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The Impact of Carbon Tax Law and Green Legal Awareness on The Paris Agreement Compliances With Green Behavior As Mediator

Abdul Karim[1*], Dinda Riskanita[2]
[1] PJJ Hukum University of Siber Muhammadiyah, Yogyakarta, Indonesia
[2] PJJ Hukum University of Siber Muhammadiyah, Yogyakarta, Indonesia

[*]Corresponding Author: abdul20220600019@sibermu.ac.id

Abstract: Paris Agreement is a global environment legal protection that was ratified by many countries, including Indonesia. Government of Indonesia released Law No. 16 of 2016 as legal formalizes Indonesia's commitment to Paris Agreement. Indonesia also released Law No. 7 of 2021 as legal basis for carbon tax to include the pro-environment tax on Indonesia Tax Regulation. In order to evaluate the correlations between the variables, this study uses a mixed-methods technique that combines quantitative surveys with legal analysis. This normative-empirical study focuses on the effects of carbon tax laws and green legal awareness, analyzing how they affect people's green behavior and subsequent adherence to the goals of the Agreement. Normatively, the study examines the moral and legal foundations of carbon taxes as a climate change mitigation strategy, and empirically, it investigates how well these laws influence public opinion. The Simple Random Sampling method was used for collecting the data through a structured questionnaire to 120 executives in Green Certified Logistic Centre and analyzed by Smart PLS 4.0.9.6. It is argued that a key component of converting legal frameworks into concrete actions is green legal awareness, which includes knowledge and comprehension of environmental laws and rights. This study also suggests that the relationship between carbon tax law, green legal knowledge, and Paris Agreement compliance is mediated by green behavior, which includes ecologically conscious decisions and activities. By looking at this mediating function, the study hopes to shed light on how public awareness and legal frameworks might work together to encourage individual acts that support global climate goals.

Keyword: Environment Law, Paris Agreement, Behavior, Tax, Compliances

INTRODUCTION

Adopted in 2015, the Paris Agreement is a historic worldwide agreement whose main goal is to address climate change by keeping global warming far below 2 degrees Celsius, ideally to 1.5 degrees Celsius, relative to pre-industrial levels. All countries must make significant and coordinated efforts to achieve this lofty objective, with the private sector playing a key role. Implementing the Paris Agreement within its businesses is not just an environmental necessity but also a critical component for sustainable economic growth and

long-term business resilience in Indonesia, a country that is especially sensitive to the effects of climate change.

Rising sea levels, more frequent extreme weather events, and deforestation are only a few of the major climate-related issues that Indonesia, with its enormous archipelago and varied ecosystems, must deal with. These issues provide serious dangers to a number of industries, including infrastructure, tourism, agriculture, and fisheries. The Indonesian government has incorporated the goals of the Paris Agreement into its national development plans and pledged to cut greenhouse gas emissions in recognition of these challenges. As a result of this dedication, Indonesian businesses are increasingly expected to coordinate their operations with the global climate agenda.

Adopting the Paris Agreement offers Indonesian businesses a number of advantages and prospects beyond just following the rules. First of all, it encourages efficiency and creativity. Businesses can lessen their environmental impact while increasing resource efficiency and cutting expenses by implementing sustainable practices and investing in greener technologies.

Second, a company's reputation and brand image are improved by associating with the Paris Agreement. Customers are more inclined to support businesses that exhibit a commitment to sustainability in an era of increased environmental consciousness. Through proactive efforts to mitigate climate change, Indonesian businesses may gain the trust of their stakeholders, including local communities, employees, and customers. Stronger consumer ties, higher employee morale, and greater brand loyalty can result from this.

Thirdly, new financial and investment opportunities are made possible by the Paris Agreement. Large sums of money are being allocated to sustainable projects and green initiatives as the worldwide fight against climate change heats up. Businesses in Indonesia that exhibit a dedication to sustainability are more likely to draw in foreign investment and have access to green finance solutions. This can give businesses the money they need to switch to greener technologies, create sustainable goods and services, and grow their businesses in an ecologically conscious way.

Nevertheless, there are difficulties in putting the Paris Agreement into practice in Indonesian businesses. Many businesses may encounter limitations with regard to funding, technical know-how, and knowledge of sustainable practices. A coordinated effort from a range of parties, including the government, trade associations, and international organizations, is necessary to remove these obstacles.

The Indonesian government is essential in fostering an atmosphere that makes it possible for businesses to carry out the Paris Agreement. This entails creating policies that are transparent and consistent, offering rewards for eco-friendly behavior, and stepping up the enforcement of environmental laws. Industry associations can also be quite helpful by offering their resources, training, and advice. International organizations may help by sharing best practices, offering technical support, and making green technology and funding more accessible.

In conclusion, both environmental sustainability and economic development depend on Indonesian businesses implementing the Paris Agreement. Indonesian businesses may improve their brand image, increase their competitiveness, and get access to new investment and growth prospects by supporting the global climate agenda. All parties involved must work together to overcome the obstacles, and the government, business associations, and international organizations are essential in promoting and easing the shift to a more sustainable and climate-resilient economy.

Finding of previous studies found gaps of the carbon tax and green legal awareness impact on Paris Agreement Compliances, like Insufficient Empirical Data on the Efficiency of the Carbon Tax in Promoting Organizational Change, Particularly for the Objectives of the Paris Agreement More empirical studies that particularly look at how carbon taxes affect

organizational behavior in the context of reaching Paris Agreement targets are needed, even if economic theory indicates that they can encourage emissions reductions. Other gap is Lack of Knowledge on How the Carbon Tax and Other Policy Tools Interact to Encourage Paris Agreement Compliance. A carbon tax is frequently enacted in conjunction with other legislative tools like regulations, subsidies, and emissions trading programs. To fully comprehend how these many policy tools interact and how their combined impact affects organizational attempts to adhere to the Paris Agreement, more research is required.

Indonesia Paris Agreement Ratification

An important milestone in Indonesia's commitment to combating climate change globally was the country's 2016 adoption of the Paris Agreement thru Law No. 16 of 2016 (Indonesia, 2016). A complicated interaction between internal and external variables impacted this choice. Internally, the Indonesian government acknowledged the archipelago's growing susceptibility to the effects of climate change, such as rising sea levels, severe weather, and interruptions in agricultural output (Hartono, et al., 2023). Furthermore, pushing for more robust climate action was greatly aided by pressure from environmental organizations, indigenous communities, and civil society organizations. Indonesia was under external pressure to support international initiatives to tackle climate change and uphold its standing as a responsible global actor (McKenzie, 2021). Additionally, the ratification gave Indonesia access to foreign funds and technical support for projects aimed at mitigating and adapting to climate change.

After ratifying, Indonesia sent the UNFCCC its Nationally Determined Contribution (NDC), which included its goals for adaptation and emissions reductions. In comparison to a business-as-usual scenario, the NDC includes promises to cut greenhouse gas emissions by 29% unconditionally and up to 41% conditionally by 2030 (Republic of Indonesia, 2016). Reducing deforestation and forest degradation, encouraging sustainable land use, creating renewable energy sources, and enhancing energy efficiency are important tactics for reaching these goals. However, there have been obstacles to putting these commitments into practice, such as conflicting development agendas, inadequate funding, and problems coordinating policies (WRI, 2021). Numerous studies have examined the effectiveness and sufficiency of Indonesia's NDC, emphasizing the necessity for more aggressive goals and more robust implementation strategies to meet the objectives of the Paris Agreement.

The socioeconomic ramifications of Indonesia's climate policies and their effects on other industries, including forestry, agriculture, and energy, are also examined in the literature. According to research, Indonesia may benefit greatly from a shift to a low-carbon economy, including the development of jobs in the sustainable agricultural and renewable energy sectors (OECD, 2020). To guarantee a fair transition that takes into account possible social and economic upheavals, it also necessitates meticulous preparation and execution. Additionally, research highlights how crucial public involvement and stakeholder interaction are to the creation and execution of climate policies in order to guarantee their efficacy and legitimacy. To evaluate Indonesia's progress in fulfilling its climate pledges and to find ways to strengthen its contributions to international climate action, more study and monitoring are essential.

Carbon Tax

In academic and policy circles, carbon taxation is a method for reducing greenhouse gas emissions that has attracted a lot of interest. The idea, which has its roots in Pigouvian economics (Gaffar, et al, 2022), promotes putting a price on carbon emissions in order to internalize the external costs of pollution. This encourages a change to cleaner technology and practices by providing incentives for companies and individuals to lower their carbon footprint. The effectiveness of carbon taxes in different jurisdictions has been investigated empirically. Research on British Columbia's carbon price, for example, has revealed a decrease in

greenhouse gas emissions without appreciably harming economic expansion (Pretis, 2022). Other studies, however, draw attention to possible issues such regressive effects on low-income households and carbon leakage, which occurs when emissions move to areas without carbon pricing (Green, 2021). To achieve social justice and environmental efficacy, this calls for the careful design of policies, including border carbon adjustments and income recycling systems. The literature examines the political and social aspects of carbon taxes in addition to economic ones. For implementation to be successful, political viability and public acceptance are essential. According to research, public support for carbon taxes may rise if they are presented as revenue-neutral, with the money raised going toward funding green projects or lowering other taxes (Barrez, 2024). Furthermore, overcoming political opposition requires efficient communication tactics that highlight the financial and environmental advantages of carbon pricing. Another important area of research is how carbon prices interact with other climate policies, such subsidies and regulations for renewable energy. Significant and economical emissions reductions are frequently seen to need a comprehensive policy mix that incorporates carbon pricing with complementing tools (Hartono, et al., 2023). In tackling climate change, this integrated strategy recognizes the intricate interactions between societal concerns, technological advancements, and commercial forces.

Legal base for Carbon Tax Indonesia is Law No 7 of 2021, initially targeting coal-fired power plants and will be gradually implement also for other sectors. Cap and Tax method Implementation by setting the maximum limit of emission and pay the Tax, if they exceeded the limit and chooses not to purchase carbon credits to cover the excess emissions. Payment Tariff is at least IDR 30,000 per ton of CO2e that will be submitted to the state treasury (Saputra, et al, 2023).

Green Legal Awareness

Green legal awareness (GLA), which includes attitudes, knowledge, and comprehension of environmental laws and regulations, has become a critical component in advancing sustainable development and environmental preservation. It goes beyond merely being aware that laws exist; it also entails comprehending their intent, application, and methods of enforcement. Individual conduct, business operations, and the application of policies can all be impacted by this insight. Studies indicate a favorable relationship between GLA and pro-environmental behavior, with those with higher GLA being more likely to take part in eco-friendly activities (such as recycling, conserving energy, and supporting environmental protection) (Zhang et al., 2021). Research has also examined how public awareness and education initiatives might improve GLA, emphasizing the value of easily accessible information and successful communication techniques (Stern, et al., 2023). Additionally, by enabling citizens to hold businesses and governments responsible for environmental infractions, GLA can enhance environmental enforcement and governance.

The research also looks at how GLA interacts with other elements that affect environmental behavior, like perceived efficacy, personal values, and social norms. These contextual circumstances can either increase or decrease the influence of GLA, even though it can offer the knowledge basis required for well-informed decision-making. The beneficial impact of GLA on behavior, for example, can be strengthened by strong societal norms that promote environmental conservation, but its efficacy may be compromised by lax enforcement of environmental laws (La Barbera & Ajzen, 2021). Additionally, studies have looked into how GLA might advance environmental justice, emphasizing how crucial it is to guarantee that all communities, especially disadvantaged and marginalized groups, have fair access to environmental information and legal tools (Martin, 2023). To further understand the precise processes by which GLA is translated into action and to create practical plans for boosting GLA in a variety of settings and demographics, more study is required.

Green Behaviour

Green behavior, sometimes referred to as pro-environmental behavior, includes any activity that people, groups, or organizations take to reduce their adverse environmental effects and advance sustainability. This broad idea encompasses a variety of acts, from personal decisions like recycling, energy conservation, and consumption reduction to group initiatives like supporting environmental legislation and engaging in environmental activism. Early studies in this field concentrated on determining the social and psychological elements—such as societal norms, environmental attitudes, values, and beliefs—that impact green behavior (Stern, et al., 2023). Particularly influential is the Theory of Planned Behavior (La Barbera & Ajzen, 2021), which postulates that attitudes toward the behavior, subjective norms (perceived social pressure), and perceived behavioral control (perceived ability to perform the behavior) all influence intentions to engage in green behavior. The interaction of these psychological elements with contextual elements, such infrastructural accessibility, financial incentives, and legislative measures, in influencing environmentally friendly behavior has been the subject of more recent studies.

The effectiveness of various treatments meant to encourage green behavior is also examined in the literature. Information campaigns, educational initiatives, financial incentives, and regulatory actions are a few examples of these interventions. Studies indicate that multifaceted therapies that target both contextual and individual aspects are frequently more successful than single-pronged methods (Van Valkengoed, et al., 2022). For instance, social marketing strategies that encourage recycling-related social norms and easily accessible recycling infrastructure may enhance the effectiveness of informational campaigns regarding the environmental advantages of recycling. The research also emphasizes how crucial it is to take the target audience and particular setting into account when creating interventions because different aspects could be more important in various circumstances. Future studies should keep examining the intricate interactions between variables that affect green behavior and create more potent plans for encouraging sustainable behaviors on a personal, corporate, and societal level.

METHOD

This research is normative and empirics method. Normative method in law research is qualitative research that aims to seeks to assess, organize, and make clear current legal standards. It frequently entails analyzing legal texts, spotting contradictions or legal gaps, and coming up with answers to legal issues using sound legal reasoning and accepted legal principles.

Empirical method is This method focuses on "what the law is" in real-world situations. It investigates the real impacts of laws on people and society using facts and observations. Typically, empirical research entails. Empirics data were collected from 120 Direct Staff in Logistics Centre in Cikarang that need to comply with Paris Agreement regulation on their business operation. Data was collected using questionnaire with simple random sampling and analyzed using Smart PLS 4.0.9.6

The questionnaire format was structured and close-ended questions. The data was measured by five-point Likert scale, started from 1 = very disagree, 2 = disagree, 3 = Neutral, 4 = Agree and 5=very agree. The measurements of variable were described below.

Paris Agreement Compliances (Y)

First indicator is Science-Based Emissions Reduction Targets. The measure is whether a corporation has set emissions reduction objectives that are in line with the most recent climate science and the Paris Agreement's objective of keeping global warming well below 2°C,

preferably to 1.5°C, relative to pre-industrial levels is the main focus of this indicator. Programs such as the Science Based Targets initiative (SBTi) ought to validate these goals. (SBTi, 2025)

Second indicator is Investment in Climate Solutions and Advocacy. This statistic evaluates a company's overall contribution to climate action, looking beyond internal operations. This covers both active participation in policy lobbying to assist the implementation of successful climate legislation and investments in carbon capture technologies, renewable energy, or other climate solutions. (United Nations Global Compact, 2024).

Third Indicators is Climate Risk Assessment and Management. This metric evaluates whether a business has carried out a comprehensive analysis of the transitional and physical hazards related to climate change and has put risk management plans into place. This entails taking into account the possible effects of severe weather, evolving laws, and fluctuating consumer demand (Auzepy, et al., 2023).

Carbon Tax

Indicators for Carbon Tax based on reference from previous research. Firstly, Investment in Emission Reduction Projects Funded by Carbon Tax Revenue This metric assesses how a business spends the money it receives from its internal carbon tax. Reinvesting this income into emission-reducing projects, including energy efficiency improvements, renewable energy installations, or carbon capture technologies, shows a dedication to decarbonization and supports the objectives of the Paris Agreement (Peñasco, et al., 2021).

Secondly, This indicator looks at whether a business influences its supply chain partners to lower their emissions by using its internal carbon pricing mechanism. This could entail working with suppliers on emissions reduction programs, offering incentives for suppliers to adopt cleaner technologies, or including carbon performance in supplier selection criteria. (CDP, 2021).

Third is Transparency and Disclosure of Carbon Tax Impact. This indicator assesses the extent to which a company publicly discloses information about its carbon tax implementation, including the carbon price used, the amount of revenue generated, and how that revenue is used. Transparency builds trust with stakeholders and demonstrates accountability for climate action (Auzepy, et al., 2023).

Green Legal Awareness

There are 3 indicators for Green Legal Awareness in the company or organization, First indicator is Integration of Climate Change Considerations into Corporate Governance. This metric evaluates how well a corporation has integrated climate change opportunities and hazards into its entire business plan and decision-making procedures. This entails setting specific climate-related goals, designating board-level accountability for climate action, and informing stakeholders of pertinent information (Task Force on Climate-related Financial Disclosures or TCFD) (Auzepy, et al., 2023).

Second indicator is Engagement with Stakeholders on Climate Change Issues .This indicator assesses how actively a business interacts with its stakeholders on climate change-related concerns, including staff, clients, suppliers, and local communities. This entails consulting with stakeholders, offering instruction and training on climate change, and taking part in cooperative projects to combat it (GRI, 2021)

Third indicator is Implementation of Sustainable Supply Chain Practices. This metric evaluates how well a business has reduced its environmental impact by integrating sustainable practices across its supply chain. This entails performing supply chain audits, establishing environmental criteria for suppliers, and encouraging the adoption of sustainable materials and technology. (OECD, 2020)

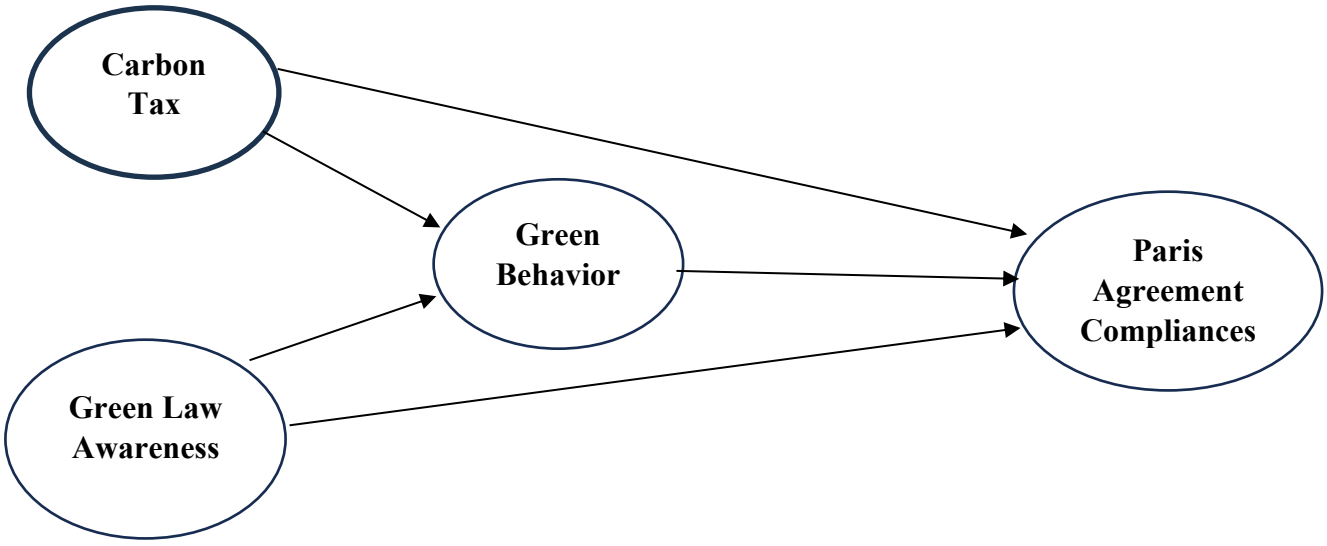
Green Behaviour

This study was using 3 indicators for Green Legal Awareness in the company or organization. The first indicator is Implementation of Resource Efficiency Measures. This metric evaluates how much a business uses less energy, water, and raw materials, among other natural resources. This entails putting recycling and waste reduction plans into action, embracing the ideas of the circular economy, and making investments in resource-efficient technology (Leipold, 2021).

Second indicator is Investment in Green Technologies and Innovations. This metric assesses a business's dedication to creating and implementing cutting-edge products and services that support environmental sustainability. This entails funding the development of sustainable materials, carbon capture and storage, and renewable energy technology (OECD, 2020)

Third is Promotion of Sustainable Consumption and Production Patterns. This metric evaluates a business's initiatives to support environmentally friendly production and consumption methods across its value chain. This entails creating environmentally friendly goods, putting sustainable packaging ideas into practice, and interacting with customers to encourage sensible consumption practices (Citaristi 2021)

Smart PLS 4.0.9.6 was used to determine the effect between variables. The results are shown in Figure 1.



Source: Research Results

Figure 1. Conceptual Framework

Testing Outer Model

Confirmatory Factor Analysis tested the outer model. The results include convergent validity, discriminant validity, and construct reliability.

Convergent Validity Test

The convergent validity test for variables Carbon Tax, Green Legal Awareness, Green Behavior, Paris Agreement Compliances model shows that the loading factor of each indicator is above 0.50.

According to Hair et al. (2019), The convergent validity test for each variable was determined by outer loading. The item was valid if the value was> 0.7, but the loading scale of 0.5 to 0.6 was acceptable as well.

Discriminant Validity Test

Referring to Hair et al. (2019). Discriminant validity test by the Average Variance Extracted (AVE) value. The indicator was valid if the AVE > 0.5. The discriminant validity test using the AVE measurement showed that the AVE value was more significant than the correlation value between latent variables, so all indicators were confirmed valid—table 2. The validity test showed that all AVE values to be more significant than 0.5. Thus, we can confirm that all variables passed the discriminant validity test.

Reliability Test

Based on Hair et al. (2019). The reliability test was tested with Cronbach's Alpha and Composite Reliability. The indicator was reliable if the Cronbach's Alpha value was> 0.60 and the Composite Reliability value was> 0.70. The reliability test using the Composite Reliability and Cronbach Alpha value showed that all constructs are reliable.

Testing The Inner Model

Goodness of Fit Model

The goodness of fit is used to determine the ability of endogenous variables to explain the diversity of exogenous variables. Goodness of fit in PLS analysis was performed by Q-square predictive relevance (Q2). The determination coefficient for the effect of X1 and X2 on Z2 was 0.479 or 47.9%, while the rest, 52.1%, was explained by other variables outside the model. The determination coefficient for the effect of Z2 on Z1 was 0.114 or 11.4%; the rest, 88.6%, was explained by other variables outside the model. The determination coefficient for the effect of Z2 and Z1 on Y was 0.168 or 16.8%; the rest, 83.2%, was explained by other variables outside the model.

The goodness of fit test for the inner model uses the predictive-relevance (Q2) value at a value range of 0 < Q2 > 1. A value closer to 1 means a better model. The goodness of fit test value was 0.616 or 61.16%; it means that the model was fit. These results also indicate that Y diversity can be explained by the model as a whole by 61.6%; the remaining 38.4% is the contribution of other factors outside this study and error term.

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RESULTS AND DISCUSSION

The research variable testing was listed in below tables. Table 1. Outer Loading showed the value to test convergent validity. All variables have value more than 0.7, thus confirmed pass for convergent validity testing.

Table 1. Outer Loading

Variables	Outer Loading
Paris Agreement Compliances	0.851
Carbon Tax	0.861
Green Legal Awareness	0.790
Green Behavior	1.000

Source: Research data

Table 2. Validity Testing showed the value to test discriminant validity. All variables have AVE value more than 0.5, thus confirmed pass for discriminant validity testing.

Table 2. Validity Test

	Cronbach's Alpha	rho_A	Composite Reliability	AVE
Paris Agreement Compliances	0.923	0.924	0.940	0.724

Carbon Tax	0.942	0.943	0.953	0.742
Green Legal Awareness	0.799	0.809	0.869	0.624
Green Behavior	1.000	1.000	1.000	1.000

Source: Research data

Table 3. Hypotheses Testing showed the value of path coefficient, t statistic and P-value meet the criteria to accept the hypotheses.

Table 3. Hypotheses Testing

Hypotheses	Effect	Path Coefficient	t Statistics	P-value	Description
H1	CT-PAC	0.240	3.933	0.000	Accepted
H2	GLA-PAC	0.165	8.688	0.000	Accepted
H3	CT-GB-PAC	0.09	2.486	0.013	Accepted
H4	GLA-GB-PAC	0.273	5.396	0.000	Accepted

Source: Research data

CT = Carbon Tax, PAC = Paris Agreement Compliances, GLA = Green Legal Awareness, GB= Green Behavior

Table 3 shows that all of the proposed hypotheses are significant, namely the effect of Carbon Tax to Paris Agreement Compliances and Green Legal Awareness to Paris Agreement Compliances. The t statistical value was more significant than the t table, 1.960, with a 5% and the p-value below 0.05.

The effect test between Carbon Tax and Paris Agreement Compliances through Green Behavior had a path coefficient of 0.208 at a significance value of 0.000 ($p > 0.05$). These results showed that Carbon Tax have an indirect effect on Paris Agreement Compliances (Y) through Green Behavior, so the intervening variable of Green Behavior is a mediation variable.

The effect test between Green Legal Awareness and Paris Agreement Compliances with Green Behavior es as moderator had a path coefficient of -0.085 at a significance value of 0.009 ($p > 0.05$). These results showed that Green Behavior are a moderator variable for this relation.

The current research aims to analyze the influence of Carbon Tax and Green Legal Awareness with Green Behavior as a mediating variable on Paris Agreement Compliances. This section will describe the findings and theoretical and practical implications.

As explained in the Analysis and Result chapter, it can be concluded that the Carbon Tax have been proven to have affection on Paris Agreement Compliances, direct and indirect. Furthermore, Green Legal Awareness have an effect on Paris Agreement Compliances as well, and Green Behavior have mediating effect on the relationship between both independent variables; Carbon Tax and Green Legal Awareness to Paris Agreement Compliances.

CONCLUSION

The results of this study have significant contributions to the implementation of Paris Agreement in the organization. This study succeeds in proving that Carbon Tax obligation and Green Legal Awareness, both directly impact on Paris Agreement compliances. This study also concluded that Green Behavior is a mediator variable. This finding is important because we can conclude that Green Behavior play a crucial role in Paris Agreement successful implementation.

Based on data analytic result, Carbon Tax is dominant variable to ensure organization comply with Paris Agreement Rules. Empirically, this study affirmed many research about the

impact of Carbon Tax and Green Legal Awareness on Sustainability and environment protection initiative such as Metcalf and Stock (2020), Wang, et al (2022) and Uddin, et al (2023).

Normative Study analysis concluded that Law No 7 of 2021 needs to detailed separated the carbon tax based on business categories, for example Small and Medium Business (UMKM) should have different tax calculation with the large business. Existing categories only based on priority sector which is only covered low percentage of total business in Indonesia.

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