OECD Tax Plan Would Devastate Tech, Poor and Low-Tax Nations, and the Economy, but What About the Environment?

The OECD Claims it Wants to Protect Against Climate Change, Our Analysis Begs to Differ

WASHINGTON, DC, USA, December 17, 2020 /EINPresswire.com/ -- Last October, the Organization for Economic Cooperation and Development (OECD) released its Pillar One and Pillar Two Blueprint, a plan that would fundamentally change tax rules between nations. In our detailed comments sent to the OECD this week, we concluded that the international community should pause and comprehensively reevaluate its approach, because of a number of serious overarching flaws that would hurt technological innovation, low-tax nations, poorer nations, and economies across the globe. We asked the OECD to take a step back and reconsider this tax Blueprint.

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> *Steve Pociask*

However, while the OECD claims it wants to protect against climate change, our comments detailed the significant adverse impact resulting from these tax changes. More specifically, when it comes to global warming, there is great irony to the Blueprint's consequences on the environment, sustainability, and mitigating climate change. Under the OECD's Pillar Two rules, taxes will now be applied to such international services as insurance and reinsurance, the very services needed to backstop against storms, protect citizens from catastrophic events like earthquakes, and incentivize mitigation and resilience.
While the OECD claims to be concerned about global warming and investing in sustainable infrastructure, Pillar Two would set a minimum international tax rate on some of the very services that the world uses to protect itself against the harmful effects of climate change. These new taxes would undeniably lead to significantly higher insurance premiums for consumers, businesses, and governments, thereby discouraging their use, as well as creating moral hazard. In short, it will hurt how we protect ourselves from the devastation of climate change.

And that's not all. The OECD's Pillar One rules focus on taxing multinational high-tech corporations. However, many empirical studies have demonstrated that these broadband and information technology applications and services actually reduce and avoid energy use, and thus help the environment. This is evident in how these technologies affect where we work, how we shop, and what we consume. For instance, electronic communications and messaging services have reduced the demand for first-class letters and newspaper subscriptions, which, in turn, have reduced the need for paper, saved trees, conserved energy, reduced water pollution, and decreased greenhouse gas emissions into the atmosphere.

As employees work from home, billions of gallons of gasoline are saved in the U.S. each year. While e-commerce also means fewer cars are driven on the road, it also means that less square footage of commercial, retail and wholesale facilities are needed, which saves the energy required to build and operate these facilities. As workers teleconference, business travel is reduced, which spares the emission of greenhouse gases. While there are countless such examples, it is clear that internet applications affect how people shop, communicate, travel, work, and use digital products that are environmentally friendly. If improving the environment is a key topic of serious concern, as the OECD suggests, its tax policy should be in harmony with these concerns.

In a published study, we estimated online technology applications to have reduced U.S. greenhouse gas emissions by more than 1 billion tons over a ten-year period – including savings related to business-to-business and business-to-consumer e-commerce (206 million U.S. tons), telecommuting (560 million tons), teleconferencing (200 million tons), and the reduction in paper and plastics (125 million tons). Lawrence Berkeley National Lab found that, for a 10-year period, the tech economy could decrease the growth of carbon emissions by 67% over what would otherwise occur. In addition to the fuel savings from telecommuting, Joseph Romm estimated that home offices use significantly less energy than a commercial office and would avoid the construction of office space, thereby reducing greenhouse gas emissions.

To summarize, both Pillars One and Two will lead to higher tax collections, but will increase costs on insurance and reinsurance, impede infrastructure resilience and mitigation, and delay innovations that would reduce pollution and emissions for years to come. Facing global warming concerns, the OECD is proposing the taxation of services that benefit the environment.

For the sake of the OECD's credibility on this issue and for the benefit of consumers across the globe, if tax changes are needed, the OECD needs to align its proposals with its environment principles. The current OECD tax plans do not.

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