisdictions which in turn alter the energy taxation system by making it more lenient for local producers due to competition internationally. Secondly, the strong relationship on efficiency can be supported by the effort pertinent to efficiency which is considered more attainable than those efforts on effectiveness.

The remainder of this study proceeds as follows. Section 2 discusses the theoretical framework and the published empirical research related to energy taxation practices. Section 3 evaluates methodological and research design issues. Finally, Section 4 proposes future research on energy taxation.

2. Theoretical framework and empirical research

In the early 1990s, at the same time when Scandinavian countries (together with Norway-non EU member) had set up a scheme to tax carbon, EU proceeded with the development of measures to tackle the GHG emissions.

Download English Version:

<https://daneshyari.com/en/article/1004843>

Download Persian Version:

<https://daneshyari.com/article/1004843>

[Daneshyari.com](https://daneshyari.com)