

Carbon Tax: Where are we heading

Bangladesh faces a double threat: one is rising sea level as a result of the melting ice caps and glaciers, and the other is extreme climatic events, like cyclones and heavy rain. Erratic climate pattern, global warming, and other problems caused by high fossil fuel consumption justify bold actions to push energy conservation and emission reductions to the table. Carbon tax carries both positive and negative corollary with it.

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MOTHER Earth faces a major threat now as its very existence has come into question due to the mind boggling behaviour of its inhabitants in their desperate search for prosperity. Developed countries' frantic ambition for global superiority resulted in the rapid buildup of gas emissions, leading to the phenomenon known as 'greenhouse effect'. Carbon dioxide being one of the main components of greenhouse gas is targeted by many countries in their efforts to mitigate climate change related problems.

Bangladesh has already started looking at a bleak future as the ominous picture of a disastrous situation looms large. To address this nagging problem and to have a role in decreasing greenhouse gas in the atmosphere, Bangladesh is planning to introduce carbon tax for the first time.

Carbon tax is basically an instrument for pricing the production, import and distribution of carbon content of fuels. There are three ways in which pricing of carbon is practiced for reducing CO2 emissions (Stern, 2008): first, carbon taxation (tax) which imposes a tax on the emission of CO2; second, cap-and-trade which is a market based environmental

instrument that gives a limit on the level of carbon emission; third, implicit pricing via regulations and standards, which imposes constraints on technologies that can be necessary where irremovable or unavoidable market imperfections exist. While cap-and-trade controls quantity of emissions, carbon tax controls the price of emissions.

Carbon tax is based on the economic principle of negative externalities. Externalities are costs or benefits generated from one person's actions on the well-being of a bystander. Negative externalities are costs that are not paid for and which are adverse to a bystander. When utilities, business or households consume fossil fuels, they create pollution in the form of greenhouse gases, that has a societal cost; which is borne by peoples many miles away from the source. This is negative externality and there have been attempts for addressing it through carbon pricing.

According to Nordhaus (2009) raising the price of carbon (by taxation) provides strong incentives to reduce carbon emissions through some mechanisms. First, it gives an indication to consumers about what goods and services produce high carbon emissions and therefore leads them to use those more sparingly. Secondly, it gives producers a clear picture about which

inputs (such as electricity from coal) emit more carbon, and which inputs (such as electricity from wind) emit less or none. Hence this leads producers to move to low-carbon technologies. Thirdly, high carbon prices provide market signals and financial incentives to spur inventors and innovators to develop and introduce low-carbon products and processes that eventually replace the prevalent carbon-intensive technologies.

Political, social and economic considerations will affect Bangladesh's policies to reduce carbon emissions. It has been found in a study (Devarajan, et al, 2009) that the welfare costs of achieving significant reductions in CO2 emissions are fairly small. If the total increase in revenue from carbon tax is used in productivity, investment, economic growth and employment, it may bring two fold benefits -- environmental and economic. This additional revenue can also be used to reduce existing tax distortions. However, this would mean a major restructuring of Bangladesh's tax system which is a major obstacle to the betterment of the society. In general, the more targeted the tax to carbon emissions, the better the welfare results.

Environmental taxes and regulations tend to discourage economic activity because they raise the costs to firms producing output. Typically, this leads to a lower overall level of

employment and investment in the economy. These "spillover" effects of environmental policies on labour and capital markets add to the distortions created by the tax system, which is termed as the tax-interaction effect. Bangladesh may face a hard time if this tax is levied on electricity as it comes from the combustion of natural gas or coal.

RMG sector uses a huge amount of electricity, and pharmaceutical sector uses both electricity and gas as input. Taxing carbon will increase the input cost which in turn will reduce the competitiveness of these products and services in international markets resulting in lost jobs or, in the worst case, an economic downturn.

The carbon tax may impact agricultural production costs directly through an increase in the price paid by the farmer for fuels. Due to the unavailability of electricity, farmers will largely be unable in substituting away from these fuels (for example, diesel) by using alternative energy or less carbon emitting technology (for example, solar power) and as such the tax cannot be avoided by the farmers as demand for fuel inputs is very inelastic (meaning whatever the price is they will use those fuel inputs).

As price takers, farmers, will not be able to increase the price of their output to



offset the increases in production costs (e.g. increase in input prices) induced by the tax. As a result the tax will reduce farmers' profitability unless they resort to low-carbon technologies.

A carbon tax will discriminate against rural areas. Rural residents use relatively more diesel fuel than residents in urban areas do, whereas rural residents also tend to have lower incomes than their urban counterparts. According to the Irish Economic and Social Research Institute (ESRI), carbon tax weighs more heavily on rural households. It has been seen that, typically poor consumers spend a greater proportion of their income on energy-intensive goods and fuel. Therefore cost increases in energy tend to impact the poor worse than the rich.

Applying a carbon tax in Bangladesh may not be appropriate as it may exert a detrimental effect on our immediate goal of economic development. It may become a bane rather than a boon for us as our fragile economy has a high possibility of getting affected by raised energy prices. So another option we can ponder about is a cap-and-trade policy under which financial and technology support are given to invest in clean energy infrastructure (for example, reducing carbon through reduced deforestation, availing fund from carbon market through implementing 'Clean Development Mechanism' (CDM), and 'Reducing Emissions from Deforestation and Forest Degradation' (REDD) etc-

era). Bangladesh has already taken CDM projects and can think further in this regard. It is imperative that developed countries, who have greatly contributed to the climate change problem by emitting greenhouse gases since the industrialisation, help developing countries like Bangladesh to invest in cleaner technologies while developed countries should build their own environment-friendly energy system. As more than half of the land of Bangladesh is less than 20 feet above sea level, Bangladesh faces a double threat: one is rising sea level as a result of the melting ice caps and glaciers, and the other is extreme climatic events, like cyclones and heavy rain. Erratic climate

pattern, global warming, and other problems caused by high fossil fuel consumption justify bold actions to push energy conservation and emission reductions to the table. Carbon tax carries both positive and negative corollary with it.

Keeping all these implications in mind such taxes should be broad, gradual and government should not rush headlong into a policy which may compromise our economic development. If the government authorities have the mechanism in place for reaping its benefit and adopt this policy, they should be careful in keeping it progressive so that it is fine-tuned to our economy and is not harmful to the rural poor, especially the farmers.

Dhaka city traffic: Grinding to a halt

This intolerable traffic congestion affects all Dhaka inhabitants physically and mentally. Air pollution and sound pollution are some of the common features that this city dwellers need to go through; all this can produce is deterioration of health.



SALAHUDDIN AHMED

DHAKA undoubtedly is the world's fastest growing megacity. According to the World Bank report, there are 15 million people living right now in this city, which will be more than 20 million by 2025 according to UN prediction. In Dhaka, population doubled from 6 to 12 million from 1990 to 2005. This mass population causes a great many problems in this city among which the traffic congestion is seemingly the worst, which need to be straightened out as soon as possible.

There are certainly some ways to reduce the chronic traffic jam of Dhaka city. If we closely monitor we can figure out that many vehi-

cles take some unauthorized U-turn that actually causes real traffic dilemma. We can find a way to avoid this U-turn, but we just let things go the way it goes. We must find out some designated areas that can be used for this U-turn. Speaking about U-turn it should be mentioned that some cars or buses do have some special privileges to take turn anywhere; thanks to some traffic police officers who actually 'allow' these vehicles to take wrong turn. We actually do not know that our traffic police can make the difference. It is truly an urgent step to form a body to monitor these traffic police. Sometimes some police are seen to play with their sticks while buses, cars and other vehicles fight to

get away from the dreadful traffic. In this regard again we must say that our administration needs to be active, resolute to crack down on any mischief.

It cannot be said that all roads in Dhaka city are congested or narrow; many roads are quite wide to meet even the current spurt. But we allow unauthorized parking that squeezes all roads here in Dhaka city. To face the current horrific situation we must take some corrective measures right away. We must not allow any vehicle park in roads where buses and public cars operating every now and then. It is not necessary that cars must sit in front of the office where traffic is terrible; we need to design some spaces

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where we can park these cars.

It is obvious that private cars make this traffic more precarious. These cars run every nook and corner of the city and do not mind sneaking through narrow roads that causes more damage to the whole scenario. Is it necessary to park these cars in front of schools that make traffic jolt more serious?

Right now this is also a common scenario in Dhaka city -- clash between students and bus conductor or driver. This conflict actually curdles the whole situation. Conflict can take place, but to mitigate these we must have our police officers to come in sight in time. But it is surprising to see the roles our police play in this regard. Since we cannot tackle this situation in time, people taste the unprecedented sufferings of this terrible traffic.

We have a traffic situation in Dhaka city that must be changed in no time. This is not the time to only formulate plan and to implement the plan. Traffic situation is getting frightful day by day that causes many other problems which actually freezes the development process. Our Prime Minister has just received MDG prize in New York; but question is how we can celebrate this pride since people in Dhaka city need to spend hours to negotiate a short distance, which indicates that there is virtually little development in this country.

Thousand of enthusiasts very naturally gathered and in the process blocked Dhaka city road to receive the Prime Minister that caused a cruel traffic jam and guess who were the ultimate sufferers -- the people in this city. All our political leaders must

understand the alarming situation. Any meeting, seminar in any road would have deep impact that affect other side of the city. Psychologically people will definitely be depressed if this situation go on unresolved. Hot weather coupled with this horrific traffic makes people sick every day. It is truly hard to bear this situation in Dhaka.

This is the time we must formulate plan to expand this city which seemingly is the only alternative to make things better for the long run. We all talk about decentralization, but we do not actually know how to make this concept happen in Dhaka city. Everyday thousands of new people are entering this city that actually aggravates the whole scenario. All these people merely come looking for some job opportunity. We need to create job opportunities in other places so that we can reduce the number of people coming to Dhaka every day.

This intolerable traffic congestion affects all Dhaka inhabitants physically and mentally. Air pollution and sound pollution are some of the common features that this city dwellers need to go through; all this can produce is deterioration of health. Again people need to sit in the buses or cars for hours in extreme suffocation; it is natural to lose control easily in this situation. This is happening in this city and clashes, conflicts are taking place every now and then. We must urgently take steps, in fact we need to formulate plan very fast as if it can improve the situation from tomorrow.

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Army Headquarters, QMG's Branch
DW & CE (Army), Dhaka Cantonment

Invitation for Tenders

Government of the People's Republic of Bangladesh

1	Ministry/Division	Ministry of Defence.
2	Agency	Military Engineer Services.
3	Procuring entity name	DW & CE (Army).
4	Procuring entity code	Not applicable.
5	Procuring entity district	Dhaka.
6	Invitation for	Tender.
7	Invitation Ref No.	15 of 2010-2011/E-4
8	Date	26 October 2010.
9	Procurement method	Open tendering method.
10	Budget and source of funds	Govt of Bangladesh.
11	Development partners (if applicable)	Not applicable.
12	Project/programme code (if applicable)	Not applicable.
13	Project/programme name (if applicable)	Addition/alteration of existing water supply line including supply & installation of 3x30 HP centrifugal pump motor (Pump House No. 1, 6 & 7), 2x20 HP centrifugal pump motor (Pump House No. 4 & 11) at different places of Jalalabad Cantt.
14	Tender package No.	Not applicable.
15	Tender package name	Addition/alteration of existing water supply line including supply & installation of 3x30 HP centrifugal pump motor (Pump House No. 1, 6 & 7), 2x20 HP centrifugal pump motor (Pump House No. 4 & 11) at different places of Jalalabad Cantt.
16	Tender publication date	07 November 2010.
17	Tender last selling date	22 November 2010.
		Date Time
18	Tender closing date and time	24 November 2010 1200 hours
19	Tender opening date and time	24 November 2010 1230 hours
20	Name & address of the office(s)	Address
	- Selling tender document (principal)	AHQ, QMG's Branch, DW & CE (Army).
	- Selling tender document (others)	Tender selling & Information Centre of DW & CE (Army) at GE (Army) Project, Dhaka, Dhaka Cantonment.
	- Receiving tender document	Tender selling & Information Centre of DW & CE (Army) at GE (Army) Project, Dhaka.
	- Opening tender document	Tender selling & Information Centre of DW & CE (Army) at GE (Army) Project, Dhaka.
21	Place/date/time of pre-tender meeting (optional)	Not applicable
		Date Time
		Not applicable Not applicable
INFORMATION FOR TENDERER		
22	Eligibility of tenderer	a. Enlisted contractors of B, C and D Class of MES. b. Contractors enlisted with other govt organisations in similar capacity having security clearance from DGF.
23	Brief description of goods or works	Addition/alteration of existing water supply line including supply & installation of 3x30 HP centrifugal pump motor (Pump House No. 1, 6 & 7), 2x20 HP centrifugal pump motor (Pump House No. 4 & 11) at different places of Jalalabad Cantt.
24	Brief description of related services	
25	Price of tender document (Tk)	Taka 2,000.00 (non-refundable).
	Lot No.	Identification of lot Location Tender security amount (Taka) (in the shape of Bank Draft/Pay Order in favour of DW & CE Army) Completion time in weeks/months
26	Addition/alteration of existing water supply line including supply & installation of 3x30 HP centrifugal pump motor (Pump House No. 1, 6 & 7), 2x20 HP centrifugal pump motor (Pump House No. 4 & 11) at different places of Jalalabad Cantt	Jalalabad Cantt Tk 1,60,000.00 06 (six) months
30	Name of official inviting tender	DW & CE (Army).
31	Designation of official inviting tender	Brigadier General.
32	Address of official inviting tender	Army Headquarters, Dhaka Cantonment.
33	Contact details of official inviting tender	Tel: a. 8752672 b. 8752676 Fax: 8752684 e-mail: dwncearmy@yahoo.com
34	The procuring entity reserves the right to reject all the tenders or annul the tender proceedings.	

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DW & CE (Army)