

Coalition of Finance Ministers for Climate Action

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Miria Pigato,
co-lead of the Secretariat of the Coalition



Principle # 3: Work towards measures that result in effective carbon pricing

RECAP Principle 3: Progress so far

- Champions: Sweden and Ecuador
- Sweden hosted a **Sherpa workshop on Carbon Taxation** on October 3-4, 2019 in Stockholm).
- Secretariat launched a **Carbon Pricing Survey** in September 2019.
- Tools are being developed to incorporate carbon pricing into fiscal policy and macro modeling.
- Collaboration with IMF, OECD, EU, Member Countries

RECAP Principle 3: Priority Actions identified in the Santiago Action Plan

Identifying technical requirements for introducing carbon pricing.

- Reducing/eliminating fossil fuel subsidies and tax expenditures
- Implementing environmental fiscal reforms, to reduce emissions, increase domestic revenues and generate positive welfare effects.
- Supporting efforts by member countries to introduce coordinated carbon pricing arrangements.

Supporting policy responses to concerns arising from domestic carbon pricing through knowledge sharing

- Protecting short-run external competitiveness
- Assessing needs for incidence analysis on how household burdens might be affected
- Ensuring that reforms are fair, participatory and effectively communicated.

Proposed Work Program, 2020-21

| Area of work | Members | Output | Timing | Indicator |
|--|-----------------------------|---|---|---|
| Identifying technical requirements for introducing carbon pricing. | WB (MTI), IMF | The Carbon Pricing Assessment Tool (CPAT) – an Excel-spreadsheet tool for assessing the impact of carbon pricing on several dimensions of economic development. | mid-2020, potential launch at or before COP26 | No. of Coalition Finance Ministries using the Tool: 10 by end of 2020 |
| | WB, IMF, South Africa, OECD | Workshop on carbon pricing | February-March 2020 | Number of finance ministry officials participating: 20 |
| | CPLC | Webinar series on carbon pricing and Africa | 2020 | |
| | CAPE, PMR, CPLC, OECD | Guides to calculate the impacts of environmental taxation. | | |
| | Training | A 3-day face-to-face training course in French and English, soon supported by online training. | | |
| | WB (PMR) and Ivory Coast | Report on “Implicit carbon taxation of emissions related to deforestation from cocoa production”. The study is coordinated with AG and ENR GPs, IFC and ITTO, and Ivory Coast | | |
| Carbon price floors Competitiveness issues | WB, IMF, OECD | Policy notes on: 1. Carbon price floors – how such a regime could work; 2. Taxing emissions in countries with concerns over competitiveness | 2020/21 | Members discuss the complexities involved in designing and adopting carbon price floors |

Proposed Work Program, 2020-21

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|--|----------------------------------|--|---|---|
| Fossil Fuel subsidies | WB, OECD, IMF, CPLC | Workshop on fossil fuel subsidies, emissions trading systems and effective carbon prices Policy brief (Finland leading) on fossil fuel subsidies and carbon pricing | 2020 | Technical workshop complementing Stockholm event: 25 experts |
| Analyze the transition challenges and economic impacts of introducing carbon pricing | PMR WB | PMR Guide to Co-benefits of Carbon Pricing PMR Guide to Communicating Carbon Pricing Working Papers on: (i) incidence of carbon pricing reform; (ii) distribution of development co-benefits for climate mitigation; (iii) air pollution and health co-benefits of carbon price reform | June 2020 Already released Mid-2021 | Report used by Members To be presented and discussed among Members Working papers distributed and discussed among Members |

Proposed work program - Secretariat, CPLC, PMR, IMF, OECD, Sweden, Finland, Ivory Coast, Finland

By Spring 2020

- **Tools:** The Carbon Pricing Assessment Tool
- **Workshops:** Carbon tax workshop (pricing workshop in South Africa)
- **Technical Notes** on Carbon taxes, carbon price floors

By mid 2021

- **Tools:** PMR Guide to Co-benefits of Carbon Pricing
- **Training courses (French and English)**, to build capacity and awareness, webinar series
- **Workshop** on fossil fuel subsidies, emissions trading systems and effective carbon prices
- **Policy briefs** (Finland leading) on fossil fuel subsidies and carbon pricing
- **Working Papers** on: (i) incidence of carbon pricing reform; (ii) air pollution and health co-benefits of carbon price reform; (iii) political economy of reforms

Statement on Principle 3

“We acknowledge that there is a large gap between existing carbon prices and those needed to achieve the Paris Agreement. We affirm that this gap needs to be narrowed urgently. We also acknowledge that carbon price reforms need to be fair and just, support people’s transition toward a zero-carbon economy without threatening their livelihoods and protect the poorest and most vulnerable in society. We hereby reaffirm our commitment to take action and work towards measures that result in effective carbon pricing, to narrow the gap, while supporting people and communities through the transition.”

Discussion

- Work program: adequacy, offerings, new proposals from Sherpa
- Do you agree with the Statement?

Thank You

