

Workshop on Carbon Taxation

The fossil fuel tax in Costa Rica

Stockholm October 3-4

The single fuel tax:

It is established by law 8114 that expressly repeals the taxes that previously affect fuels such as sales tax, selective consumption and the tax in favor of CONAVI (National Road Council) (does not exist).

Fuels from law 8114 are taxed with a new tax, whose tax base and rate changes radically. It went from an ad-valorem scheme, which established a percentage rate on a value, a specific amount per liter according to the type of fuel.

The tax scheme that existed before Law 8114 favored an increase in collection according to the growing trend in international prices, given the conformation of the base of each tax that produced a cascading effect (one tax was the base of the other).

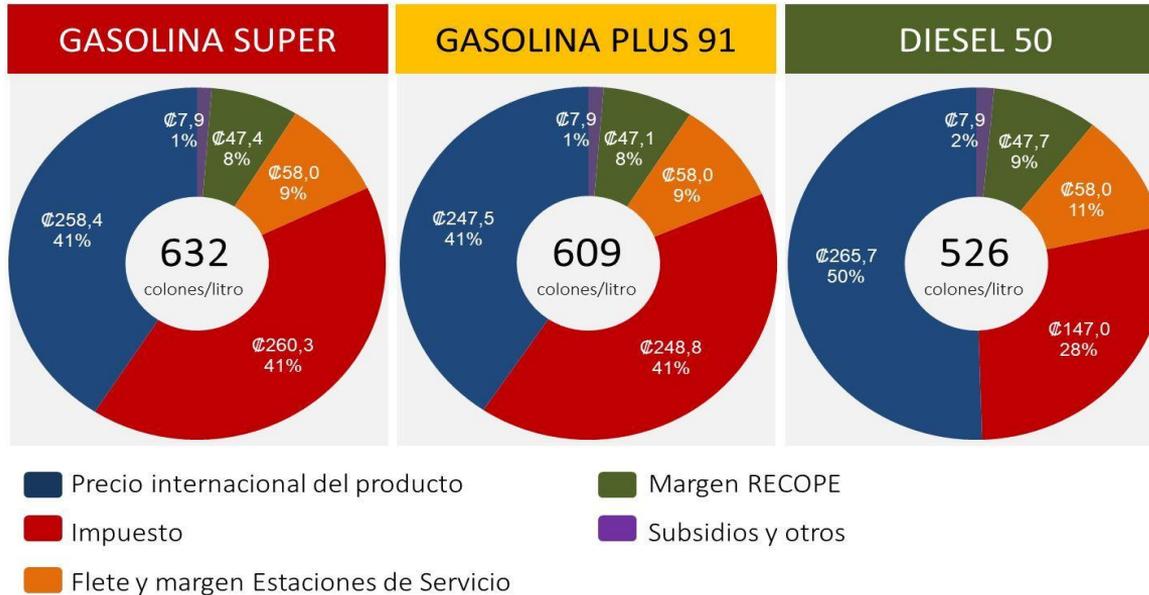
It is also important to indicate that the price of fuels is made up of three main items:

- The margin of the service station and the carrier
- The single fuel tax
- RECOPE (Costa Rican oil refinery) price, which in turn depends on a series of variables (international price, exchange rate, administrative expenses, investments, among others)

RECOPE price component varies mainly due to adjustments in the international price of fuels. That is to say, the greatest adjustment in prices is due to the behavior of international prices that have no impact on the determination of the tax.

<https://www.recope.go.cr/productos/precios-nacionales/estructura-de-precios/>

Estructura del precio de los combustibles



RE-0059-IE-2019, publicada 28/08/2019 en el Alcance N° 191 a la Gaceta N° 161.

Exchange rate 585,84 Sept 25,2019, Prices: \$1,078, \$1,039, \$0,897

Recaudación y distribución del Impuesto Único sobre los Combustibles (Ley N°8114)

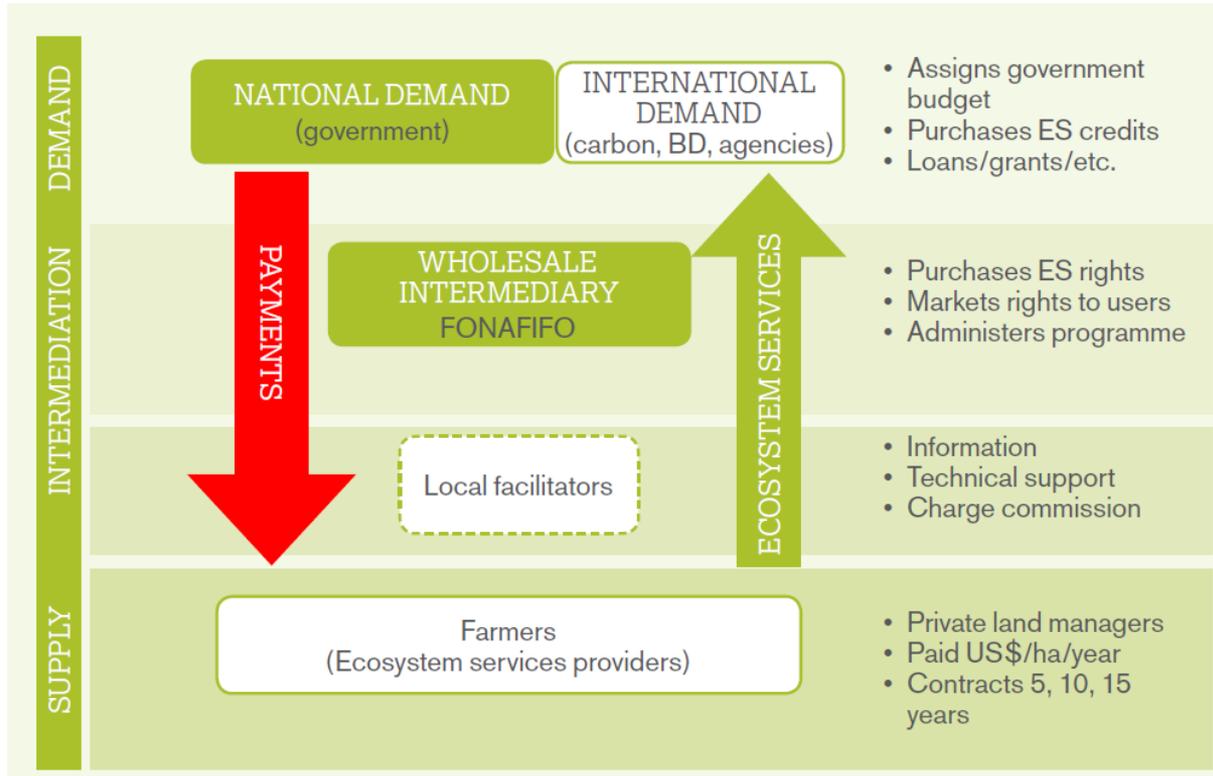
Subtotal		millones de colones	%
Impuesto Unico sobre los Combustibles	517.665,8		
	Consejo Nacional de Vialidad.	105.836,8	
	Municipalidades.	108.269,8	
	menos materiales donados	221,4	
	Total Munis	108.048,4	20,9%
	Fondo Total CONAVI Subtotal	213.885,1	41,3%
	MAG Beneficios Ambientales Agropecuarios. 3/	486,6	0,1%
	UCR (LANAMME)	4.866,1	0,9%
	Cruz Roja (M. Salud)	2.548,3	0,5%
	Fonafifo (M. Ambiente)	17.031,2	3,3%
	Gobierno Central	278.848,6	53,9%
Subtotal		517.665,9	100,0%

The National Forestry Fund (FONAFIFO):
\$29 million for the year 2018

The National Forestry Fund (FONAFIFO) is the primary intermediary charged with administrating the PES programme. It signs legal contracts agreeing land use with forest owners, and monitors their compliance through local forestry technical facilitators (*regentes forestales*). In exchange for the payments, the landowners transfer the 'rights' to the ecosystem services to FONAFIFO, where they make up the wider portfolio of approved ecosystem services (ES) credits. FONAFIFO then sells some of these credits to its buyers.

The next picture presents the overall structure of the programme.

The structure of Costa Rica's PES programme



Source: Porras, I., Barton, D.N, Miranda, M. and Chacón-Cascante, A. (2013), *Learning from 20 years of Payments for Ecosystem Services in Costa Rica*, International Institute for Environment and Development, London.

Payments for Ecosystem Services

Twenty years have passed since the idea for PES originated, following the Rio Conference in 1992. The environmental, economic and political context has changed, and with it the demands on the programme's design.

Set up as an experiment, the PES programme has become rooted in the country's conservation policy. Heavily reliant on public funding – and as such prone to political upheavals – it has nevertheless 'survived' several changes in government, supported strongly by landowners, the conservation movement in civil society, and the population at large.

Costa Rica's Payments for Ecosystems Services (PES) programme has become something of an icon in the world of conservation. Its innovative blend of economic and regulatory instruments – and its hitches and successes – provide a valuable source of inspiration for other countries that are looking for effective ways to conserve and regenerate ecosystems. Since 1997, nearly one million hectares of forest in Costa Rica have been part of the PES programme at one time or another, and forest cover has now returned to over 50 per cent of the country's land area, from a low of just 20 per cent in the 1980s.

PES historical results 1997-2018



Reforestación:
71 mil hectáreas



Regeneración natural:
24 mil hectáreas



Manejo de bosque:
31 mil hectáreas



Protección de bosque:
1 millón de hectáreas



Protección de recurso hídrico:
50 mil hectáreas



Sistemas agroforestales:
7,5 millones de árboles



Sostenibilidad

Comercialización de Servicios Ambientales



Experiencia y compromiso

COSTA RICA
**PLAN NACIONAL DE
DESARROLLO
Y DE INVERSIÓN PÚBLICA
DEL BICENTENARIO**
2019-2022



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