

CLIMATE JUSTICE WITHOUT BORDERS:

CAP AND SHARE AS A
MITIGATION AND CLIMATE
FINANCE SOLUTION

(BRIEFING)

August 2023



Autonomy



EQUAL RIGHT

ECONOMIC JUSTICE WITHOUT BORDERS

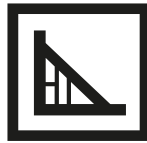
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This discussion paper was drafted by **Laura Bannister** at Equal Right with additional economic modelling by **Luiz Garcia** at Autonomy.

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We invite and welcome feedback and contributions to further develop these ideas. Please contact us at info@equalright.org

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CLIMATE JUSTICE WITHOUT BORDERS

Our atmosphere is global. Climate change, caused primarily by wealthy communities in the Global North, leads to a loss of land, rights and livelihoods in the Global South and for disadvantaged communities everywhere. The climate justice movement, which has emerged from Black, Indigenous and youth activist networks, demands that these issues be addressed in our global response to the climate emergency.

Funding climate action at the necessary scale is an immense global challenge. Funding climate *justice* - in which the inequities linked to climate change are also addressed - is harder still. Where could the money come from? And how could we ensure that climate mitigation and climate justice can proceed hand in hand?

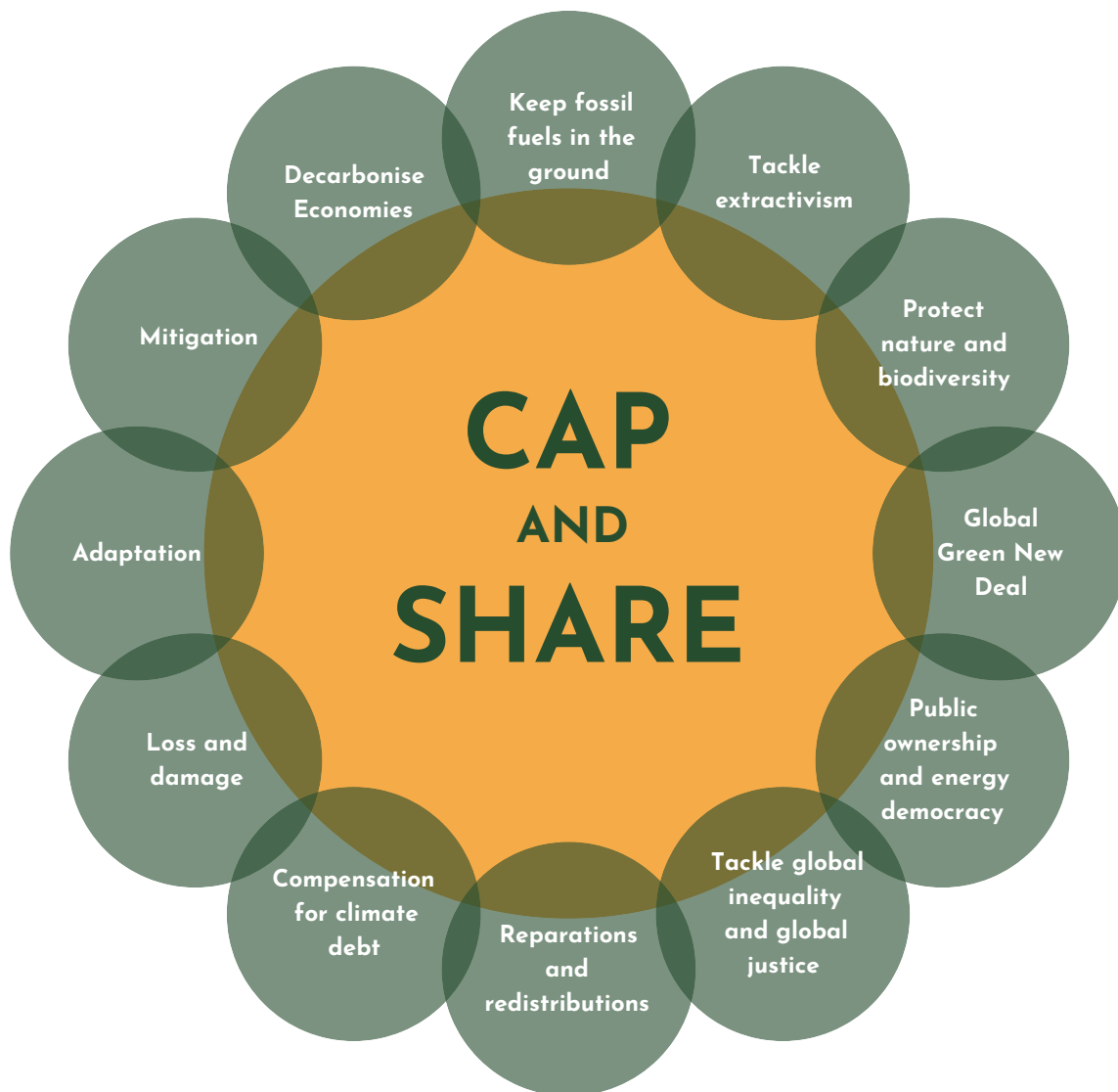
Cap and share aims to provide part of the answer. It offers a radical but practical solution that could halt fossil fuel extraction, fund a global green transition, and return extracted wealth to communities all over the world.

The full paper presents a proposal for how climate reparations, redistribution and finance could actually happen, and how we could work together at the global level to achieve this.¹ It outlines a workable international system that would simultaneously end fossil fuel extraction and build the alternatives we need, while redistributing long overdue financial resources back to the global majority. This paper is a standalone briefing of that more detailed proposal.

¹ Equal Right and Autonomy, 'CLIMATE JUSTICE WITHOUT BORDERS: CAP AND SHARE AS A MITIGATION AND CLIMATE FINANCE SOLUTION'. Available at: https://www.equalright.org/uploads/7/8/9/3/78930716/climate_justice_without_borders_-_discussion_paper.pdf

REDISTRIBUTIVE CLIMATE FINANCE CAN MAKE OTHER ACTIONS POSSIBLE

Cap and share does not aim to be the whole answer to the climate crisis. Instead, its role would be to link together the other vital initiatives that we need for climate justice, providing a backdrop of redistributive climate finance that would make other essential actions possible.



With a carbon cap in place and reducing each year, fossil fuel non-proliferation and climate mitigation would become a meaningful reality. The fund would pay for a global Green New Deal, to establish an ecosocial energy transition and energy democracy. 'The share' would fund adaptation and compensate for loss and damage, while achieving international redistribution and a degree of reparations (though

action to address historic climate debts and other injustices would still be needed).

In these ways and more, cap and share would help to address key climate justice demands and support the initiatives already proposed by the global climate movement.

HOW IT WORKS

Cap and share has, at its core, a simple idea: to cap fossil fuel extraction, make polluters pay, and then share the resulting wealth amongst communities and citizens.

A number of cap and share proposals have been proposed over recent years.² The system proposed here is one variant, which could be implemented globally or by a group of forward-thinking countries acting together. The proposed system would consist of six parts:

² See, for instance, FEASTA (2023) 'Cap and Share'. Available at: <https://www.feasta.org/category/documents/projects/cap-and-share/>

CAP & SHARE	<p>» CAP EXTRACTION</p> <p>Keep fossil fuels in the ground: a legally binding cap on fossil fuel extraction, applied via a compulsory licensing system, would directly keep fossil fuels in the ground and would reduce towards zero over a few decades.</p>
	<p>» NATIONAL ALLOWANCE</p> <p>Limit countries to their fair shares: a parallel system of national allowances would limit each country's fossil fuel use and compensate countries with low use ensuring that nations converge on an equal and fast-reducing amount of fossil fuel consumption.</p>
	<p>» CHARGE</p> <p>Make polluters pay: an extraction license fee, aka a carbon charge, would make fossil fuel companies pay, and would capture the value of rising fossil fuel prices for the people</p>
	<p>» COMPENSATION</p> <p>Compensate positive actions: countries and communities that choose to leave fossil fuels in the ground would be compensated for doing so. N.B. payments would NOT be made for "carbon offsets": only for coal, oil and gas left in the ground.</p>
	<p>» FUND</p> <p>Fund a people owned green energy transition: a people-owned integrational fund would hold and invest the rest of the carbon charge money. This would fund the global green transition and keep it in the public ownership at the local, national and international level.</p>
	<p>» SHARE</p> <p>Reparations and redistribution beyond borders: provide climate reparations to MAPA communities via grants for loss and damage, adaptation and mitigation. Redistribute to the global grassroots via monthly cash payments to every adult and child.</p>

Table 1: Components of a cap and share systems

We describe two implementation options. The first is a global system, in which all fossil fuel extraction is capped and charged for at source, and all countries and peoples enjoy the economic benefits of the cap and share system.

As a potential 'intermediary step' however, we also outline a country-by-country implementation model. This retains key features of the global system including, crucially, international pooling of carbon charge proceeds, but can be implemented independently by a small group of forward-thinking countries who choose to lead the way.

IMPACTS: CLIMATE MITIGATION AND ECONOMIC JUSTICE

A carbon cap, backed up by a 'Leave it in the Ground' (LITG) compensation offer, would directly ensure that fossil fuels remain in the ground. This would keep overall global fossil fuel use within the world's remaining carbon budget, and offer a much better chance of keeping global temperature rises within safe levels.

At the same time, the carbon charge would raise trillions of dollars each year, would be used to build the future we need, and provide economic security to people everywhere as we weather the transition. We model a range of options for raising and distributing the carbon charge. One potential scenario is presented below.

SCENARIO 1							
Year	Carbon extraction cap (gigatonnes)	Carbon charge (per tonne of CO ₂ e)	Amount raised by carbon charge	Amount put into the fund	Total amount in the fund	Amount of climate grants distributed this year	Monthly dividend per person
2025	36.3	\$135	\$4.9 trillion	\$0.2 trillion	\$0.2 trillion	\$1 trillion	\$31
2030	21.4	\$288	\$6.2 trillion	\$0.9 trillion	\$3.2 trillion	\$1 trillion	\$37
2040	7.5	\$1,317	\$9.8 trillion	\$3.3 trillion	\$23.6 trillion	\$1 trillion	\$51
2050	2.6	\$6,014	\$15.6 trillion	\$8.4 trillion	\$81.4 trillion	\$1 trillion	\$71
2060	0.9	\$14,300	\$12.9 trillion	\$9.4 trillion	\$190.3 trillion	\$1 trillion	\$70
2080	0.1	\$19,300	\$2.1 trillion	\$1.8 trillion	\$282.4 trillion	\$1 trillion	\$71
2100	0.01	\$30,100	\$0.4 trillion	\$0.04 trillion	\$304.2 trillion	\$1 trillion	\$71
2200	0.0000004	\$30,100	\$0.00001 trillion	\$0.00001 trillion	\$420.1 trillion	\$1 trillion	\$102
Total CO ₂ e extracted up til 2200 (Gt)			363	Total money distributed to the people and to climate work			\$1838.3 trillion

Table 2: Amounts raised and redistributed in Scenario 1

This scenario achieves a significant redistribution of wealth from fossil fuel firms and wealthy consumers (who would pay most of the carbon charge) to the global grassroots, with around 5% of overall global GDP redistributed from fossil fuels to the global green transition, and at least 3.3% of global GDP moving from Global North to South.³ By 2048 our dividends would exceed \$2.15 per day, so would - by definition - eradicate extreme poverty permanently, worldwide.

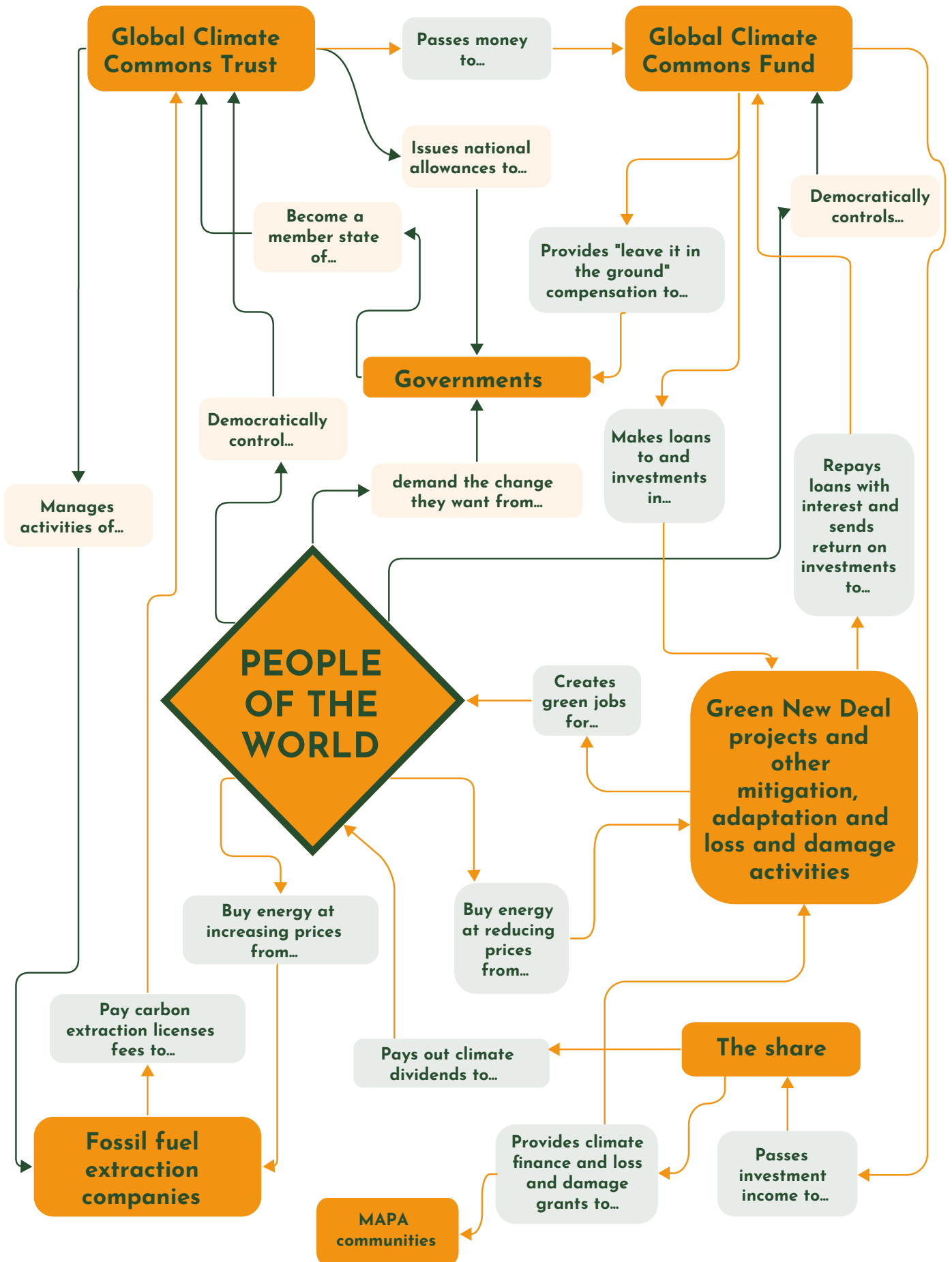
All countries participating in the system would benefit from the fund's Green New Deal investments, which would build the renewable energy infrastructure, sustainable housing and public transport that countries urgently need. The provision of \$1 trillion per year of climate grants, as well as direct transfers from Northern to Southern governments via the national allowance system, would facilitate debt-free climate action and other public spending in Southern countries and within other MAPA communities.

Cap and share would achieve significant redistribution on an international scale. Although this system provides equal universal dividends to every person worldwide, the aggregate effect of all of its elements together would be a massive and long overdue return of wealth from the Global North to the South.

Cap and share would therefore achieve several key climate justice goals. It would halt fossil fuel extraction, close down polluting extraction sites and fund the green transition. At the same time it would redistribute wealth to the global 99%, primarily from Global North to South, preserve wealth for future generations, and directly end extreme poverty everywhere through the provision of monthly cash.

³ The 5% figure is calculated by comparing the amount that would be paid in carbon charges in the system's first year against 2021 global GDP as stated here: <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD> (accessed 26/06/2023). Because the charge rises faster than the cap falls, the amount raised by the carbon charge would increase until the mid 2050s (after which it would decline as fossil fuel extraction would be reduced to such low levels), so the proportion of global GDP redistributed to the green transition may then be higher. However, this will of course depend on future levels of GDP growth, which may continue to rise but also may not rise if a degrowth strategy is pursued. The 3.3% figure is calculated by multiplying the annual per capita gains on low and lower middle income countries by their populations, and then assessing that as a percentage of current global GDP.

A DAY IN THE LIFE OF CAP AND SHARE



The cap and share system proposed would involve the creation of new global bodies, which would interact with national governments, communities, fossil fuel extraction companies, organisations working on the Green New Deal and - of course - us, the people of the world.⁴ The graphic below summarises the ways in which these bodies would interact, and how money and decision-making would flow around the system.

A journey around this diagram helps to envision how this all works in practice, starting in the centre with 'the people of the world'. The system begins by citizens demanding that their governments become member states of the system. We then directly participate in the democratic management of the trust and fund.

All fossil fuels extracted within - or imported into our country will have to have been extracted under licence in line with the agreed global carbon cap, and will have to be consumable within the country in line with our national allowance.

In the early years at least, we will continue to buy coal, oil and gas from fossil fuel companies, who now must apply to the trust for licences for every bit of fuel they want to dig up. If their licence requests fit within the global carbon cap, and they pass the prioritisation process, the licences would be granted for specific extraction sites and amounts.

Over the years fewer licences would be granted, meaning less and less fossil fuel is dug up and burned, effectively halting fossil-fuel induced climate change.

This would also mean there is not much fossil fuel available to buy, which would push up the market price. To capture this inevitable price increase, fossil fuel companies would be obliged to pay high and rising fees for the extraction licences they are granted. These licence fees - the carbon charge - would be collected by the trust who would then pass the money to the Global Climate Commons Fund.

Some of the money would be used to pay compensation to governments that are opting to leave their fossil fuels in the ground, and in the early days most of the rest would be distributed as climate grants to MAPA communities and as cash dividends to us all. Over the years a growing proportion - eventually 100% - of the money remaining after LITG compensation would be added to the fund for green investment.

The fund would invest the money in Green New Deal projects in every participating country, either by loaning money to them at interest, buying shares in those projects, or by setting up its own projects that are 100% owned by us all (but would be run locally, with community control). Some would get well-paid jobs with those projects, and others would benefit from the energy that they produce, the public transport they provide or the houses that they build. Those projects would make money (by selling renewable energy or sustainable housing, etc) and return loan interest or a shareholder dividend back to the fund each year.

⁴ We would like to thank FEASTA, originators of the CapGlobalCarbon proposal, who provided much of the initial inspiration for this proposal, as well as ongoing input and collaborative development. See <https://capglobalcarbon.org/> for details of their similar proposal.

That interest and investment income would then be added to the amount being directly distributed, and then shared between two activities. Some of it would be paid out as climate grants for mitigation, adaptation and loss and damage, mostly for MAPA communities. This would build and rebuild yet more useful infrastructure, creating further green jobs, and providing vital support for countries and communities facing climate crisis. The rest would be paid out to every adult and every child in the world, every month forever, as our carbon dividend.

A TRANSFORMATIVE OPPORTUNITY

For a single policy, cap and share packs a lot of punch. Via a simple mechanism, it has the potential to prevent runaway climate change and build an alternative, while simultaneously establishing economic democracy, reducing global inequality and ending extreme poverty.

The significant redistribution of money proposed would help every one of us - but especially those on the lowest incomes - to adapt to our changing climate, both individually, and via public spending on a Green New Deal and on other key infrastructure and services. It would also compensate us every month for the losses, damage and hardships that we may suffer. With climate grants and carbon dividends provided at the scale discussed below, climate change will not cause famine or destitution, and every person will have a small secure income that they can use to help them adapt. In these ways, cap and share gives us options: a way out, a way through and a way forward.



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