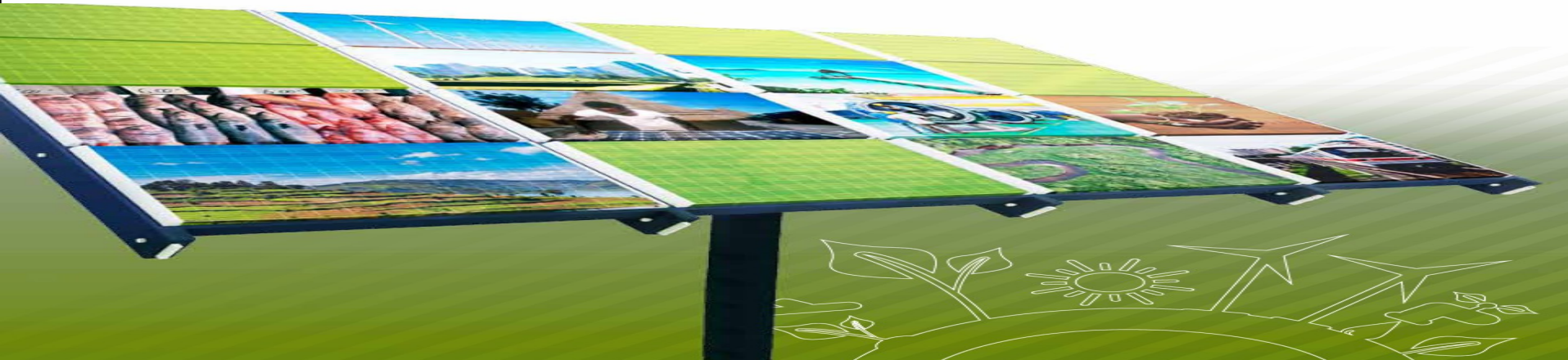




# Towards a **GREEN** economy



Technical Workshop on Tools and Measures to Inform  
Inclusive Green Economy Policies  
2-4 July 2013

UNEP  
Joy A. Kim

# Environmental fiscal reform

- How can fiscal policies influence the planning and implementation of inclusive green economy approaches?
- What are the implications of different fiscal reform options?
- Successful examples of environmental fiscal reform for GE?





# Towards a **GREEN economy**

Pathways to Sustainable Development  
and Poverty Eradication

*A Synthesis for Policy Makers*

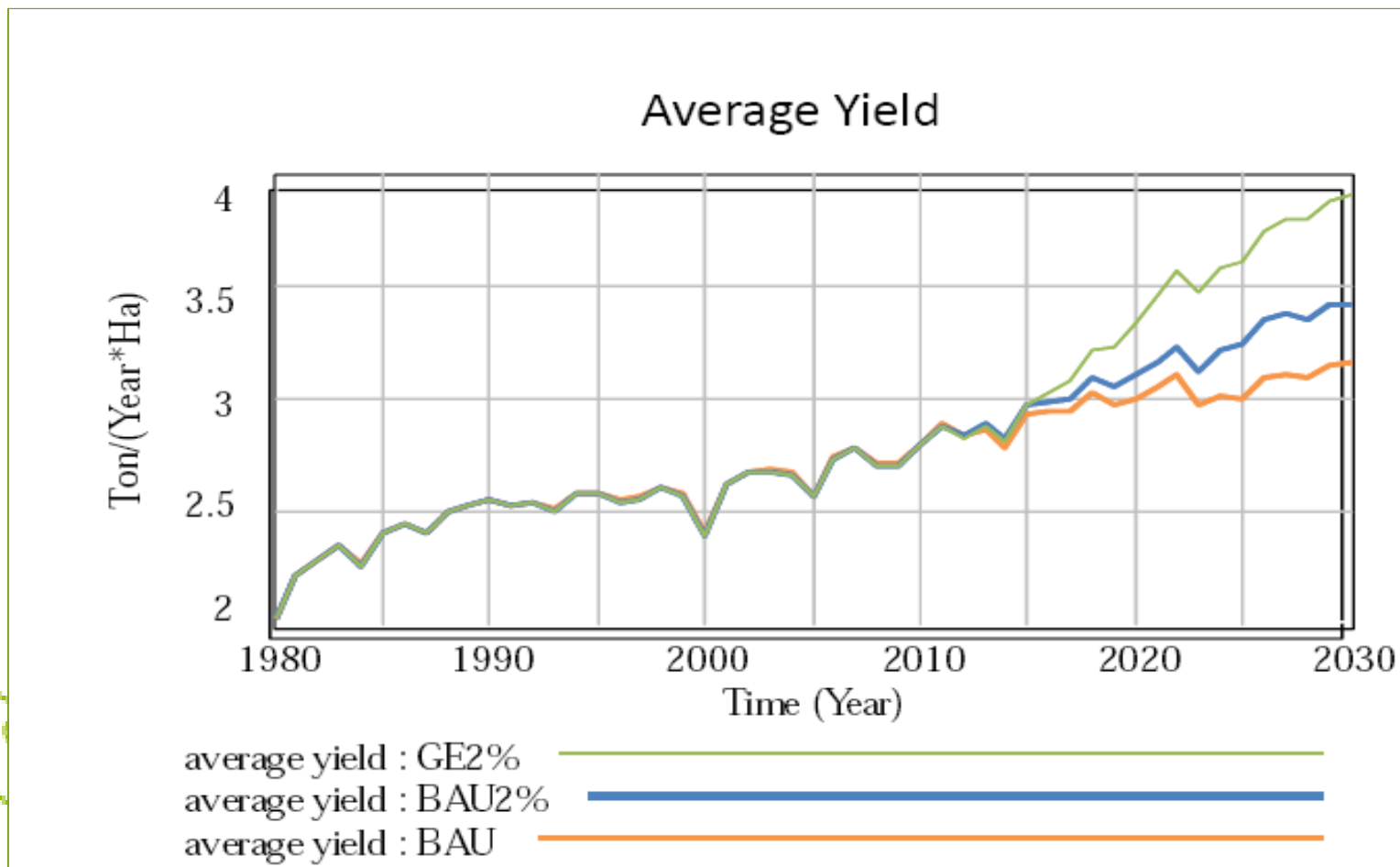


## Modeling Enabling Conditions Finance

### 10 Key sectors

Agriculture  
Building  
Cities  
Energy  
Forest  
Manufacturing  
Tourism  
Transport  
Waste  
Water

# Impact of green economy scenarios on agricultural productivity in Kenya



# Environmental Fiscal Measures in Financing for GE

- Leveraging private investment
  - Redirect investments towards clean technology and energy efficiency
- Mobilizing public resources
  - Creating fiscal space: Tax efforts, Efficiency of expenditure



# EFR: Double Dividends

- In the US, \$25 per ton of CO<sub>2</sub> could bring in about 1 percent of GDP or over \$1 trillion over a decade
- In November 2010, Vietnam passed its first law on environmental taxation and it is expected to generate between US\$ 757 million and US\$ 3 billion.
- In 2008, revenue from environmental taxes accounted for 2.5% of GDP in Korea and 9.5% of total tax revenue
- Removing global FF subsidies could generate \$650 billion of USD revenues

# Capturing fiscal space in the GE investment scenarios

- Estimated revenues generated by environmental taxes/charges, permits/allowances, customs/import duties on environmentally harmful products, subsidy reforms



# Fiscal instruments to green the energy sector in Korea

## ▶ Increase R&D

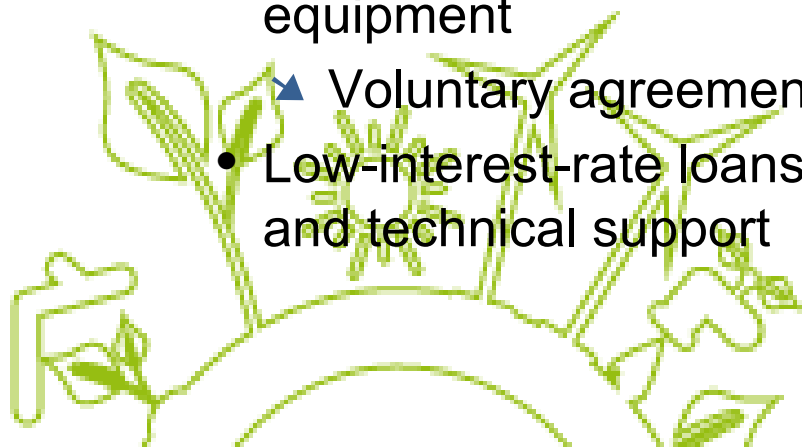
- To improve the energy efficiency of industrial equipment and facility upgrades
- To invest 11.5 trillion won (about \$11 billion up to 2030) into green technologies (photovoltaic energy, wind power and hydrogen fuel cells)

### ▶ Financial support

- financial support for companies that invest in energy efficiency
- assist low-income households in obtaining more energy-efficient facilities and appropriate heating and cooling equipment

### ▶ Voluntary agreement to energy efficiency improvement

- Low-interest-rate loans on energy saving facilities, tax benefits and technical support





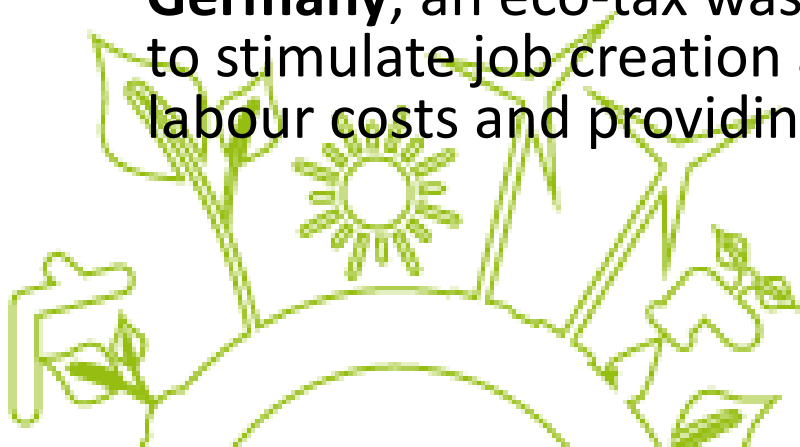
# While addressing implications of environmental fiscal reforms

- Are there economic and competitiveness implications?
  - (e.g. CO2 emissions charges and industrial competitiveness in the global market)
- How to address distributional impact on vulnerable groups?
- Transitional support is crucial.



# Redirecting environmental tax revenues

- **Barbados** uses environmental tax revenues to support the poor population, based on the conviction that a social framework should encompass the environment.
- **Indonesia** removed diesel subsidies for industries and used it for poverty alleviation purposes.
- **Mexico** considers reforming social policy through environmental taxes.
- **Germany**, an eco-tax was introduced which restructured taxes to stimulate job creation and green investment by reducing labour costs and providing incentives for energy efficiency.



# Energy subsidy reforms in Indonesia

- Focus on changing consumer behavior.
- Oil subsidies phased out in 2005, while subsidies for Kerosene and LPG, reduced more slowly.
- Extensive consultation
- Indonesia used the subsidy benefits for poverty eradication and to support the marginalized population.





**1972-2012:**  
Serving People  
and the Planet

# GREEN economy

<http://www.unep.org/greeneconomy/>

**Thank you**

# Fiscal reforms to green the energy sector

- Tax reforms to encourage energy conservation and protect the environment
  - Tax increase on diesel, LPG butane and heavy oil for industrial uses
- Subsidy reforms: subsidy for coal production and consumption (e.g. charcoal briquettes by low-income households)
- 5% of total environment-related spending by the central government.

