



Data Buffet with the OECD

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DataharvestEIJC2020

17 September 2020



Carbon pricing in times of Covid-19

From data to policy

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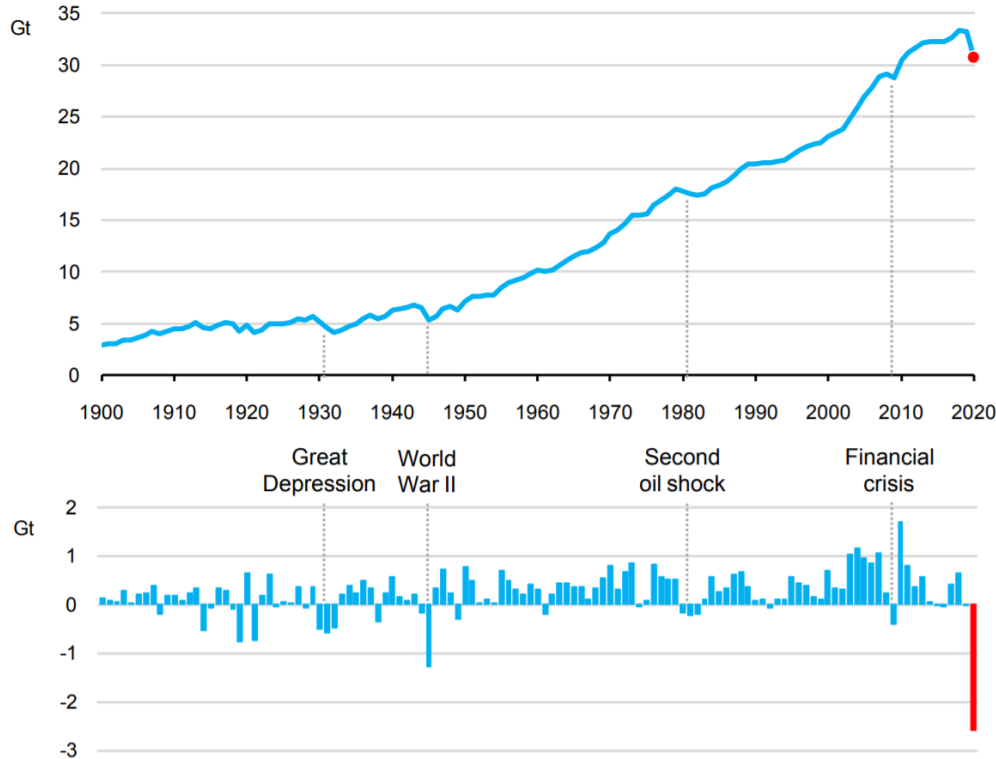
Outline

- » Why price carbon?
- » Where do we stand with carbon prices?
- » Points for discussion: How to make progress in the current context?
- » Where to find the relevant data?



Why price carbon?

Global energy-related CO₂ emissions and annual change, 1900-2020



Source: IEA 2020



Why price carbon?

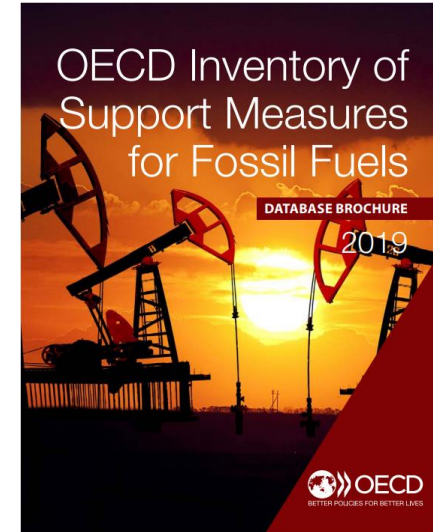
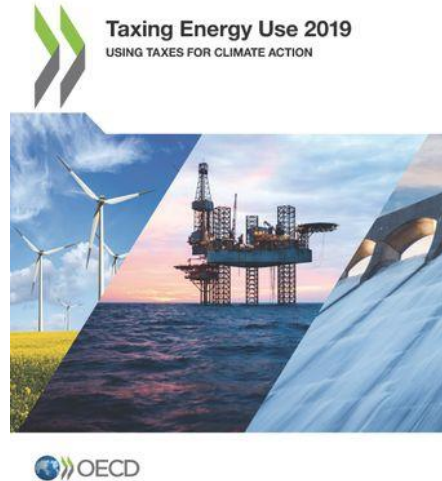
- » Encourage consumers and producers to make cleaner choices



- » Contribute to other goals of tax and fiscal policy (revenue, equity, affordability, competitiveness, etc.)



Where do we stand with carbon prices? OECD work





Energy tax systems provide too little incentive to move to cleaner energy

- » Taxes on polluting fuels remain too low to reduce the risks and impacts of climate change & air pollution
- » **Across 44 OECD and G20 economies, 70% of energy-related CO₂ emissions are not taxed at all**
- » Increasing carbon prices first where they are currently lowest makes sense (coal, international aviation and shipping, etc).
- » In some countries even revenue-neutral electricity tax reform could strengthen incentives to reduce emissions.



Taxing Energy Use 2019
USING TAXES FOR CLIMATE ACTION



 OECD



Overall, effective carbon taxes are too low to provide meaningful environmental price signals

	Average* fuel excise per tCO ₂ in 2018	Average* explicit carbon tax per tCO ₂ in 2018	Average* effective carbon tax per tCO ₂ in 2018
Coal and other solid fossil fuels	0.61	0.13	0.73
Fuel oil	3.50	0.46	3.96
Diesel	70.65	3.11	73.76
Kerosene	4.27	0.34	4.61
Gasoline	84.34	1.50	85.83
LPG	10.23	0.89	11.12
Natural gas	4.08	1.19	5.26

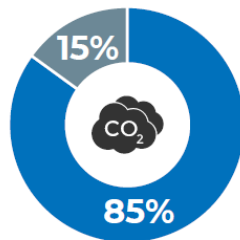
* Emission-weighted average across all 44 countries and int'l aviation & maritime



Outside road transport, the bulk of carbon emissions are unpriced

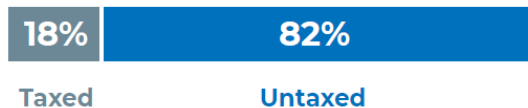
85% of energy-related CO₂ emissions take place outside the road sector.

Road emissions
fuel use by cars,
trucks and other
road vehicles



Non-road emissions
electricity generation,
manufacturing, heating,
aviation and maritime
transport

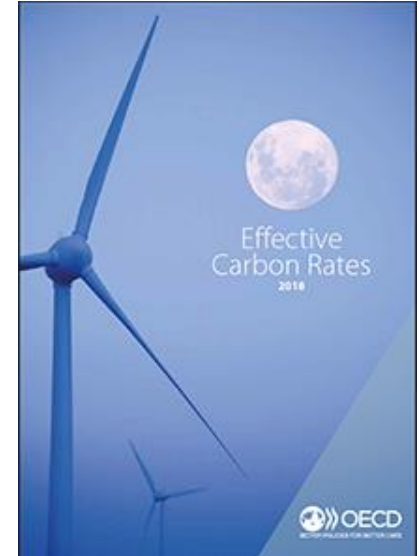
But **taxes only cover 18% of non-road emissions**, leaving a tax of zero for the remaining 82%.





Broadening the scope to emissions trading systems does not change the overall conclusion

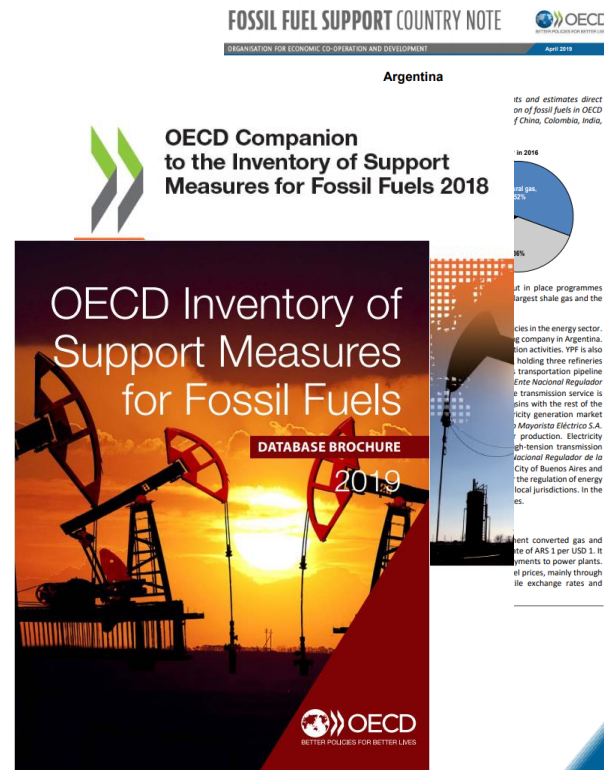
- » Taxing fuels is not the only way to price carbon
- » Jurisdictions can use taxes to price carbon, or they can introduce emissions trading systems (e.g., EU ETS, California & Quebec,...)
- » **Taking taxes and emissions trading systems together, only 10% of emissions are priced at EUR 30/tCO₂ or more.**





Government support for fossil fuels can sometimes imply that carbon prices are effectively negative

- » The OECD provides regular updates of the **Inventory of Support Measure for Fossil Fuels**, its corresponding **country notes** and the **Companion report**.
- » The **2020 Inventory** covers **44 countries** (36 OECD countries and 8 selected economies). It includes about **1 300 individual government policies** that support the production and consumption of fossil fuels.
- » In 2019, **OECD and selected economies** transferred **USD 178 billion** to the consumers and producers of fossil fuels. At the global level, the combined **IEA-OECD** estimate stands at **USD 478 billion**.





Points for discussion: How to use carbon prices to unlock low-carbon investments for a green recovery

Strong carbon price signals can channel investments into assets that are aligned with countries' long-term priorities, but:

- » How to time carbon price reforms in the current context?
- » How to best address distributional and affordability concerns?
- » How to credibly commit to increasing carbon prices gradually over time?
- » Is there a need for new tools to address medium-term carbon leakage and competitiveness issues?
- » Do we need specific pricing instruments for harder-to-abate sectors?



Where to find the relevant data and analysis?

» Websites

- Energy and carbon tax rates: oe.cd/TEU2019
- Effective carbon rates (additionally including carbon prices resulting from emissions trading systems): oe.cd/ECR2018
- OECD-IEA Analysis of Fossil Fuels Support: www.oecd.org/Fossil-Fuels

» Any questions?

- Tax-related data or analysis: ctp.contact@oecd.org
- Environmental data or analysis: env.contact@oecd.org



Open discussion