A Globally Coordinated Tax or Fee on Basic Chemicals

Financing the sound management of chemicals and waste Beyond 2020
The chemical industry is bigger than you think

- #1 Industrial energy consumer
- #3 Emitter of carbon dioxide
Rapidly expanding to Asia and the Middle East

Proportion of 2017 Sales

Proportion of 2030 Sales
Rich industry to get richer

US dollars (trillion)

Sales (including pharmaceuticals)

- 2017
- 2030
USD$1 million (in $100 bills)
USD$1 trillion

person
USD$5.7 trillion
USD$11 trillion +
“Hazardous chemicals and other pollutants… continue to be released in large quantities.”

“They are ubiquitous in humans and the environment…”
Examples of the industry’s externalized costs

- **Childhood lead poisoning in low- and middle-income countries**: $977 billion annually
- **Pollution associated with production and use of volatile organic compounds**: $236 billion annually
- **Illnesses due to endocrine disrupting chemicals in the EU**: €157 billion annually
Externalized cost of pesticide poisoning in Sub-Saharan Africa in 2009

US dollars (billion)

<table>
<thead>
<tr>
<th>Overseas Development Assistance to health excluding HIV/AIDS</th>
<th>Costs of injury from pesticides</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The chart shows the externalized cost of pesticide poisoning in Sub-Saharan Africa in 2009, comparing overseas development assistance to health excluding HIV/AIDS and the costs of injury from pesticides. The costs of injury from pesticides are significantly higher, reaching over 6 billion US dollars, whereas overseas development assistance is around 4 billion US dollars.
It is estimated that one worker dies every 15 seconds from toxic exposures at work…
Principle 16

“... promote the internalization of environmental costs...the polluter should, in principle, bear the cost of pollution...”
Integrated Approach to Financing

Dedicated External Financing

Industry Involvement

Mainstreaming in Development Planning
Shortfall in Stockholm Convention funding 2022-2026

- Stockholm Convention Needs Assessment: 5,200 million USD
- Estimated GEF-8 Allocation: 413 million USD
SAICM’s Problem: Small $ - Broad Scope

- **GEF-8 Funding**: 1.2% of budget
  - 8% of chemical allocation

- **No. of Substances**: 99.9% of substances
“…the potential of SAICM to deliver its outcomes has been limited by insufficient external donor funding.”

“…funding for the secretariat was less forthcoming. For six of the 10 year period the annual budget shortfall was at least 43%...”

“…the gap between countries in different development categories…was widening rather than narrowing....”
Integrated Approach to Financing

- Dedicated External Financing
- Industry Involvement
- Mainstreaming in Development Planning
Dedicated External Financing

Industry Involvement

Mainstreaming in Development Planning
Cost Recovery

Global
- Implements polluter pays
- Level playing field

National
- Insufficient revenue
- Incentivize industry exit
- Partly implements polluter pays
- Significant revenue
A tax or fee on basic chemicals

0.5% tax on production value of ~35 basic chemicals

Basic Chemicals

Chemical 1
Chemical 2
Chemical 3
Chemical 4
Chemical 5
Sales of Basic Chemicals

$2.3 trillion (USD)

0.5% Coordinated Tax
~$11.5 billion (USD)

Robust implementation of chemicals and waste management in the world’s developing and transition countries
Annual sales of basic chemicals: USD$2,300,000,000,000,000

Extremely small tax: USD$11.5 billion

Amount available for chemical safety per year: USD$11.5 billion
A tax or fee on basic chemicals

WHAT ARE BASIC CHEMICALS?
Any such list should at the minimum include:

- acetone
- ammonia
- benzene
- methyl benzenes
- bromine
- butadiene
- cyclohexane
- calcium carbonate
- chlorine
- ethanol
- ethylene
- ethylene glycol
- fluorine
- hydrogen
- hydrogen chloride
- urea
- hydrogen fluoride
- oxygen
- hydrogen peroxide
- iodine
- nitric acid
- methanol
- methyl tert-butyl ether
- nitrogen
- phenol
- phosphoric acid
- phosphorous
- propylene
- sodium carbonate
- sodium hydroxide
- sulfur
- sulfuric acid
- titanium dioxide
- toluene
- formaldehyde
- various xylenes
- rare gases
<table>
<thead>
<tr>
<th>Country</th>
<th>77% of basic chemicals production by value (UNIDO 2009)</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>Brazil</td>
</tr>
<tr>
<td>China</td>
<td>South Korea</td>
</tr>
<tr>
<td>Japan</td>
<td>India</td>
</tr>
<tr>
<td>Germany</td>
<td>Russia</td>
</tr>
<tr>
<td>France</td>
<td>UK</td>
</tr>
</tbody>
</table>
A coordinated tax or fee on the chemical industry

www.ipen.org/ChemicalTax
www.ciel.org/reports/chemicalstax/