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**TITLE: CARBON TAX IN THEORY AND PRACTICE**

### **ABSTRACT**

The Climate Change, depending on Global Warming which is one of the biggest environmental problems in the world, has detrimental effects on human life. Due to effects of climate change on humanity, people attempted works of climate change prevention. As a result of these works in recent years, researchers have focused on Carbon Tax which is an economic instrument and being used in prevention of climate change. The works on this subject have been developing in the international literature but in Turkey there is a lack of sufficient study carried out. The aim of this study is to analyze the effect of Carbon Tax as a means of fiscal policy to reduce the carbon emission. By employing data on 18 European countries over the period of 1995 – 2003, it is aimed to test econometrically whether Carbon Tax has achieved its objectives, or not. Consequently, results of estimates show that carbon tax does not have any effect on carbon dioxide emission. Because design and application of carbon tax could not be achieved with its aim consistently. In this sense, it can be argued that carbon tax applications are not sufficiently effective on reducing carbon dioxide emission

### **KEYWORDS**

Environmental taxes, Green taxes, Ecological taxes