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
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.
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.
Fiscal issues

- 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 CO$_2$ per kWh and improve energy efficiency can be more cost effective and avoid large increase in energy prices $\rightarrow$ smaller tax-interaction effect.
Thank you!