

Comments on “International Equity Issues”

RFF Workshop “The Role of Border Measures in the Design of Unilateral Climate Policy”



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- For understanding effectiveness, cost-effectiveness, and distributional impacts of alternative emissions leakage policies.
 - useful to also analyze subsidy for energy-efficient technologies

Why is leakage/competitiveness so difficult?



- Dealing with burdens on households:
 - scale back pre-existing energy taxes (on electricity use, vehicle ownership)
 - far better targeted policies for distributional goals (e.g., safety nets)

- But for leakage/competitiveness
 - pre-existing energy taxes less relevant
 - don't have a good (all-round) instrument



- Same problem whenever competition among governments for mobile tax base e.g., taxes on
 - capital
 - international aviation & maritime emissions
- Standard recommendation: minimum price floor.
- Useful to examine what carbon tax floor, and how widely applied, for outcomes to be at least as good as under unilateral leakage policies.

Potentially adverse effects of BTAs



- One possibility—require a portion of net revenues from BTAs are remitted to the GCF to finance climate projects in developing countries.
- Useful to analyze revenue potential and incidence effects.



- Much bigger welfare gains at stake from whether fiscal dividend from carbon pricing exploited.
- If revenue opportunities squandered, cost effectiveness of carbon pricing seriously undermined (don't offset tax-interaction effect).
- Package of other measures (feebates) to reduce CO₂ per kWh and improve energy efficiency can be more cost effective and avoid large increase in energy prices → smaller tax-interaction effect.



Thank you!