





# Use of Carbon Revenues: From Environmental Issues to Economic Benefits

A central element to stakeholder's engagement

## US\$32bn in 2017: growing fast, getting big



- Carbon tax since 2013
- Carbon tax between 2008 and 2013
- Carbon tax before 2007
- Emissions Trading Scheme since 2013
- Emissions Trading Scheme between 2008 and 2013
- Emissions Trading Scheme before 2007

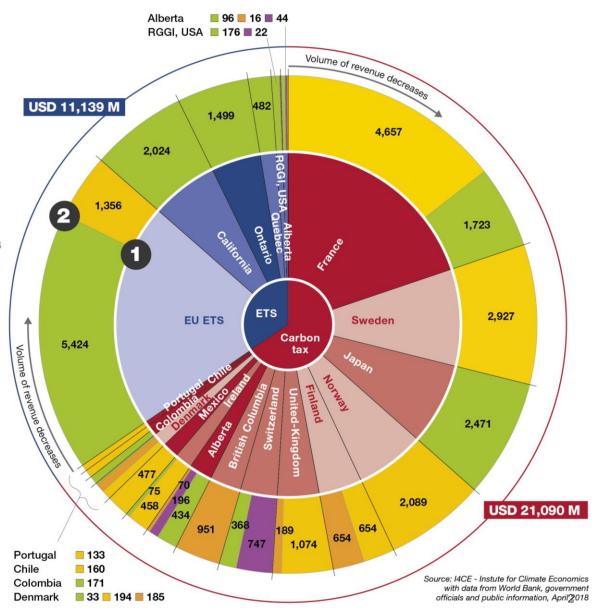
## Revenue uses

- Earmarking
- General budget allocation
- Tax exemptions
- Direct transfers









## Options for revenue use: multidimensional assessment

CRITERIA OF EFFECTIVENESS TAXONOMY OF OPTIONS	Macroeconomic	Environmental performance	Governance and management	Communication and transparency	Social inclusiveness	Political resilience
1. General budget No targeted transfers	0	$\Rightarrow$	$\Rightarrow$	U	$\Rightarrow$	0
2. Direct transfers Targeted beneficiaries (households, companies, etc)		U	U	0		0
3. Green earmarking Investments in energy transition (RES, EE, etc)	U	0	<b>-</b>	0		U
4. Tax cuts Reduction in taxes (corporate, private, labour, etc)	0	<b>-</b>	U	<b>-</b>		<b>-</b>
5. Social programs : Support to disadvantaged households, health programs	<b>-</b>	<b>-</b>	U	0	0	U
6. Infrastructures and development earmarking Investments in e.g. public transportation (buses, trains)	<b>-</b>	0	<b>-</b>	<b>-</b>	<b>-</b>	U

Source: World Bank, I4CE and AFD, 2018







Il s'agit d'une réforme considérable qui porte en germe une refonte de tout notre système fiscal.

La contribution climat énergie ne sera acceptable que si elle a pour objet exclusif de prémunir contre le changement climatique et qu'elle crée de l'emploi.

Tout viol de ces deux règles mettrait en danger le consensus national nécessaire à sa mise en œuvre.

We are working on a considerable measure, bearing the **seeds of a sweeping reform of our whole fiscal system**.

The Climate and Energy Contribution will be acceptable only if its ultimate and only goal is to protect us from climate change, and it creates jobs.

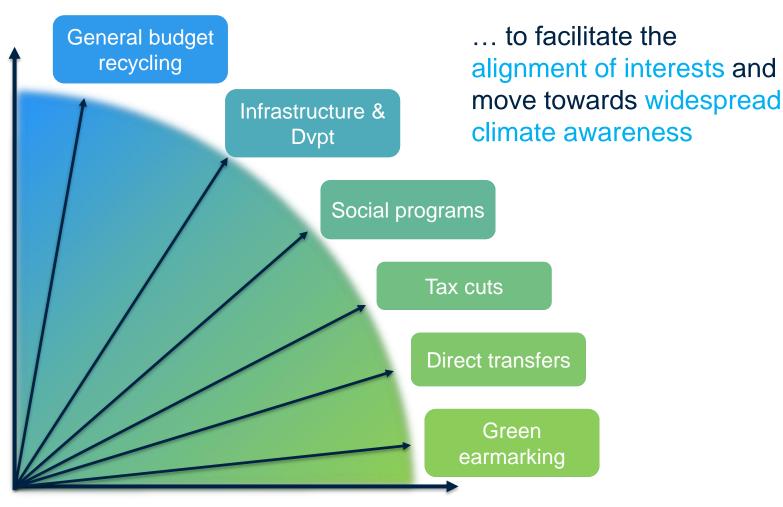
Failing any of these two rules would jeopardize the national consensus that is vital to its implementation.

Michel Rocard, former French Prime Minister, Chair of the Expert's Roundtable on the Climate-Energy Contribution

## Carbon revenues: a means of collaboration

• Strengthening the appropriation of the pricing scheme by all stakeholders...

Improving collaboration among State actors



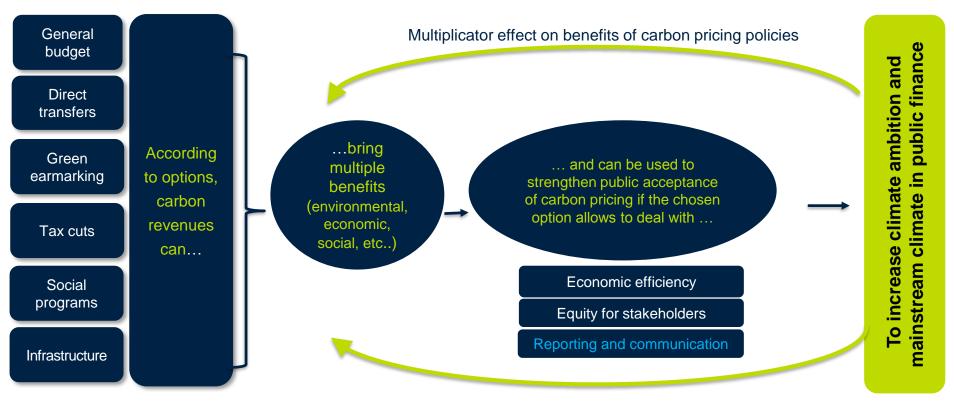






## Carbon revenues: a need for communication

- Build trust in efficiency & equity of government action
- Highlight climate and non-climate benefits
  - Link benefits to the pricing scheme











## Taking stock of revenue experiences worldwide



Emissions 2015: 1,5 MMtCO2<sub>e</sub>

Pricing scheme: ETS

Coverage: 85 %

Start year: 2012

Revenues 2017: USD 2bn

#### **Cumulative Funding Summary**

#### **Appropriated**

\$6.1 billion appropriated by the Legislature

#### Selected & Awarded

\$3 billion selected & awarded by agencies

#### Implemented

\$2 billion in implemented projects





Emissions 2016: 332 MtCO2<sub>e</sub>

Pricing scheme: Carbon tax

Coverage: 35 %

Start year: 2014

Revenues 2017: USD 6.4bn



Centre d'analyse stratégique



MINISTÈRE DE LA TRANSITION ÉCOLOGIQUE ET SOLIDAIRE



Emissions 2016: 643 MtCO2<sub>e</sub>

Pricing scheme: FFS reform

Coverage: XXX %

Start year: 2010

Revenues: USD 3-6bn









## Taking stock of revenue experiences worldwide

QUESTIONNAIRE Institutionalization level of carbon pricing & revenue use Canada Sweden Ukraine Australia Brazil CASE STUDIES Norway Costa Rica Switzerland European Union Tunisia California Ontario France Vietnam British Quebec Columbia India Nigeria **INTERVIEWS** Ireland Mexico Morocco Iran Chile Japan Indonesia Cameroon Colombia Israel South Africa Thailand Timor-Leste Côte d'Ivoire Togo Peru Botswana Kenya Ghana Uganda Zimbabwe Level of development and economic High-income countries Middle-income countries Low-income countries







## Designing an adapted framework: the INCOME principles



## **Starting Phase**

### Incorporate revenues upfront

- ✓ Discuss revenue use when designing the carbon pricing policies
- ✓ Identify potential unintended impacts

#### **National Priorities first**

- Define policy objectives/targets and national circumstances
- ✓ Identify stakeholder groups' interests



## **Design Phase**

## Consultations and inclusive governance

- ✓ Define a transparent governance process
- Ensure the involvement of Finance and Environment Ministries and potentially other specialised institutions
- ✓ Mobilize the private sector and social stakeholders to prevent risks of unpopularity



- ✓ Compare spending options and determine the most appropriated option(s) according to national objectives and circumstances
- Define compensating measures if necessary to mitigate negative redistribution effects



## Reporting and improvement phase

## Measure & report on revenue use

- Define effectiveness indicators for carbon revenues use
- Monitor and report on a transparent and regular basis
- Communicate widely on the role of revenue within the pricing scheme

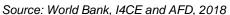
#### Enhance revenue use

- Perform regular reviews and stock takes
- ✓ Adapt revenue use to the long-term ambition













Modeling

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inform

decision-making

process











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# Thank you for your attention

**Questions?** 

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