

Carbon pricing: What is the way forward for developing countries?

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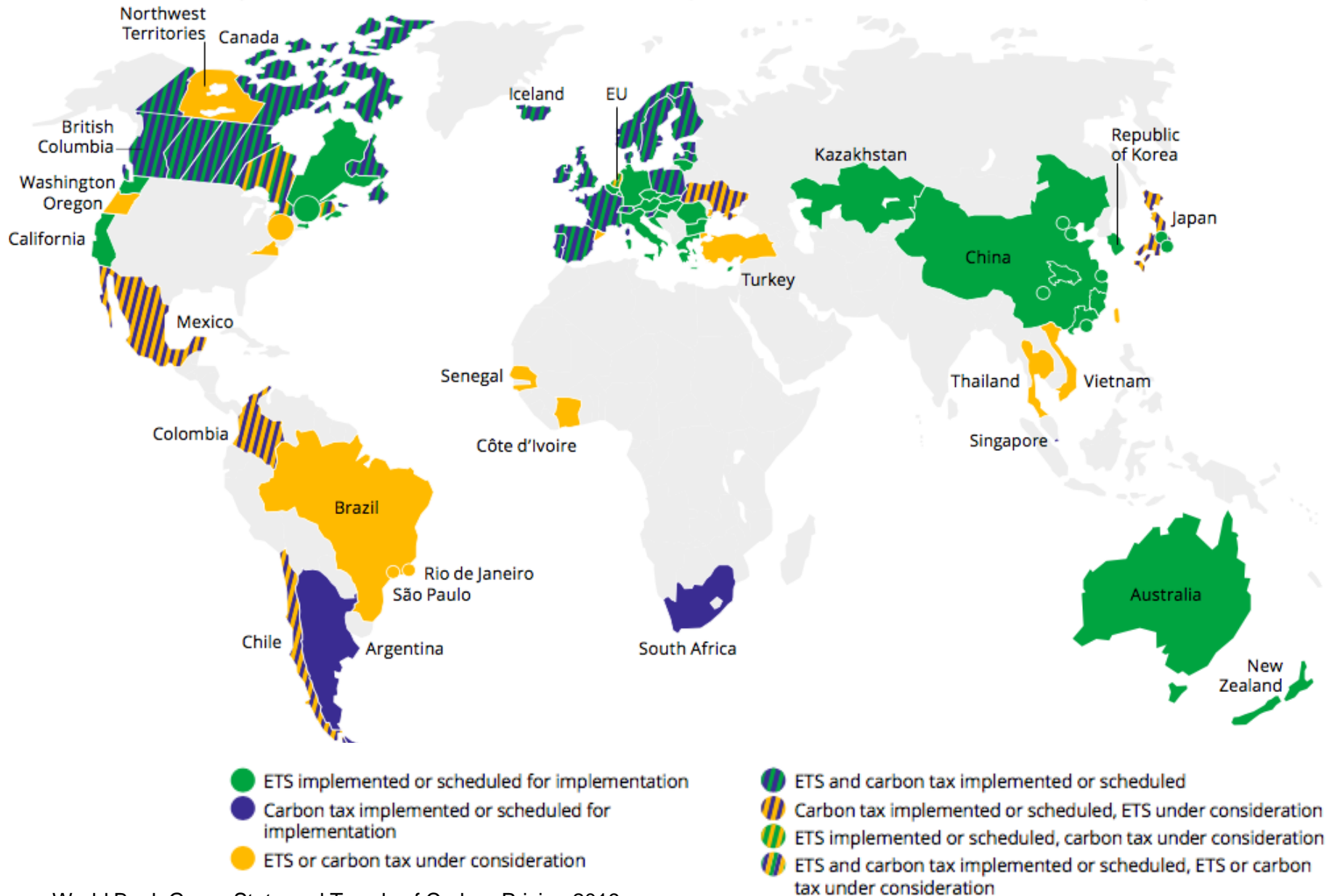
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**** Disclaimer: The views expressed in this presentation are those of the author and do not necessarily represent those of the United Nations.***

Carbon pricing: current status



Source: World Bank Group State and Trends of Carbon Pricing 2019

Barriers to carbon pricing in developing countries

- Lack of policy design and administrative capacity
- Institutional barriers
- Political feasibility
- Equity concerns
- Economic/investment concerns

How to overcome those barriers?

Some (non-comprehensive) options...

- Capacity development and policy guidance
- Support in data management
- Coherent review of fiscal policies
- Targeted revenue use (where possible)
- Addressing subnational entities as well as central governments
- Involving the private sector

**The work of the
United Nations Subcommittee
on Environmental Taxation Issues**

The United Nations Committee of Experts on International Cooperation in Tax Matters

- UN Tax Committee: subsidiary body of Economic and Social Council (ECOSOC), comprising 25 members acting in their personal capacity
- Advance their work through 10 Subcommittees, including the Subcommittee on Environmental Taxation Issues

The Subcommittee on Environmental Taxation issues is mandated to:

- Identify the most pressing issues where guidance may be most usefully assist developing countries in the area of environmental tax issues
- Pay particular attention to the application of carbon taxes, and report current country practices, policy considerations and administrative issues

The Handbook on Carbon Taxation

- Practical guidance for tax officials on how to design and implement a carbon tax;
- Specific guidance for government officials of developing countries;
- Framework for policy makers of countries fiscal measures for environmental protection;
- Present (in a non-prescriptive way) why countries may choose carbon taxation among other instruments, and what are the options available.

The Handbook on Carbon Taxation

- Developed through the expertise of the members of the Subcommittee, and approved by the Tax Committee;
- Consultation with tax officials of countries that have implemented carbon taxation;
- Consultation with tax officials of developing countries;
- Due for completion in mid-2021.

Issues covered by the Handbook on Carbon Taxation

- a) Conceptual framework and motives for introducing a carbon tax
- b) Institutional and political framework, including how to support policy coherence and coordination among different governmental entities
- c) Designing a carbon tax
- d) Issues in the administration of a carbon tax
- e) Revenue use
- f) Interaction of carbon tax with other measures with other existing policies (including subsidies)
- g) Country experiences

Relevance of country experiences in the Handbook

Given the practical nature of the Handbook, extensive attention will be devoted to country experiences.

The Subcommittee welcomes the inputs of all interested countries which would like to share their experience to be included in the Handbook.

To gather more information on the needs and barriers experienced by developing countries, the Subcommittee is cooperating with DESA Secretariat.

The first pilot was conducted during a capacity development Workshop in Nairobi in June, with the participation of tax officials of countries in Africa.

For more information on the Subcommittee:

<https://www.un.org/esa/ffd/tax-committee/tc-subcommittee-environmental-taxation.html>

Thank you