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**TITLE: ENVIRONMENTAL TAX REFORM AND DOUBLE DIVIDEND EVIDENCE**

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**ABSTRACT:**

The increasing attention to environmental damage and the problem of climate changes have led many studies to concentrate on environmental taxation as an incentive-based instrument of environmental policy. Focusing on the relationship among environmental, labour market policies and institutional sectors, this paper aims to investigate the economic effects of a fiscal reform designed with the intent of reducing the Greenhouse gas (GHG) emissions, according to Kyoto Protocol. For this purpose, a static Computable General Equilibrium model is used. The simulations implemented concern the introduction of a green tax on activities output depending on the level of CO<sub>2</sub> emission by each activities. Tax revenues are then completely distributed to the economy in order to reduce income taxes or to cut the regional tax on activities value added. In this way a revenue-neutral environmental policy is tested and the double dividend or any other effect on national economy are assessed. The application will be done on a Social Accounting Matrix (SAM) for Italy for the 2003 year.