Business Unit

Carbon Tax As Practiced in the World Focus on: Asia & Pacific Carbon Market

Strictly Private and Confidential **Draft**

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Carbon Tax

A carbon tax is effectively a tax on the carbon dioxide emissions from burning fossil fuels.

Carbon pricing is only instrument in a portfolio of approaches that can be used for emissions mitigation.



About 40 national and over 20 subnational jurisdictions, (1/4 of global GHG emissions) are putting a price on carbon,

Estimated value of the carbon pricing mechanisms globally in 2015 despite the repeal in Australia

Companies and investors publicly expressed their support for carbon pricing at the New York Climate Summit

Source: The World Bank Group, Carbon Pricing Watch 2015

Summary map of existing, emerging, and potential regional, national and subnational carbon pricing instruments (ETS and tax)



Source: The World Bank Group, Carbon Pricing Watch 2015

Launched pilot emissions trading systems in 7cities and provinces in 2013 and 2014 and plans to create to a national system in 2016

Target of 40-45% reduction of emission intensity by 2020 (base year: 2005)

Launched its ETS in January 2015, covering 525 businesses from 23 sectors that account for about 2/3rd of the national emissions.

Target of 30% reduction of emission intensity by 2020 (from BAU)

Approved a carbon tax to start in 2018 that will target large thermal power plants and charge US\$5 per metric ton of CO2 emitted.

Target of 20% reduction of emission intensity by 2020 (base year: 2007)

Has a national climate change law, started a carbon tax in 2014

Target of 30% reduction
Of emission intensity
By 2020 (from BAU)

http://www.worldbank.org/en/programs/pricing-carbon

Created a revenue-neutral carbon tax that directs the C\$30 per ton of CO₂equivalent charged back to taxpayers through lowered personal and business income taxes and into targeted support for low-income individuals and families

Pioneered international carbon emissions trading in 2005. The system, currently the world's largest, covers more than 11,000 power stations and industrial plants, along with airlines, in the 28 EU countries plus three other countries

Both launched ET systems in 2013 and formally linked their systems in 2014, allowing the two systems to trade each other's carbon allowances. Linking markets expands the pool of participants and can broaden opportunities and reduce volatility.

Approved a carbon tax to start from January 2016

Target is to reduce 34% Carbon intensity by 2020 (from BAU)

http://www.worldbank.org/en/programs/pricing-carbon http://www.thecarbonreport.co.za/the-proposed-south-african-carbon-tax/

Carbon pricing helps lower overall emissions while giving businesses the flexibility to find their own most efficient solutions.

China leads a list of 73 countries, 22 states, provinces and cities, and over 1,000 businesses and investors who signaled their support for carbon pricing ahead of the UN Climate Leadership Summit in November 2015

54%

of global GHGs

52%

of global GDP

ASPAC region

Indonesia
Nepal
Philippines
Sri Lanka
South Korea
Vietnam



The only negative case is repeal of carbon tax in Australia, the reason cited being forced hike in energy price, increased cost of living, boost Australia's economy and reduce compliance costs.

Future of Carbon Markets – PwC report 2015

Despite the years of low prices and policy turmoil in carbon markets around the world, business is still saying that market-based approaches are the most effective.

Key highlights of the report:

- European carbon prices are expected to rise for the first time in four years: €10.79 up from €8 last year
- An overwhelming number (88%) view carbon markets as effective policy instruments for reducing emissions and helping to address climate change, in comparison with 84% in 2005
- 58% believe the Paris climate talks in December will lead to an expansion of global carbon markets.

Summary

- A carbon tax is a form of explicit carbon pricing; it is a tax directly linked to the level of carbon dioxide (CO₂) emitted.
- Carbon tax does not guarantee a maximum level of emissions reductions, instead, it provide certainty regarding the marginal cost of emitting CO₂.
- Carbon Tax sends a price signal that gradually causes a market response across an entire economy creating incentives to proactive businesses.

Carbon pricing will continue to be used as an instrument to reduce GHG emissions. Several Intended Nationally Determined Contributions (INDCs) explicitly indicate that carbon pricing will be an element of their mitigation strategy.

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