

Assessing the role and impact of a carbon price

The CIACA Experience

Virtual Workshop – PMI Global Forum

21 May 2023

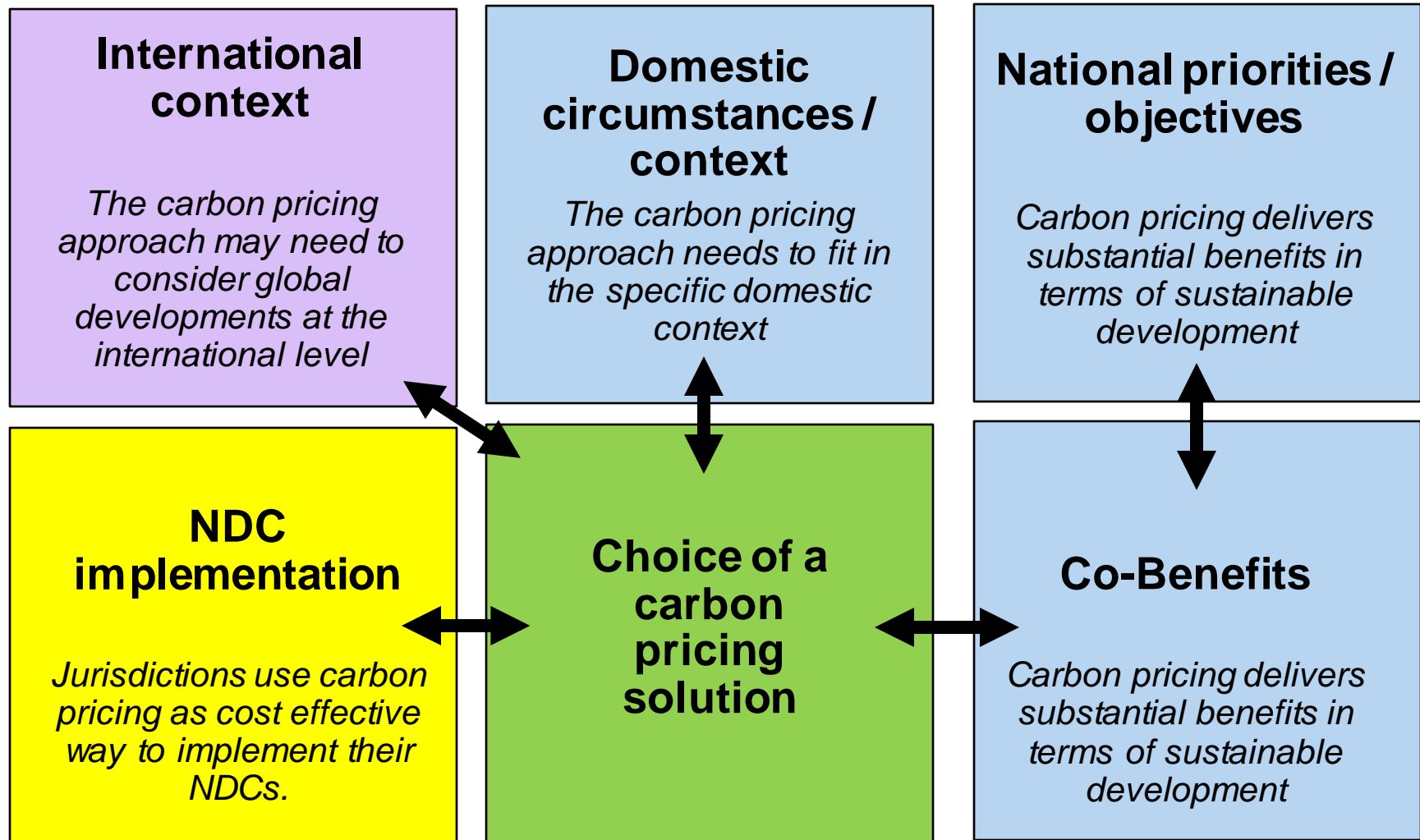


The CIACA project

- Supports the consideration and adoption of carbon pricing by jurisdictions – for achieving NDCs
 - Support in the form of consultation and capacity workshop and funded studies
- Supported countries include: Panama, Dominican Republic, Trinidad and Tobago, Senegal, Ghana, Nigeria, Kenya and Pakistan
- Support delivered through the six UNFCCC Regional Collaboration Centres



Choice of a carbon pricing solution



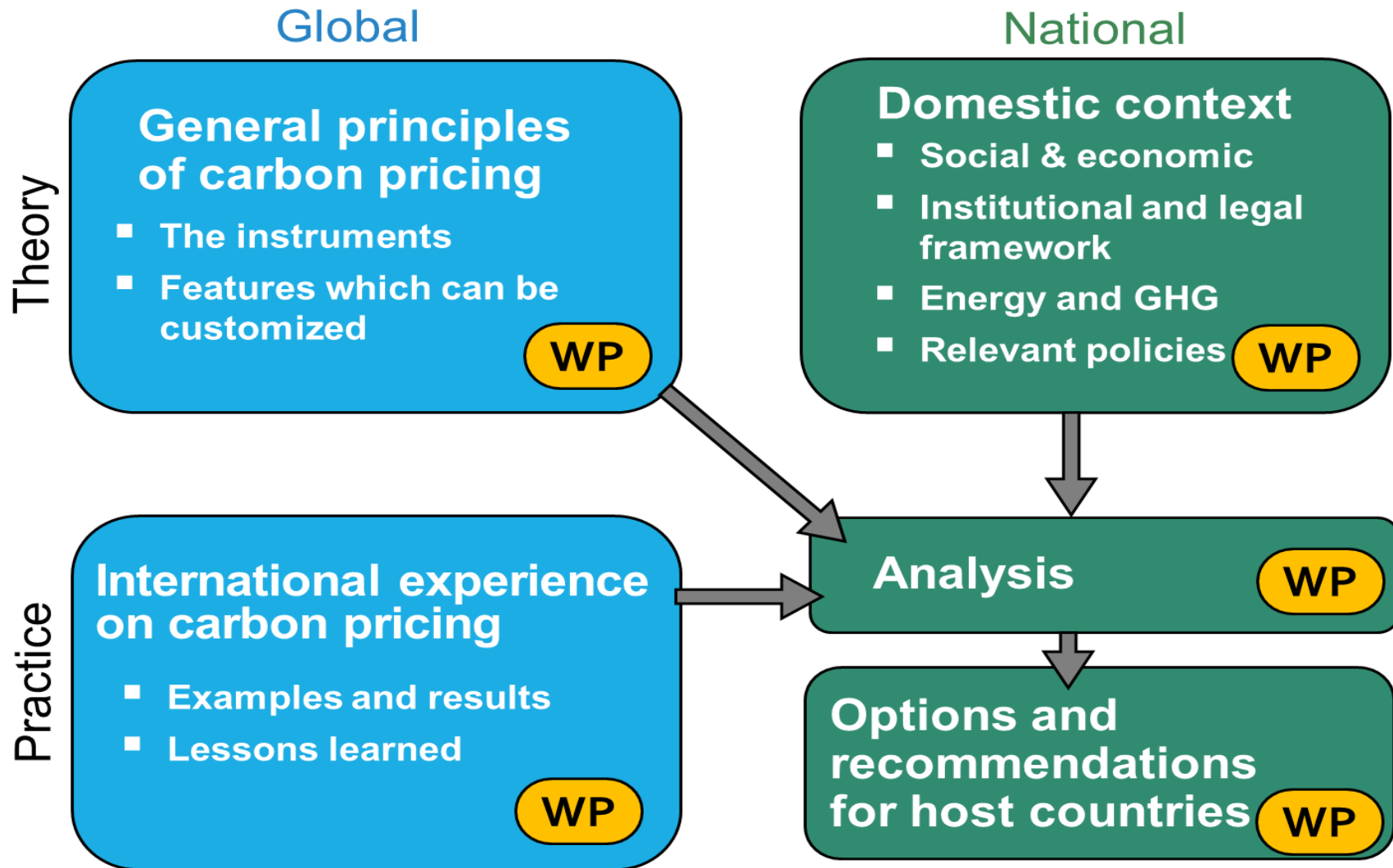
A rich environment

Carbon pricing operates in a broad domestic context

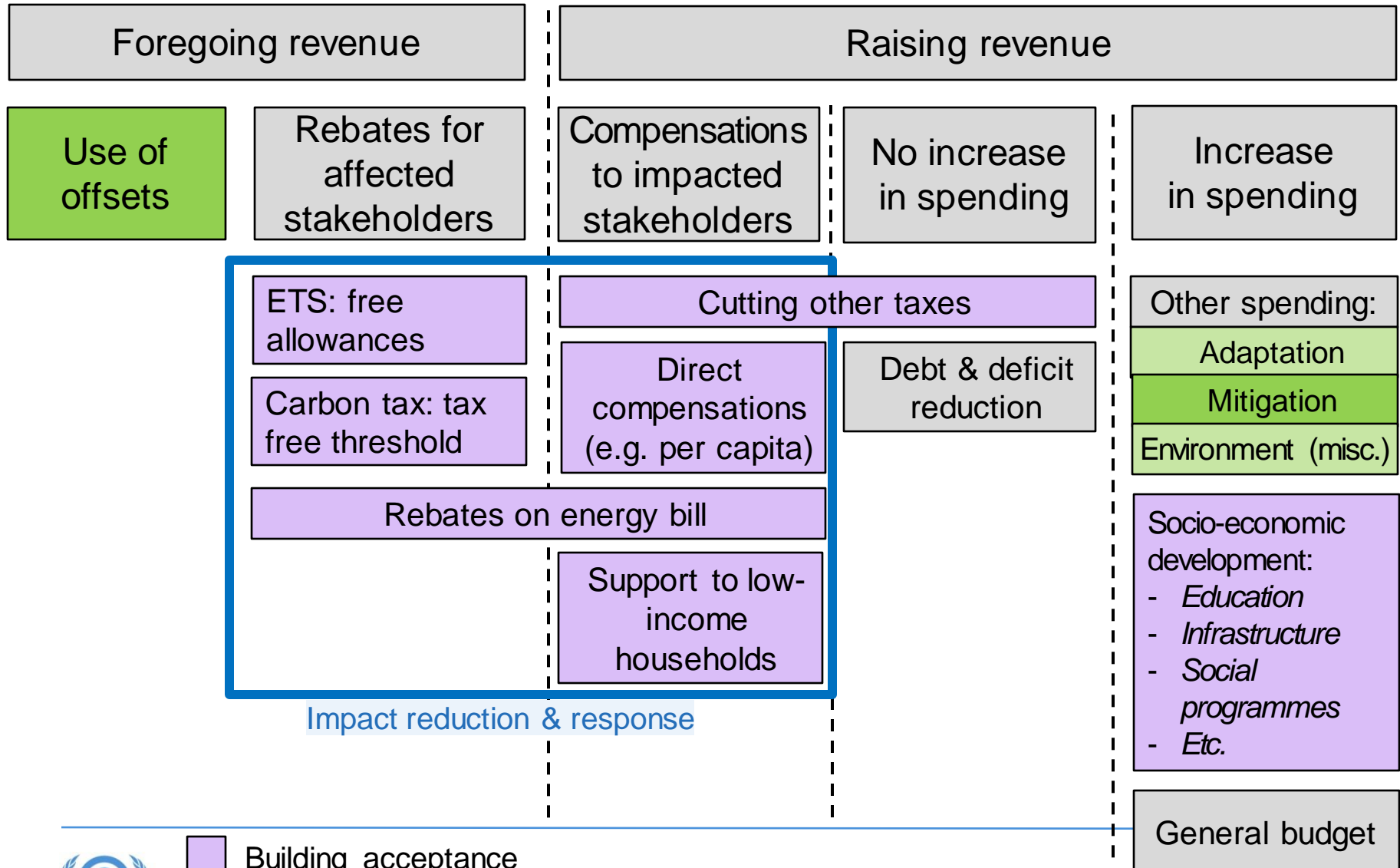
- **Mitigation context:** NDC(s); LT-LEDS; intention to participate in Article 6; Other mitigation plans/actions; other mitigation instruments; transparency obligations - BTR; etc.
- **Socio-economic context:** Development plans; Social environment; Economic environment; Vulnerable stakeholders; etc.
- **Fiscal environment**
- **Status-quo of various sectors**



The CIACA Approach:



Carbon revenues



Building acceptance

Further climate & environmental outcomes

Achieving national priorities

Objective / priority	Solution
Trigger investments	Revenues from carbon pricing to give loan guarantees for investors (e.g. in sustainable energy projects)
Limit trade exposure from pricing carbon	Provide large discounts and compensations to entities covered (e.g. free allowances under ETS)
Reduce poverty	Focus reinvestments in job creation
Increase energy access	Reuse income to fund/support sustainable decentralized energy access
Increase income equality	Redistribute the proceeds on a per capita basis
Improve business climate/competitiveness	Use revenues to cut taxes which hinder wealth creation (income tax / capital gain tax)
Ensure adaptation	Investments in adaptation measures
Increase energy independence	Reinvest in measures which reduce energy imports

Challenges

- Need for clarity on what is to be achieved with the carbon pricing approach
 - Raising revenues for purposes (which ones?) / reducing deficits
 - Mitigation action (NDC, LT-LEDS, mobilization of specific sectors, fostering low carbon development, etc.)
 - Increasing competitiveness or reducing income disparities
 - Unleashing SD co-benefits (energy independence, lowered pollution, attracting investments in low-carbon technologies, benefits to local communities, etc.)

- Different priorities by different ministries and different stakeholder groups:
 - Calls for coordination and consultations



Challenges

Need for clarity on what is to be avoided (or not)

- Type and extent of impacts
 - (competitiveness, regressive impact, etc.)
- National vs. international focus
 - e.g. exclusive domestic achievement vs. international focus



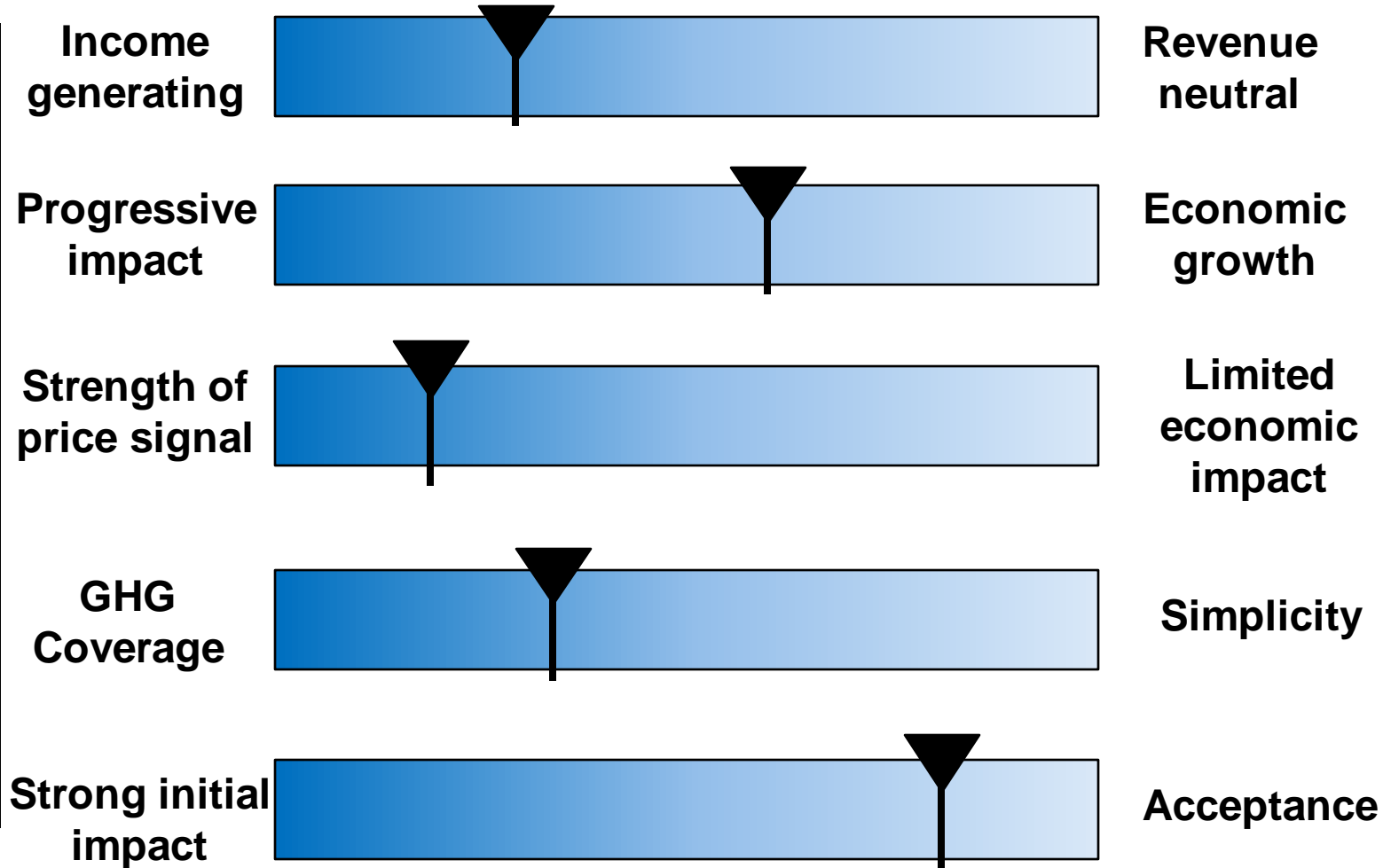
Assessing the impact

Different dimensions

- ❑ Economic impact (micro-economic / macro-economic)
 - May require some modelling effort
- ❑ Fiscal impact
- ❑ Perception: political feasibility / communication
 - May require studies related to perception to develop communication plans
- ❑ Environmental impact (mitigation impact / co-benefits)
 - May require assessment – especially for carbon taxes



Customization of carbon pricing



United Nations Framework Convention on Climate Change



Thank you!

