Ministerio del Medio Ambiente

Gobierno de Chile

Carbon Tax

Update from Chile

Zurich, Switzerland

March, 2016

Context

- GHG Inventory 2010:
  - Total emissions: 92,000 GgCO2 eq (0,25% total).
  - Per capita emissions: 5.3 t CO2 eq per year

- Increase GHG emissions: 83.5% (1990-2010)

- Main drivers Energy and Agriculture sectors (90% total national emissions)

  - Energy (75%)
    - Coal and diesel consumption for electricity
    - Liquid fuels for road transportation

- Chile is a highly vulnerable country for climate change (IPCC, 2001).

- The economic losses are estimated to be around 1,1% of annual GDP (2010-2100).

NDC (2015)

- Chile is committed to reduce its CO2 emissions per GDP unit by 30% below their 2007 levels by 2030.

Context

- Reforms in the new government of President Bachelet

- The educational reform discussion generated a political window of opportunity.

- In 2014, a tax reform was designed mainly to pay for this reform. Into this complete package three new green taxes were introduced.

- Despite the fact that these taxes inherently raise revenue, the main aim of these taxes is to mitigate local pollutants and contribute to curbing emissions that result in climate change.

Green Taxes

- In September 2014, Chile passed a green tax law. The three new taxes that were introduced include:

  1. A tax on CO_2 emissions from stationary sources with boilers and turbines.

  2. A tax on local contaminants also on stationary sources with boilers and turbines (PM, SO_2 and NO_X), and

  3. A tax on the first sale of new cars considering the expected NOx emissions over their lifetime.

- These taxes will go into force in 2017, and require detailed regulation which will be developed during 2016.

Carbon Tax

- The carbon tax is fixed at US$5 per ton of CO_2 emissions (Estimated by the Ministry of Social Development).

- The tax is levied on 'sources' with boilers and turbines that produce a heat power of 50 megawatts considering the sum of the combined facilities´ heat output.

- The threshold was set at 50 megawatts because the main target is the electricity sector, which accounts for 27% of our total national emissions.

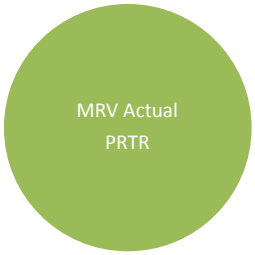
- Co-benefits:
  - Health
  - The tax generates a price signal
  - New institutional infrastructure.

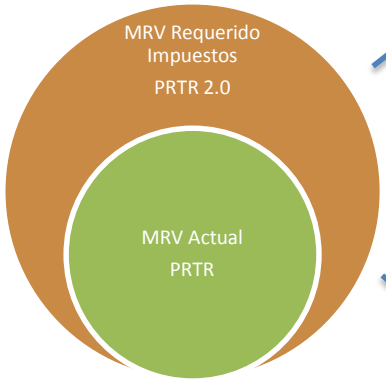
Carbon Tax

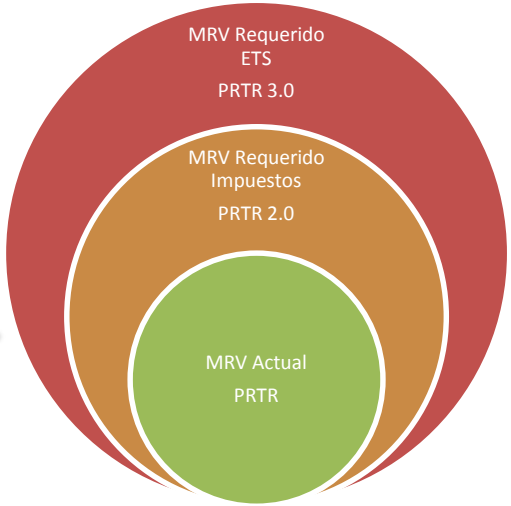
2015 | 2017 | 2018 or beyond

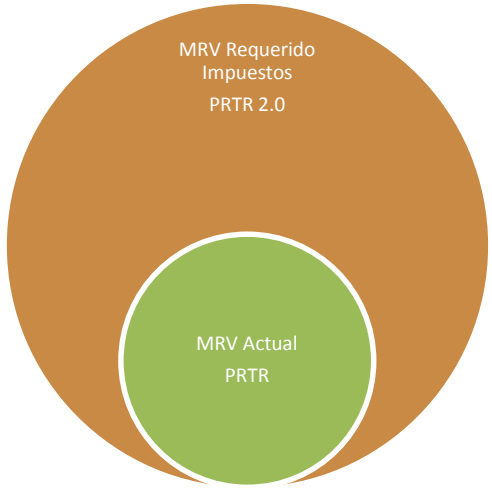
Emisiones CO2

US$ 5 per CO2 ton









Activities

- Drafting the regulation (MMA, SMA and MH)
- Designing the MRV System:
  - Protocols
  - Guides
  - Procedures
- Institutional arrangements
- Capacity buildings
- Generating a public discussion on carbon pricing and economic instruments (MMA and MoE).

To sum up

- The carbon tax is an starting point
- It is a price signal but even more important than this, requires the State to build new institutional infrastructure that will boost our monitoring, reporting and verification capabilities and also the internal arrangements.
- By upgrading Chile´s reporting capacity in the future it will be possible to develop more sophisticated policy instruments either scaling up the taxes or to develop Emissions Trading Schemes (ETS).
- This bill does not include 'offsets' after the full implementation of the tax it will be possible to introduce offsets if the authorities consider it appropriate.

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