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Who can buy their way out of the climate crisis?

To fight climate change, we must find a new way of doing business. The biggest CO2 emitters must help those who can't afford it but are most affected

At the start of June, the 'Last Generation' announced a new strategy to draw attention to the rich's extraordinarily high responsibility for climate change through targeted action. 'The climate catastrophe didn't just happen. It is made – and primarily by the rich', declared the action alliance. They've caused a stir in Germany in recent months, especially by blocking transport infrastructure, and are now under investigation by the police and the public prosecutor's office. Regardless of one's opinion on the actions of the self-described 'Last Generation', one fact remains: the connection between wealth and climate-damaging behaviour *is* significant.

First, the rich cause a lot more CO2 emissions than the poor. Second, rich population groups are less affected by already noticeable climate damage or can avoid its more serious effects comparatively easily by, for example, choosing where to live so that they personally barely notice drought or flood disasters. These findings apply internationally as well as at the national level. Studies prove it: The high CO2 emissions of the rich cause suffering for the poorer sections of the population and increased mortality rates, while the perpetrators of the crisis themselves remain largely unaffected.

A question of distribution and justice

If this connection is so clearly proven, it surely must have consequences for the fight against climate change. In concrete terms, it's not hard to work out who is obliged to pay for investments for CO2 reduction, who must pay for infrastructure adaptations to climate change, and who must pay to socially ease the transition as well as for the damage already caused.

The Hickel Report, presented at the end of 2020, soberly states: The Global North is responsible for 92 per cent of global CO2emissions.

Despite, the fact that the Chinese and Indian economies are now among the major climate polluters and CO2 consumption per person being obscenely high in some – mainly oil-exporting – regions, it's undisputed that the historical responsibility for climate damage lies largely with the Global North. In a recently presented study, the Global North's debt to the Global South for the overexploitation of the atmosphere is estimated at $192 trillion.

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It is not my intention to let some of the currently worst climate offenders off the hook. Of course, the economies of China, Russia and India must significantly reduce CO2 emissions and change the way they do business. Of course, CO2 consumption per person must also drop significantly in countries like Iran, Saudi Arabia and Indonesia. Nevertheless, the G7 countries and the Global North bear a special historical responsibility and they continue to cause an extraordinarily high share of CO2 emissions worldwide.

The distribution of wealth is also linked to climate-damaging behaviour within nations. The 2023 Climate Inequality Report states: 'Within-country inequality is a critical dimension of the global emissions distribution. It is found that within-country carbon inequality now makes up the bulk of global emissions inequality, i.e., about two-thirds of the total.' This finding can't really come as a surprise, given some of the more obvious and grotesque developments we've seen, such as the dramatic increase in private air travel or the growth of climate-damaging and ostentatious SUVs on the roads.

The poverty and wealth reports that are now regularly published have been showing an ever-widening gap between rich and poor for quite some time, which increasingly correlates with climate-damaging behaviour. To put it bluntly, there are signs of an increasingly dramatic lack of solidarity among the rich when it comes to socially necessary changes. Not only is this group largely responsible for climate change, but the biggest CO2 savings are also made by poorer people from all over the world and those who contribute hardly anything to climate change. This brings the question of distribution and justice to the centre of politics.

A delayed response

When it comes to global climate finance, the 2022 Climate Change Conference in Egypt took an important step forward, establishing the

'Loss and Damage Fund'. *Euronews* put it this way: 'More than 30 years since the idea was first proposed, countries agreed to help vulnerable nations recover from climate-related disasters.' The financial section of the Sharm-El-Sheikh implementation plan points out that 'delivering such funding will require a transformation of the financial system and its structures and processes, engaging governments, central banks, commercial banks, institutional investors and other financial actors.'

So, it's not surprising that the issue of financing international climate protection is being discussed more and more, not only in the international climate negotiations but also at G7 and G20 meetings. Direct payments from richer to poorer economies and reform of international financial institutions are already being intensively negotiated, including at this year's spring meeting of the World Bank and the Monetary Fund. The aim is to reform international financial institutions so that they can contribute more to climate protection while bearing in mind those who are especially affected by climate change and who can't shoulder their economies' sustainable transformations on their own.

Along with reforming financial institutions and implementing direct payments from North to South, there's a financing instrument that directly follows the 'polluter pays principle': taxation. The charm of an international tax that would be used to directly pay for climate damage and the transformation towards climate-friendly societies lies, among other things, in the fact that, in the best-case scenario, a tool would be created that automatically finances climate-related measures, i.e., one that pays for the climate fight regardless of political cycles (once it's been agreed upon internationally).

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Not only that, but those who are the most responsible for climate damage would be taxed in this way. A number of instruments are already available that could achieve this second effect. As well as taxing especially climate-damaging behaviour more highly, for example by making travel in private aircraft much more expensive, income- and wealth-based climate levies for particularly wealthy private individuals and companies could also come into play. The Climate Inequality Report is again clear on this: 'Given the important financing needs for low- and middle-income countries in the coming decades, and given the very large and rising concentration of wealth among a few top

holders at the global level, it can easily be argued that the case of progressive wealth taxation has never been so important.'

The connection between wealth and climate damage is clear. That's why leading climate researcher Hans Joachim Schellnhuber called at the beginning of the year for a fixed CO2 budget per person, which poorer people could even trade: 'Poorer sections of the population, because they don't really need it anyway, sell part of their CO2 budget and can earn a little extra. And then a billionaire has to buy an extra hundred tons a year.' Even if the German Minister of Economics, Robert Habeck, immediately rejected this proposal, the connection between wealth and climate damage cries out for a solution that finally takes the 'polluter pays' principle seriously. Although the emissions trading system in force in the EU already makes the connection to CO2 consumption and cushions the costs incurred through a climate social fund, it still chose a mechanism that only has an indirect effect. The Climate Inequality Report's analysis on this is not surprising: 'Many countries still lack progressive capital income taxes, top inheritance taxes and progressive wealth taxes which could generate significant revenues to accompany vulnerable groups, without hurting economic growth or the middle class.' This fact is, predictably, pretty socially explosive.

So, it's not only the Global North that must find a new way of doing business. The biggest CO2emitters must support those who can't afford it and who are most affected by climate change. Because the climate polluters are also the ones that have the means to do so – nationally as well as internationally. It's through this lens that debates on income, wealth and inheritance taxes should be conducted in the future – in the Global North, as well as around the world.



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