


Chapter 4

Advancing Sustainability Governance Through Green Taxes: A Strategic Framework for Corporate Climate Responsibility

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ABSTRACT

This chapter discusses green taxes as potent tools for sustainability governance and corporate climate responsibility. It provides insights into how instruments such as carbon taxes, emissions trading systems and environmental taxes incorporate environmental costs and stimulate environmentally friendly behaviour. Founded on ecological economics and governance, the chapter presents strategic approaches to incorporating green taxes into businesses. Applied case studies in real-world situations demonstrate successful policy implementation and organizational responses. Key topics covered are fair tax design, public-private partnering and innovation incentives. The chapter ends with specific policy prescriptions, with the tax measures at their most vital not just to induce system change but to create a resilient, low-carbon global economy.

INTRODUCTION

Sustainability governance is an essential factor that influences corporate reactions to environmental issues. As the detrimental effects of climate change become

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more evident, businesses are increasingly pressured by stakeholders, regulators and consumers to adopt more environmentally sustainable practices and remain economically competitive (IPCC, 2022). Sustainability governance is intended as the institutional architecture, norms and mechanisms used by companies for integrating the environment into strategic decisions and industrial operations (Bäckstrand et al., 2010).

An instrument that is frequently proposed for green governance is the green tax. Green taxes are fiscal policy instruments that attempt to “internalize” the (market) costs of environmental damages by giving a price to a polluting or resource-depleting activity (OECD, 2021a). These are comprised of corrective and incentive taxes like carbon taxes, emissions trading systems (ETS), and environmental levies. By raising the price of “unsustainable” behaviour, green taxes encourage firms to undertake R&D and invest in cleaner technologies and practices (Tietenberg & Lewis, 2018).

Taxing the carbon content of fossil fuels directly encourages the reduction of emissions from sources like the energy, manufacturing and transport sectors. Emissions trading systems cap total emissions and permit firms to trade allowances, generating a market incentive for cost-effective abatement. Environmental taxes (waste, water or plastic packaging taxes).

But introducing green taxes is far from easy. Critics say the financial tools can increase business costs and impair economic growth and competitiveness if developed improperly. This may be more challenging for SMEs as they are less likely to have the resources available regarding finance and technology (Koirala, 2019). To address these issues, many governments have implemented revenue-neutral green tax programmes to ensure that the revenues obtained would be reinvested in sustainable infrastructure, subsidies for clean energy or tax exemptions for low-income groups.

However, green taxes are becoming inescapable components of climate policy and corporate accounting, though they are tricky to implement. Much of their success relies on the extended sustainability governance ecosystem within which they sit. Transparency in regulation, involving stakeholders, and good reporting standards can make a green tax more efficient by incentivizing corporations towards the same public policy goals (OECD, 2021).

In this sense, it is essential to clarify the strategic position of green taxes in sustainability governance. Businesses that are already embedding green finance into the corporate governance framework are not only better environmental performers, but they also become more resilient, regain the trust of stakeholders and ensure sustainable value creation in the long run. Further, green fees encourage a culture of incremental improvement and innovation in the context of broader national and global sustainability objectives.

This chapter analyzes the dynamics of sustainability governance from the perspective of green taxation. It offers a strategic perspective organization can use to

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