

## Global Environmental Taxation – Who Should Be Competent?

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In the coming days, three major international processes will unfold in parallel: at the OECD, the UNFCCC's COP30, and the ongoing negotiations in Nairobi on a potential UN Framework Convention on International Tax Cooperation. Together, they expose a pre-existing fragmented institutional landscape, which results in a growing **governance gap**: global taxation is increasingly linked to climate action and policy, yet it remains unclear which institution should be competent to regulate this topic.

The next week offers a striking illustration of the institutional weaknesses in today's system of international tax cooperation. Within the **OECD's Inclusive Framework on BEPS and Working Party No. 11**, technical discussions in Paris are expected to shape key aspects of the future tax architecture. Yet, no public documents or agenda have been released. The finalisation of the so-called *Side-by-Side* work takes place largely behind closed doors, distant from public scrutiny and accountability.

At the same time, the **COP30** begins in Brazil under the **UNFCCC**. One of its core documents highlights the **need for international cooperation on tax matters** as essential to financing the transition and tackling climate change. This emerging link between climate and fiscal governance is currently being echoed in the "Baku to Belém Roadmap to 1.3T by 2035," which identifies strengthened international cooperation on taxation, including for highly polluting and greenhouse-gas-intensive activities, as a central component of the global climate-finance framework.<sup>1</sup> However, it remains entirely unclear what this cooperation should look like. The mention of tax cooperation marks new territory for the UNFCCC since the climate regime lacks fiscal expertise needed. Will the COP, a forum traditionally focused on environmental commitments, start taking up tax policy? And if so, who would be competent to design and implement such measures?

Parallel negotiations in **Nairobi** on a possible **UN Framework Convention on International Tax Cooperation** raise similar questions. So far, the draft texts have focused on commitments rather than focusing on the legal architecture necessary for effective international tax governance as well as offering little clarity about their legal consequences or their interaction with existing bodies such as the **Inclusive Framework** or the **Global Forum**. Despite being at the heart of the project, **governance questions**, who should have authority over what, remain largely unaddressed.

This uncertainty is particularly acute for the taxation of cross-border greenhouse gas-emitting activities, such as aviation and shipping. Until now, specialised organisations like the ICAO and IMO have developed their own regimes. But both the UNFCCC process and the proposed new framework convention could, in principle, provide an opportunity to clarify responsibilities and set clear mandates for the intersection of taxation and the regulation of polluting industry effects on the climate. Global tax governance seems to be evolving in fragmented opaque silos at a moment where international cooperation is more important than ever, including and regarding issues such as the climate crisis. As has been recently clarified

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<sup>1</sup> United Nations Framework Convention on Climate Change, (2025), Baku to Belém Roadmap to 1.3 T. <https://unfccc.int/topics/climate-finance/workstreams/baku-to-belem-roadmap-to-13t>.

by the ICJ, there is a legally binding duty upon all states to cooperate under customary international law with respect to collective climate action<sup>2</sup>.

One thing is certain: taxing activities that generate global emissions will require genuine international cooperation. What remains uncertain is the most fundamental question of all: **who should be competent to govern global environmental taxation?** The answer to this question will not only determine how the world will fund the *decarbonisation* of certain heavy-polluting industries, but also how international law reconciles economic sovereignty with the positive duty to act on climate change.

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<sup>2</sup> Obligations of States in respect of Climate Change, Advisory Opinion, I.C.J. Reports 2025, paras. 301-308.