



# Fiscal Affairs Department

## Carbon Pricing For Paris

VITOR GASPAR

Director, Fiscal Affairs Department, IMF

The Role Of Carbon Pricing In Implementing The Paris Agreement, IMF-RFF Seminar

October 19, 2016





# 2015 Paris Agreement

- ▶ 195 countries submitted emissions pledges
- ▶ 81 parties covering over 60 percent of emissions have ratified
- ▶ International organizations have key role in monitoring policies

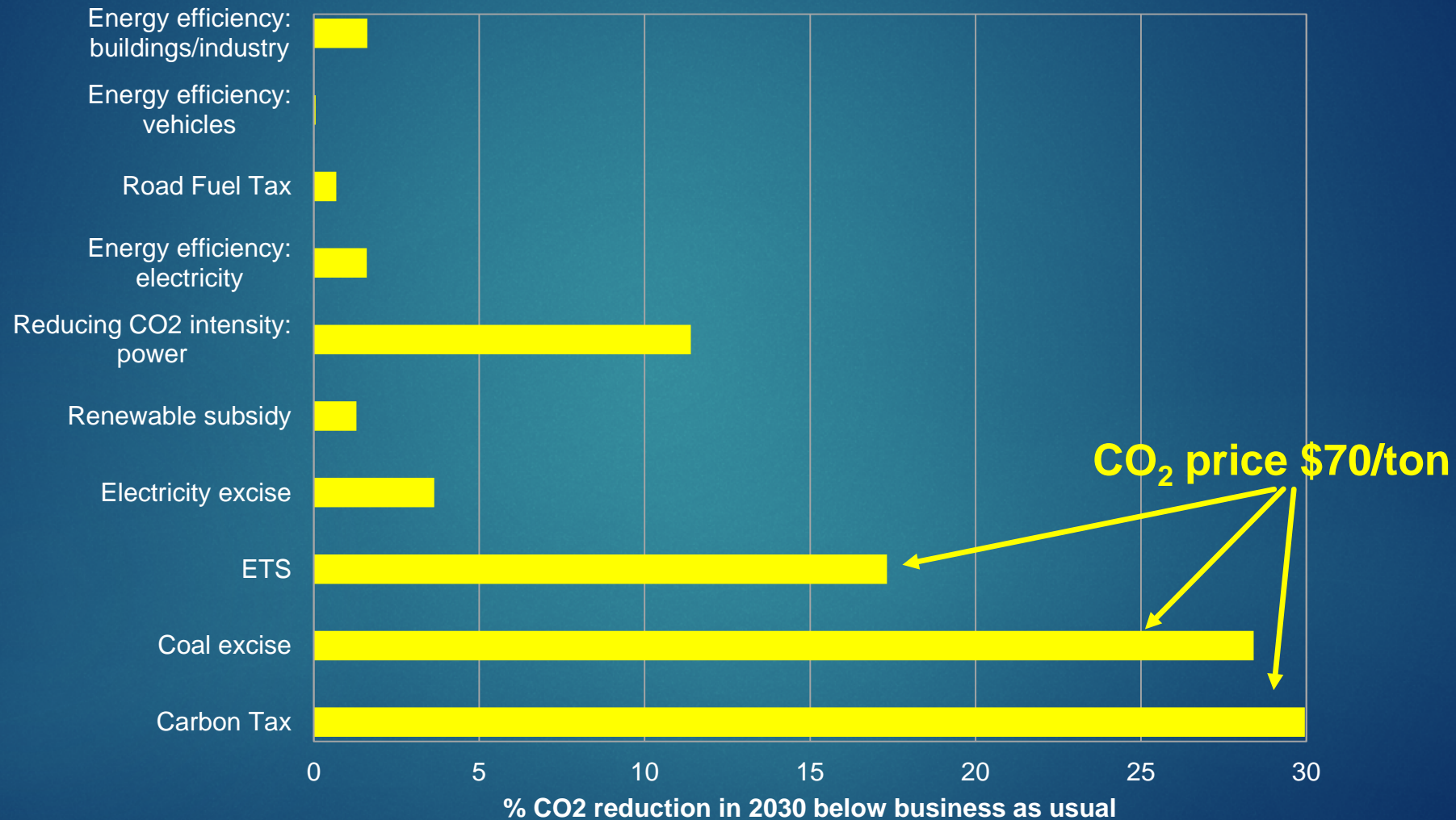


# China is pivotal

- ▶ Accounts for 29 percent of emissions
- ▶ Estimates point to 1 million deaths a year from fossil fuel air pollution
- ▶ Nationwide carbon pricing in 2017
- ▶ IMF working paper



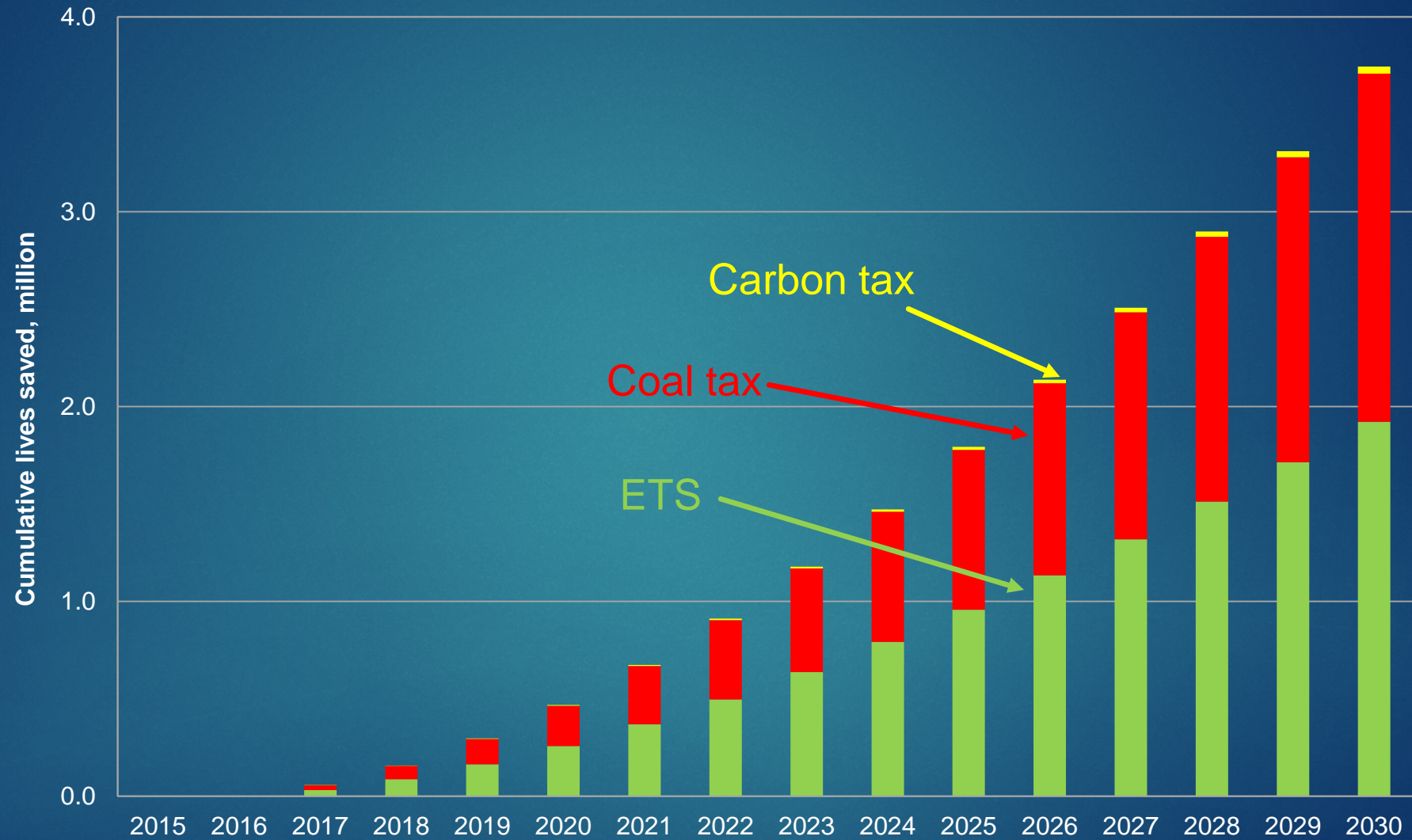
# China: Effectiveness of Mitigation Policies



Source: IMF (2016).



# China: Reductions in Air Pollution Deaths

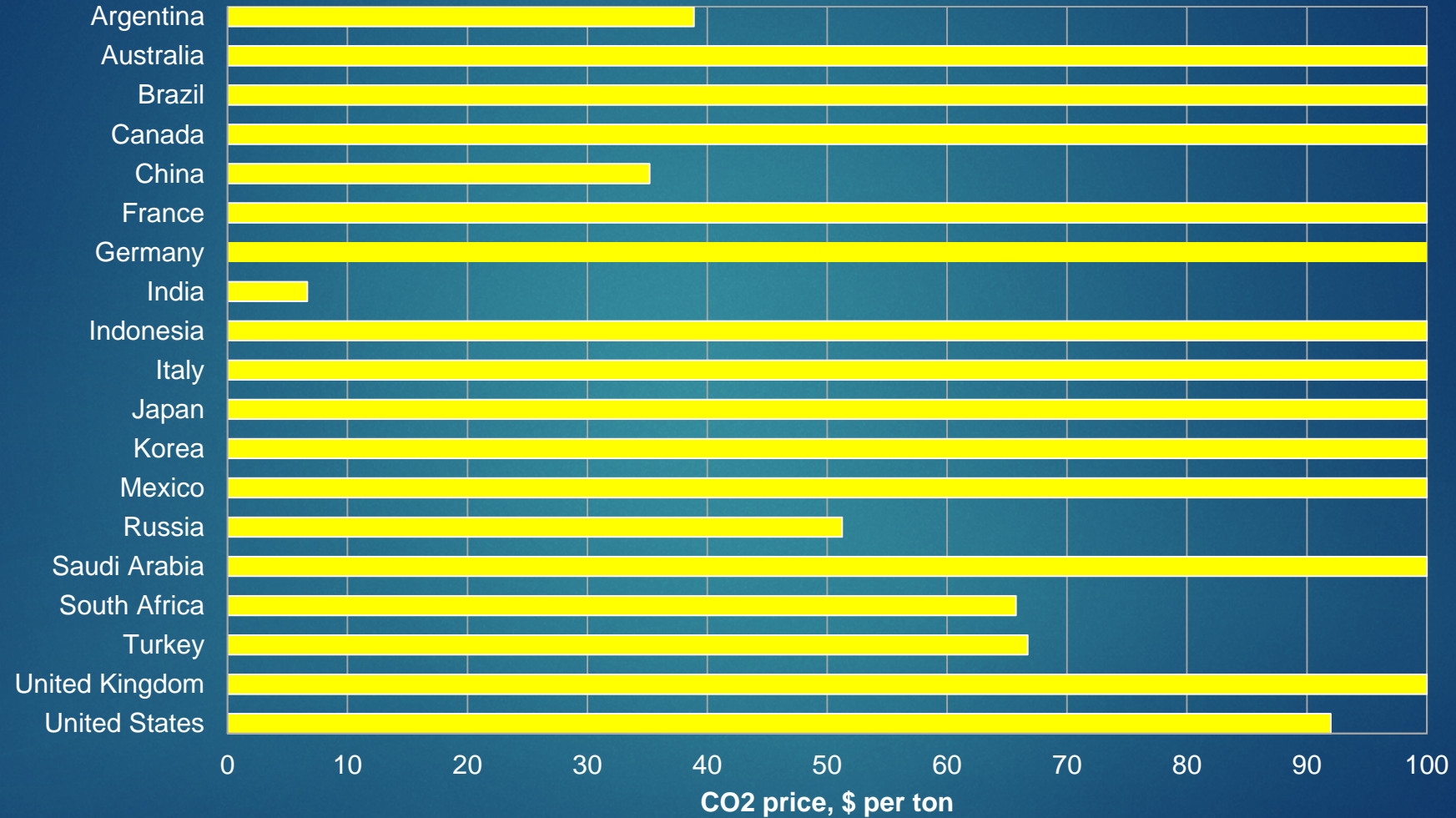


Source: IMF (2016).



# CO<sub>2</sub> Prices Needed for Paris (Preliminary)

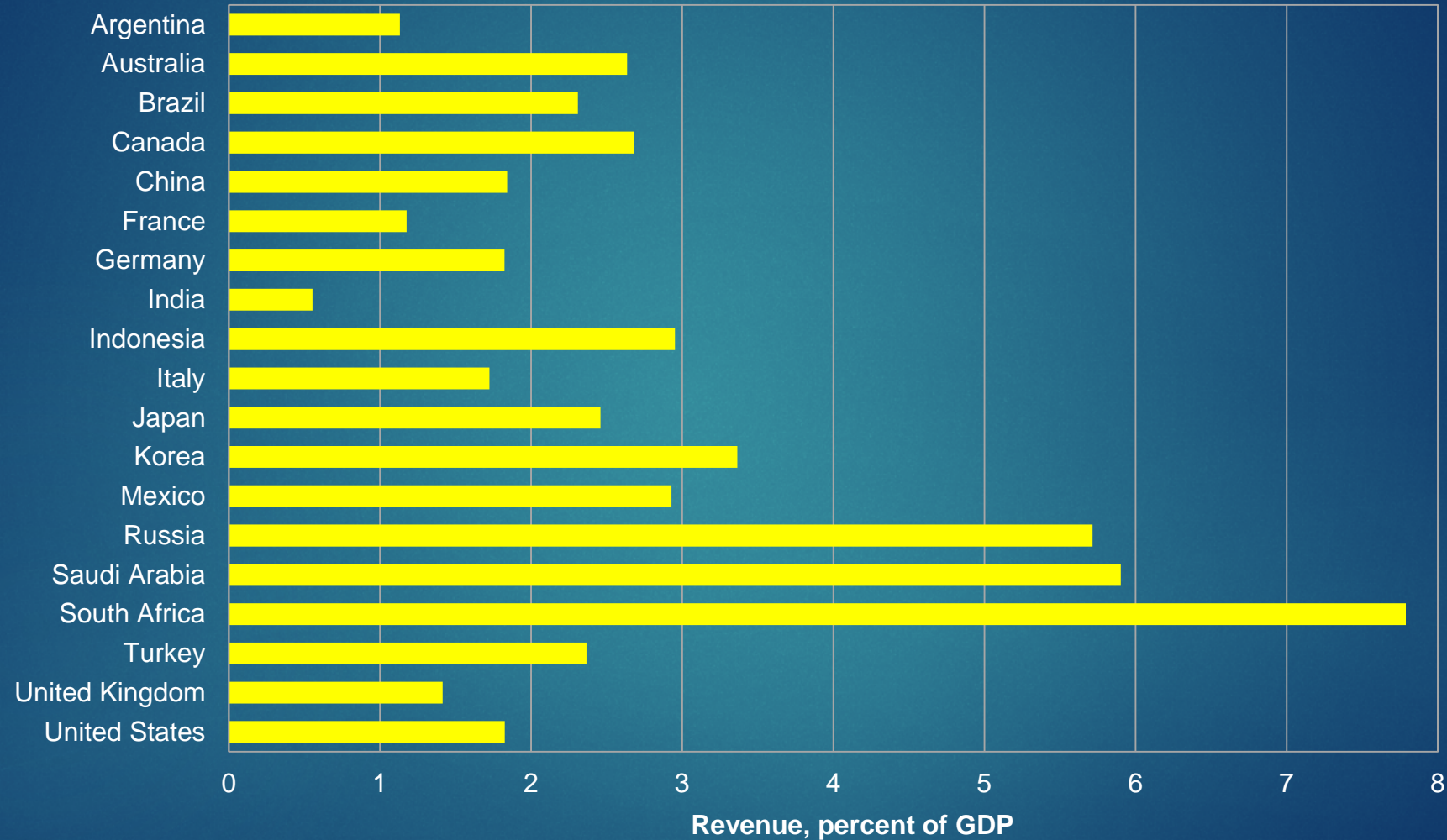
## G20 Countries, 2030 or thereabouts



Source: IMF (2016). Note: 2025 for Brazil and US.



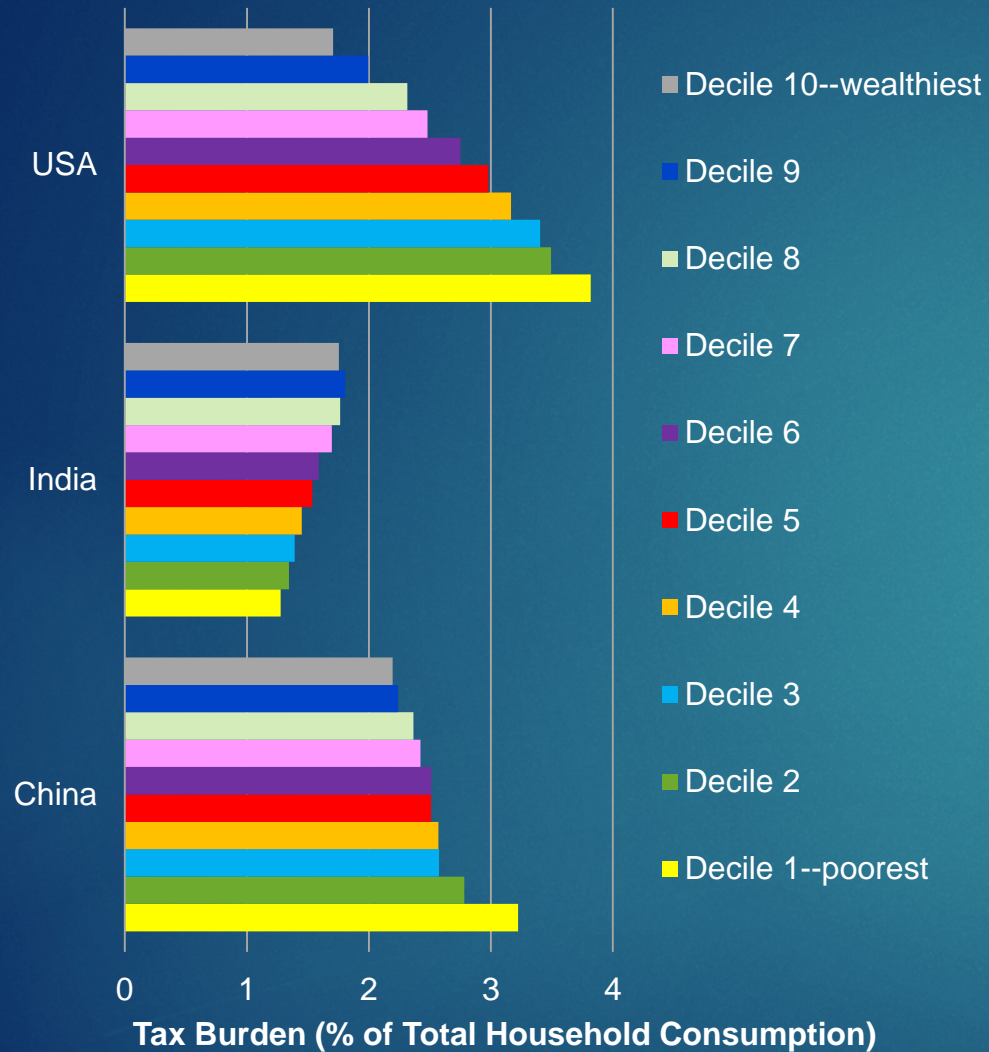
# Revenue (Preliminary) for Boosting Growth G20 Countries, 2030 or thereabouts



Source: IMF (2016). Note: 2025 for Brazil and US.



# Need to Help Vulnerable Groups



▶ Assist transition from uneconomic activities

▶ Poor households

▶ Carbon pricing mildly regressive/progressive

▶ Typically  $\leq 12\%$  of revenues needed for compensation

Source: IMF (2016).



# International Coordination: Carbon Price Floors

- ▶ Provides price certainty (for innovation)
- ▶ Countries can exceed floor
- ▶ Complement Paris process
- ▶ Precedents: EU tax floors for VAT, excise
- ▶ Requires monitoring 'effective' carbon price



# Thank you

Please visit

[www.imf.org/environment](http://www.imf.org/environment)