

Innovative sources of public finance for climate justice: a moral and faith perspective

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Introduction

In recent years, the Catholic community has increasingly recognized the urgent need to address the multifaceted challenges posed by climate change. The Pope's encyclical *Laudato Si'* and his apostolic exhortation *Laudate Deum*² underscore climate change as one of the most urgent issues of our time, which has significant economic, social, political and cultural facets, not simply a scientific one. It has been estimated that climate change could push 68 to 135 million people into extreme poverty by 2030, particularly across the global south³. Climate finance is a pivotal obligation for addressing the urgent moral imperative of climate mitigation, adaptation and resilience and addressing losses and damages. But it cannot be just and equitable without reforming the underlying global tax system and financial architecture. This resonates deeply with the core tenets of Catholic social teaching and the imperative to safeguard our common home for present and future generations. This briefing paper aims to explore how meeting the extensive demand for climate finance ranging from \$9-10 trillion by 2030 and 2050^{4,5} intersects with the imperatives of Catholic social teaching.

Why Catholics care about climate justice and financial system reform

Pope Francis states that "Today, we have to realize that a true ecological approach always becomes a social approach; it must integrate questions of justice in debates on the environment, so as to hear both the cry of the earth and the cry of the poor" (LS, 49). For Catholics, **the call to address climate change is a moral imperative embracing the interconnectedness of the earth and humanity**, also known as integral ecology. It is deeply rooted in principles of equity, social justice, stewardship, fraternity, compassion, mutual respect, solidarity and the common good towards achieving climate justice.

Climate change is predominantly a result of existing unfair economic models, resulting in social inequality both within societies and internationally. Large corporations, wealthier countries and individuals that have financially benefited from the burning of fossil fuels have the responsibility of redistributing wealth toward those who must now deal with the consequences of changing climates while having contributed little to its cause^{6,7}. In his 2008 Message for Lent⁸, Pope Benedict XVI reflected on the responsibilities of those who possess wealth and the broader implications of their financial privilege: "*According to the teaching of the Gospel, we are not owners but rather administrators of the goods we possess: these, then, are not to be considered as our exclusive possession, but means through which the Lord calls each one of us to act as a steward of His providence for our neighbour*". Climate justice is about prioritising the needs of the poorest and most vulnerable, and eradicating the vast inequalities in consumption, wealth, and power. It is about acknowledging the unfair structural inequalities leading to social, economic and political discrimination and exclusion

of the most vulnerable¹ and addressing how the impacts of and responsibility for climate change are highly disproportionate.

The Encyclical letters *Laudato Si'* and *Fratelli Tutti* and the apostolic exhortation *Laudate Deum* raised worldwide climate ambitions and urged us to think beyond borders, technocratic solutions and short-term political cycles, prioritizing inclusive and collective interests over personal ones, fostering the well-being of the entire human family. John Paul II encouraged us that such acts of solidarity are "*not a feeling of vague compassion or shallow distress*" but a "*firm and persevering determination to commit oneself to the common good*". In *Spes non confundit*, Pope Francis also calls on us to commit ourselves to remedying the remote causes of injustice, and settling unjust and unpayable debts" (SNC16). Particularly as we approach the Year of Jubilee, **robust action must indeed be taken to alleviate and restructure sovereign loans, both held by public and private lenders, for countries in debt distress**. As Catholics we are challenged to analyse the social, economic and power structures that force millions into despair and called upon to assume our responsibilities and ask political leaders to act in the interests of the common good.

How can we address ecological debt and structural sin through financial architecture reforms?

Drawing chiefly from two core concepts of Catholic Social Teaching – responsibility for the common good and the preferential option for the poor – we put forward that **it is the richest and largest polluters that should pay for the damage that they disproportionately have caused**. Countries must explore multilateral and national 'polluter pays' mechanisms, such as fossil fuel company taxes and taxes on the super-rich. As *Sollicitudo rei socialis* urges, we must tackle "structures of sin"⁹, one of which is an economic system that sees the wealthy not paying their fair share.

Indeed, we must take a structural, systemic approach to climate justice. This means moving away from a disempowering 'aid mindset' – in which rich countries are philanthropic, generous donors to poor countries – to one that centres the dignity principle, by correcting, through compensatory finance flows as well as urgently-needed debt relief¹⁰, the ecological debt that industrialised nations owe to emerging countries. If we are to embed this cultural shift, **we must also reform the global financial architecture and fair conditions for access to finance to countries on the frontlines of the crisis**. This is particularly crucial regarding the World Bank and International Monetary Fund (IMF). Furthermore, we must ensure developing countries get much fairer conditions for accessing finance for their transitions¹¹.

Examples of the structural reforms we must work towards implementing include establishing a fair, representative global debt resolution framework, ending the undemocratic World Bank-IMF 'gentleman's agreement', and ending harmful conditionalities on loans by International Financial Institutions that hamper sustainable development and climate investment¹².

¹ Specifically, those affected by the worst consequences of climate change are the poorer, marginalised and more climate vulnerable, who are least responsible for climate but with the least financial and means to cope from climate impacts and are often overburdened by crippling debt. Includes among others, developing countries, ex-colonies, Indigenous peoples, ethnic minorities, and women, children and people who are differently abled.

How to implement the socially just global tax reform

As the tax system pervades all sectors of economy, we see a smart design of taxes as a central part of the toolbox we need to live up to Pope Francis' demand for an "integrated approach to combating poverty, restore dignity to the excluded and at the same time protect nature" (LS 139). When we recognize that, to solve the social ecological crisis, we need the "subordination of private property to the universal destination of goods" (LS93), it makes taxing the super-rich not only an option but an indispensable part of the solution for a just future. And once we pursue the way from an individual and national approach towards acting as a global community with a unified purpose in view of "a new and universal solidarity" (LS14), we must **redesign the global tax system based on multilateral and therefore more effective taxation.**

When working towards a just global tax system, we need more than pure volume of new financial means to fight the socio ecological crisis. We need effective regulatory power to change the behavior of main polluters, which requires **high costs for polluting and damaging behavior** to demand the move to clean and safe alternatives. Furthermore, **just taxation needs to include redistributive justice at its core, including support for the vulnerable and poor in the transition.** A new tax system will additionally contribute to tax justice, if **transparency becomes a central pillar to avoid currently gigantic tax loopholes**¹³. Finally, a well implemented global taxation system will put an end to the long-running argument of too little public finance. **There is more than enough financial power in the world**^{14,15} **to be harnessed to support the transition to a socially just, climate safe and ecologically healthy life in our common home.**

Conclusion

Pope Francis warned us that the "global society is suffering from grave structural deficiencies that cannot be resolved by piecemeal solutions or quick fixes" (FT 179). Clearly, a major evolution of the global tax system and the global financial architecture is needed for climate justice. Through the principles of solidarity and the common good we can recognize our shared responsibility for one another and strive for transformative climate finance that can enable every individual and community to fulfil their basic needs, rights, aspirations and well-being.

CIDSE is an international family of Catholic social justice organisations. We work with global partners and allies to promote justice, harnessing the power of global solidarity to achieve transformational change for people and the planet. We challenge systemic injustice and its destructive impacts through connecting, mobilising, influencing and telling stories of change. We promote environmentally and socially just alternatives to allow everyone to thrive-in our common home. CIDSE's work is guided by Catholic Social Teaching and Gospel values.

Contact:

Lydia Machaka, Energy & Extractivism Officer, machaka(at)cidse.org
CIDSE – Rue Stévin 16, B-1000 Brussels
T: +32 2 230 77 22 – E: postmaster@cidse.org – www.cidse.org

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