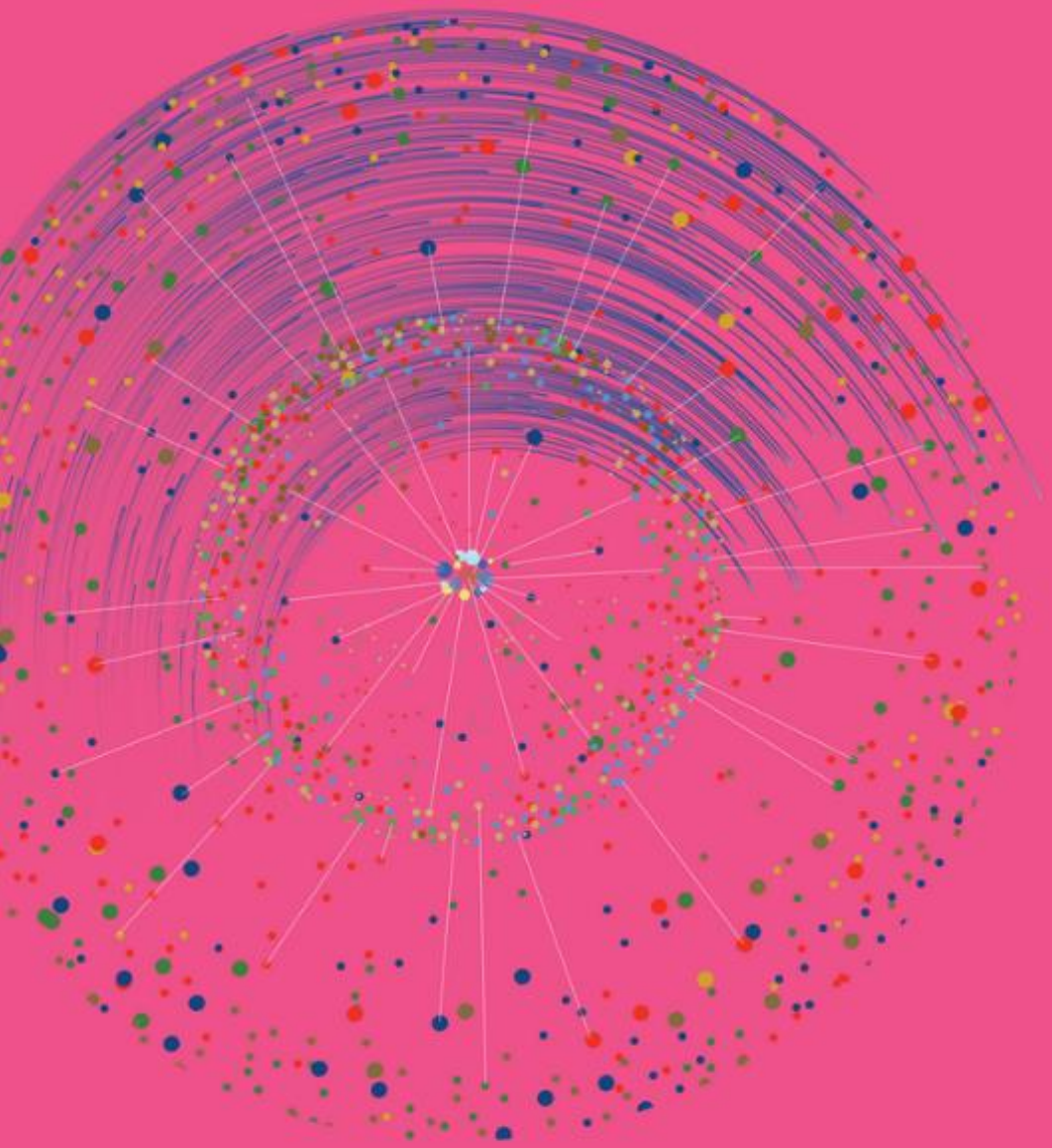


THE NATIONAL COUNCIL ON CLIMATE CHANGE
LEADING NIGERIA'S CLIMATE CHANGE RESPONSE

RCC West and Central Africa
Collaboration for Climate Action

BOAD

Stakeholder Consultation Workshop on a Pilot Carbon Tax Design in Nigeria's Telecommunications Sector

Bernard Ayittah

Regional Expert on Art.6 and Carbon Pricing

RCC West and Central Africa

Carbon-Limits Nigeria

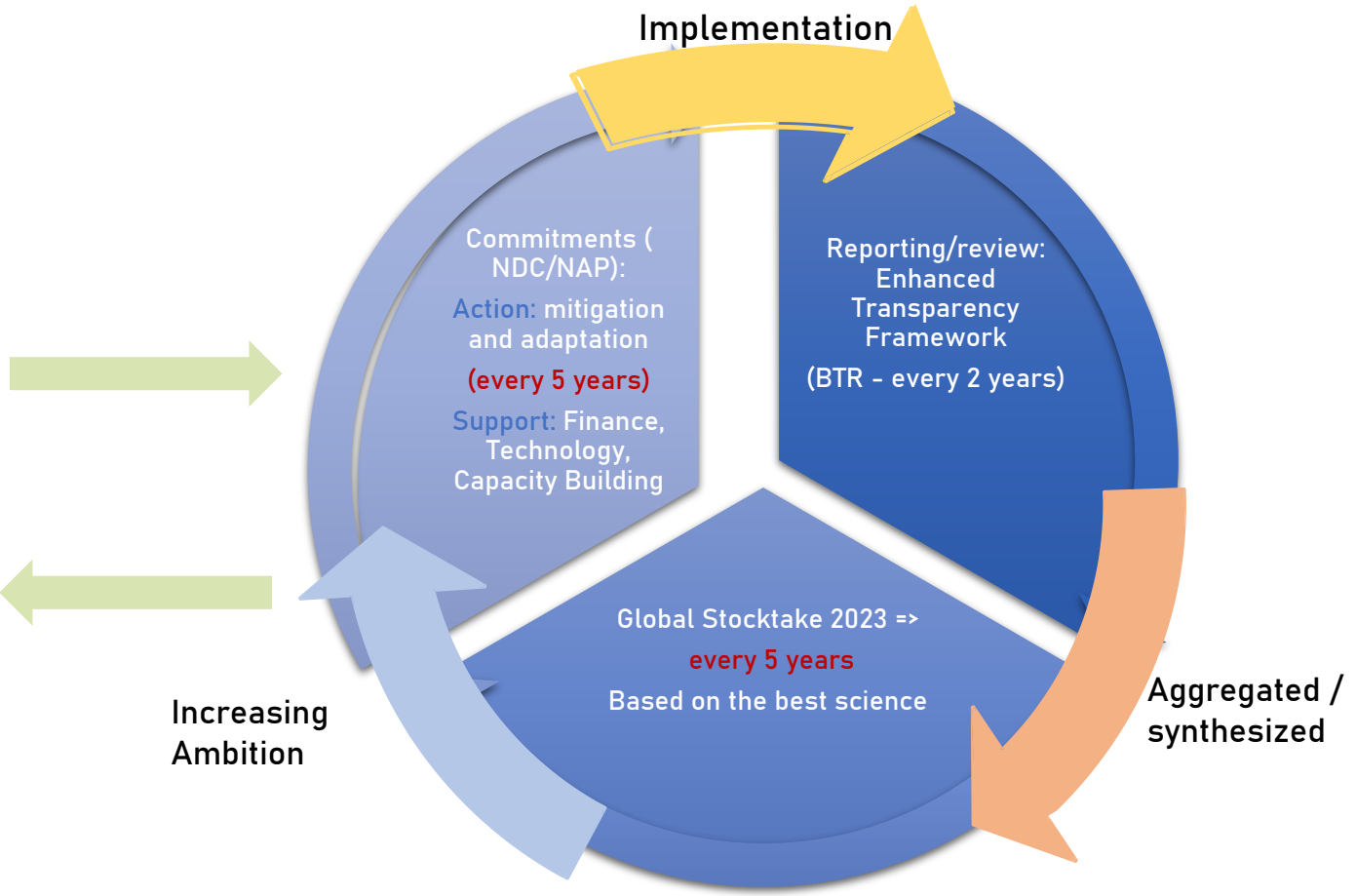
Ambition Cycle

COP21 · CMP11
PARIS 2015
UN CLIMATE CHANGE CONFERENCE

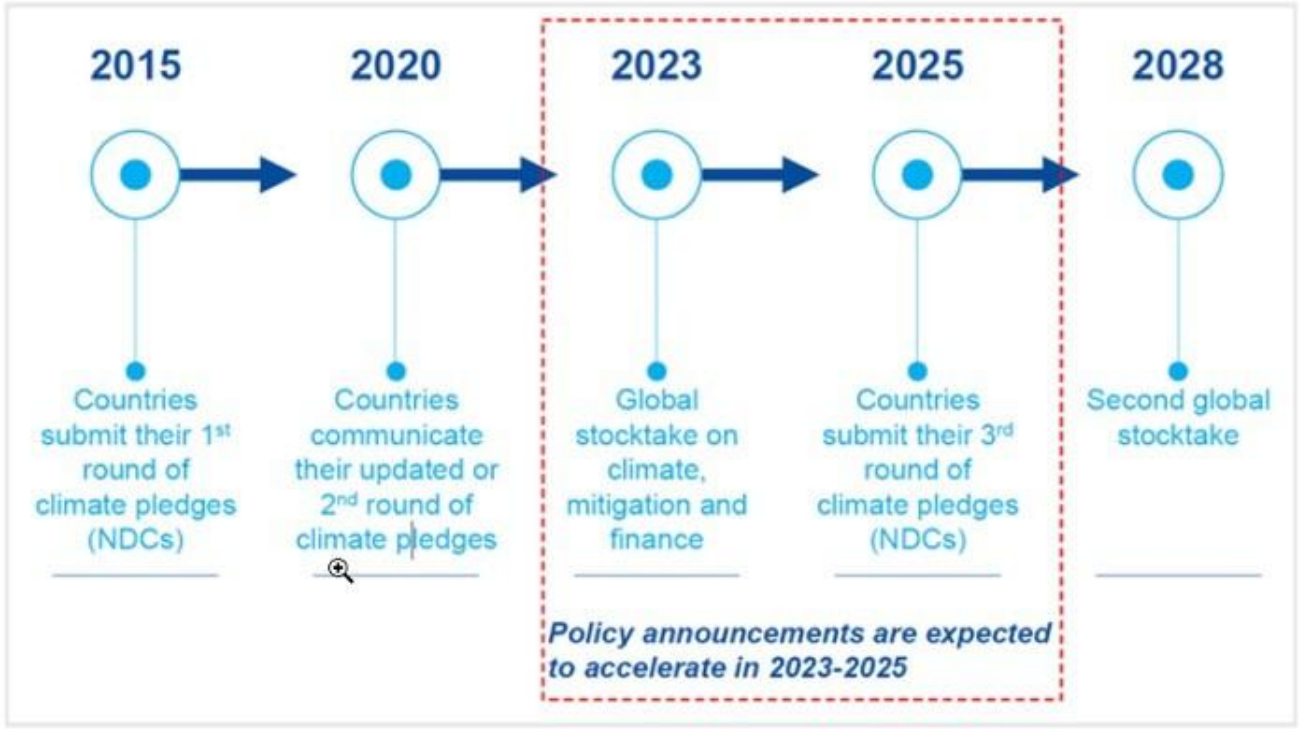
Temperature
Maintain temperature risewell below +2 /1.5 degrees C

Adaptation
Increasing adaptive capacity and building resilience.

Finance
Flows consistent with a low greenhouse gas emissions and resilient development trajectory



Nationally Determined Contributions (NDCs)



National climate plans for 2030

Review every 5 years to increase ambition to meet PA targets

Bottom-up plans, determined by both national realities and scientific requirements

Global stocktake in 2023

- Decision 6/CMA.3 Para 2 - Encourages Parties to communicate in 2025 a NDC with an end date of 2035, in 2030 a NDC with an end date of 2040, and so forth every five years thereafter.
- NDC Submission no later than February 2025

NDC Financing And Costs

5.8 trillion dollars per year

This is the approximate cost of the financial needs expressed in the NDCs of 78 countries by 2030.

UNFCCC

387 billion per year

Estimated to be the cost of national adaptation priorities for all developing countries, for the period 2021 to 2030.

UNEP

International financial assistance will have to be increased, restructuring new sources of public and private capital through mechanisms that reduce the cost of capital.

UNEP

Financial flows for mitigation must increase by 3 to 6 times to meet the average annual needs between 2020 and 2030

IPCC

Carbon Pricing Policies for NDC achievement

Carbon pricing has proven to be one of the most effective tools to unlock potential from the private sector, companies, as well as investors.

It is therefore an important part of the toolkit available to policy makers, both to achieve current NDCs at least cost and to encourage greater ambition in future

National Budget

Private Capital

International Climate Finance

Carbon Finance - Carbon pricing and Carbon Markets

Price signal on carbon emissions

Carbon Price:

What is it?

- Price signal on greenhouse gases (GHG) emissions: X$ per tCO_2e

Why put it in place?

- To take into account [all of] [part of] the cost of carbon pollution (social cost of carbon) in decisions (planning, investments, operations, etc.).
- Recognized by most economists as the simplest, most straightforward and most cost-effective way to address GHG emissions

"Putting a price on carbon is the only effective way to curb emissions to combat climate change"

Jean Tirole (2014 Nobel Price in Economics).

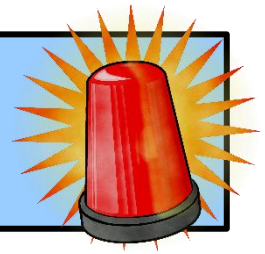
Initial situation: World without Carbon Pricing:

Cost of GHG damage is not incorporated into the economy

Atmosphere = free dumping ground for carbon pollution

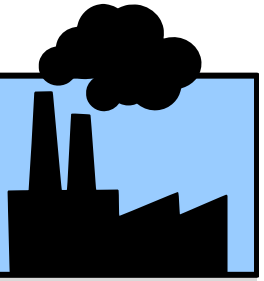
GHG intensive development

Climate crisis



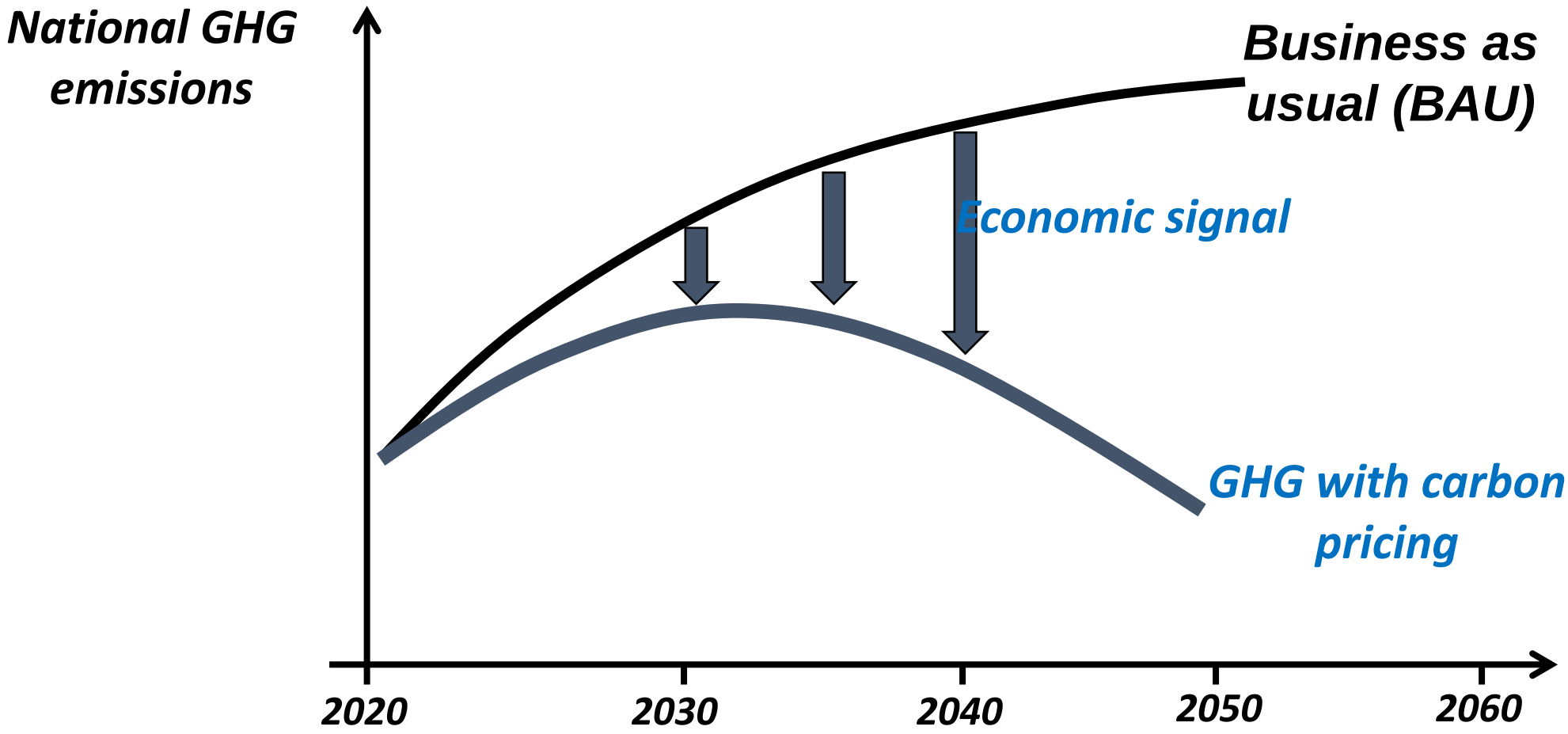
+

Associated pollution



Cost of air pollution:
4.2 million deaths /year;
3 trillion USD/year economic cost

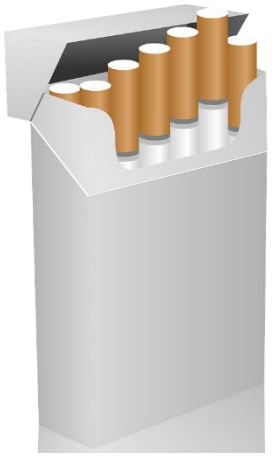
Price signal on carbon emissions



How carbon pricing works

A few considerations:

- Governments require tax income to be able to operate
- Carbon pricing is **not about increasing taxes**
- Carbon pricing is about **taxing the "bads"** (pollution) instead of taxing the "goods"

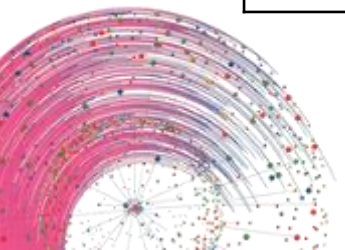


(e.g., tobacco products)

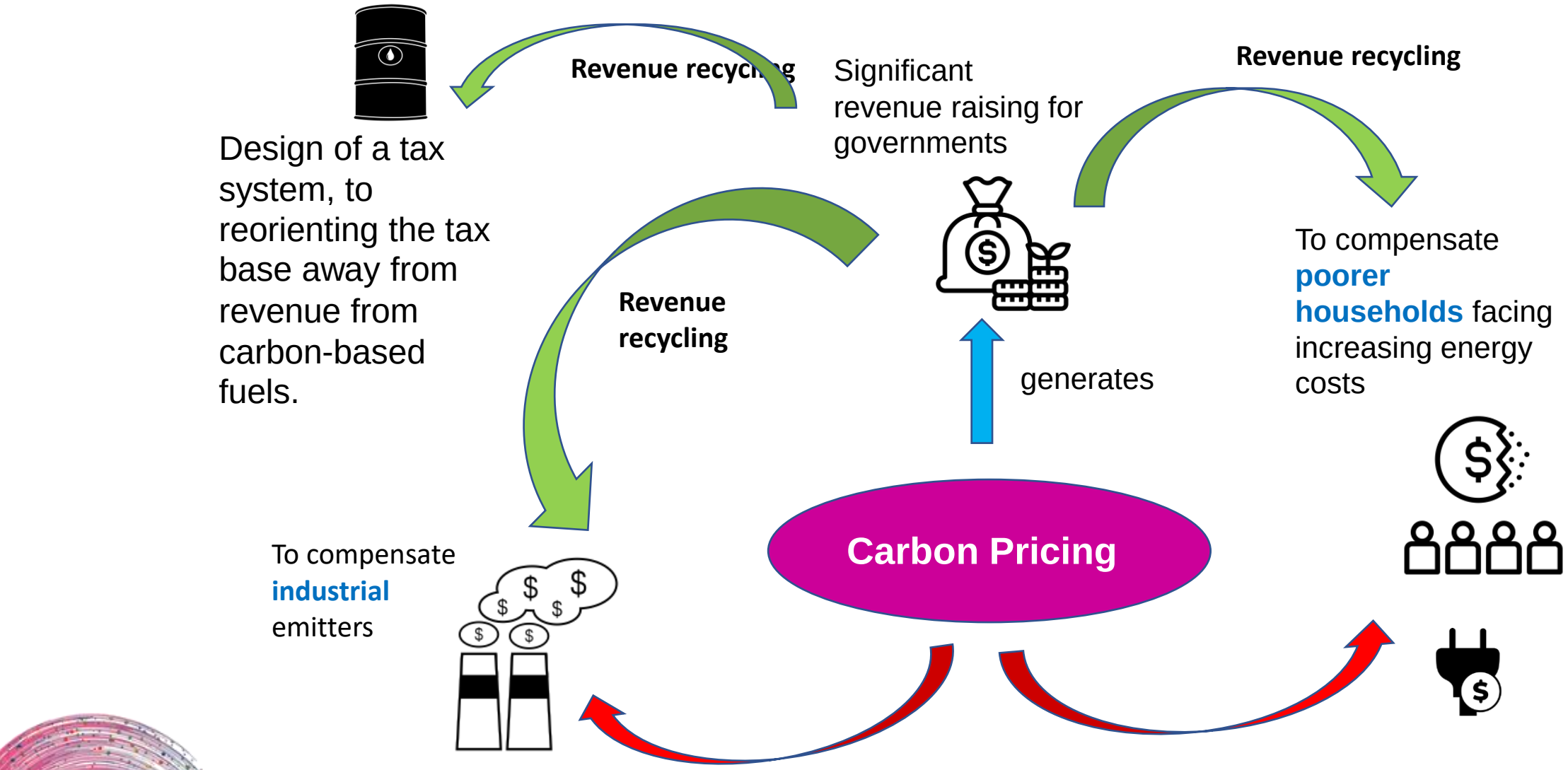
Response to signal	No response to signal
↑ Reduces the associated health costs ↑ Reduces associated import costs	↑ Creates revenues

Achieving national priorities

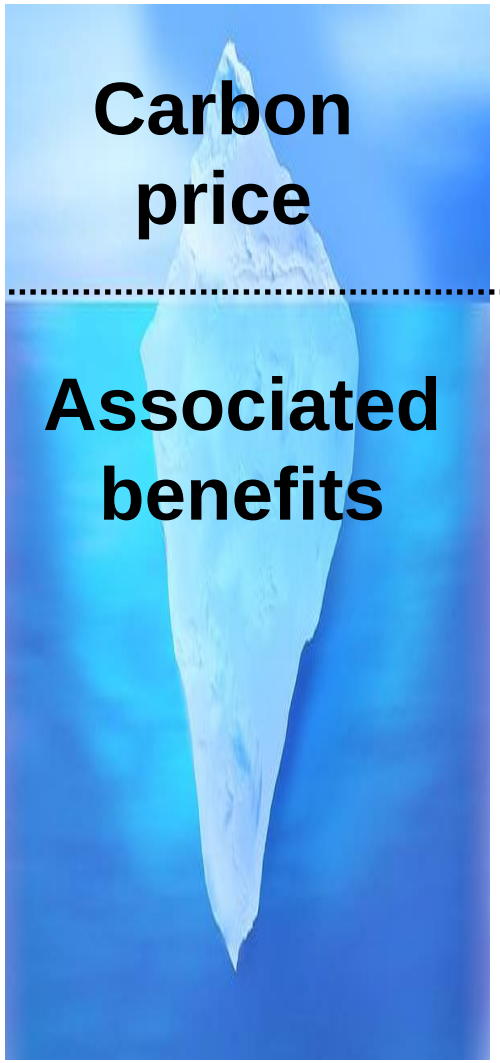
Objective / priority	Solution
Trigger investments	Revenues from carbon pricing to give loan guarantees for investors (e.g., in sustainable energy projects)
Limit trade exposure from pricing carbon	Provide large discounts and compensations to entities covered (e.g., free allowances under ETS)
Reduce poverty	Focus reinvestments on job creation
Increase energy access	Reuse income to fund/support sustainable decentralized energy access
Increase income equality	Redistribute the proceeds on a per capita basis
Improve business climate/competitiveness	Use revenues to cut taxes which hinder wealth creation (income tax / capital gain tax)
Ensure adaptation	Investments in adaptation measures
Increase energy independence	Reinvest in measures which reduce energy imports



Carbon Pricing Impacts and Revenue Recycling



Co-benefits of carbon pricing



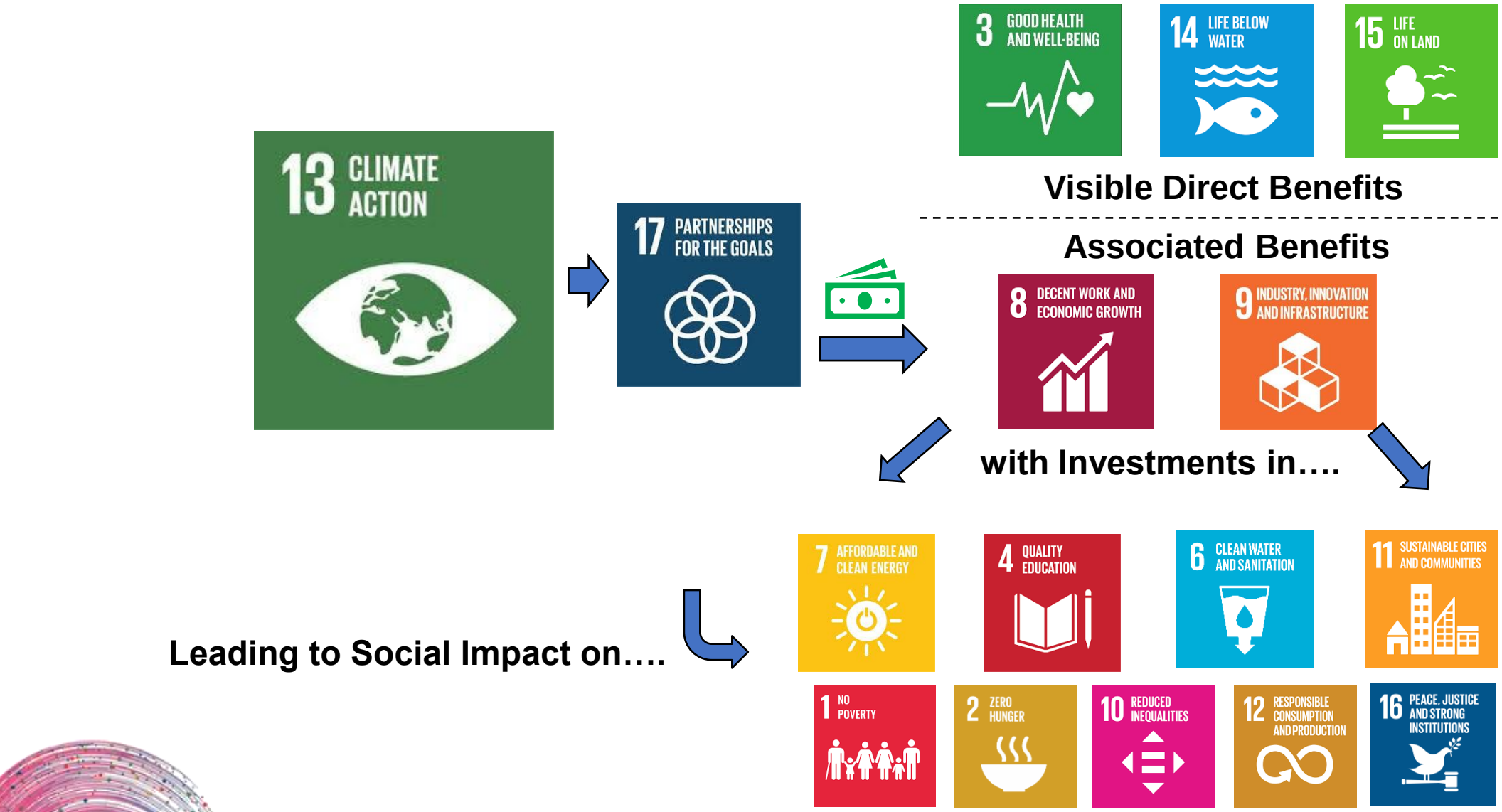
- **Reduce emissions**
- **Encourage action by peers**

- Environmental and health benefits
- Economic diversification / job creation
  - Penetration of new technologies
  - Attracting investments
- Raises revenue for other purposes
  - Investments / cutting inefficient taxes
- Increased energy security
- Reduced waste
- Reduce the cost of fossil fuel subsidies
- Reduced exposure to carbon border measures

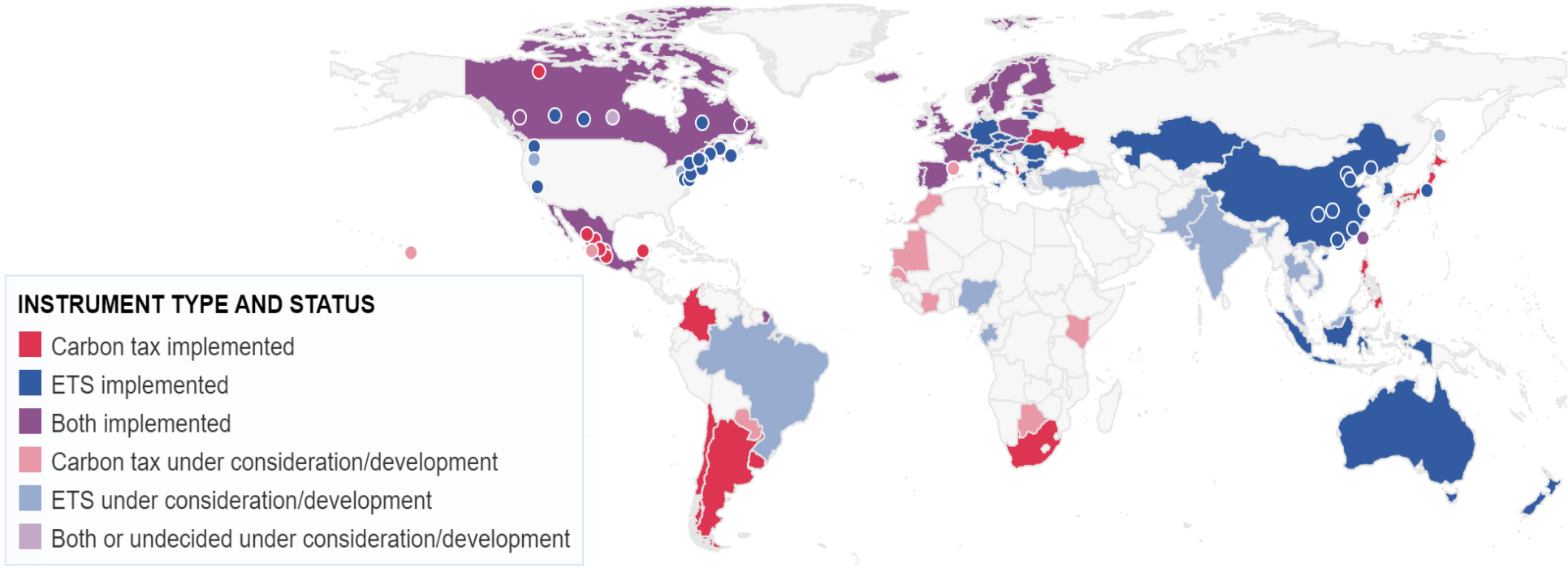
Benefits of Carbon Pricing

Help	• Facilitate emission pathways compatible with keeping global temperature rise to well below 2ºC above pre-industrial levels and pursuing efforts to hold the increase to 1.5ºC as per Paris Agreement
Spur	• Investment and innovation in clean technology by increasing the relative cost of using carbon-intensive technology. • Business and individuals seeking cost-effective ways to lower their GHG emission will be encouraged into green financing and clean tech.
Promote	• The achievement of SDGs by channeling financing to SD projects.
Generate	• Revenue which can be recycled into green economy through government spending for R&D • Revenue to help vulnerable communities adapt to the effects of climate change
Create	• Environmental, health, economic, and social co-benefits

Carbon Pricing Co-Benefits against UN's SDGs



Compliance carbon pricing instruments around the world, 2024.



National 50
Subnational 39
89
Jurisdictions with compliance instruments

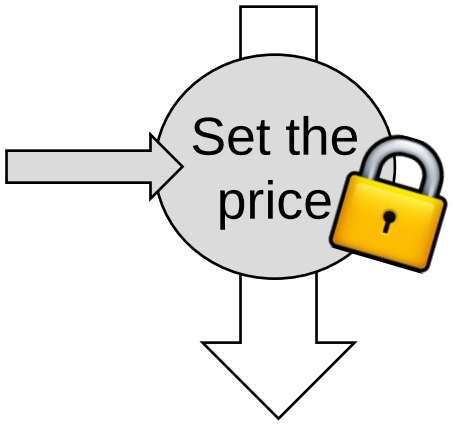
ETSs 36
Carbon taxes 39
75
Instruments implemented

Source: World Bank Group

Pricing Carbon Emissions: Major Approaches

Carbon tax

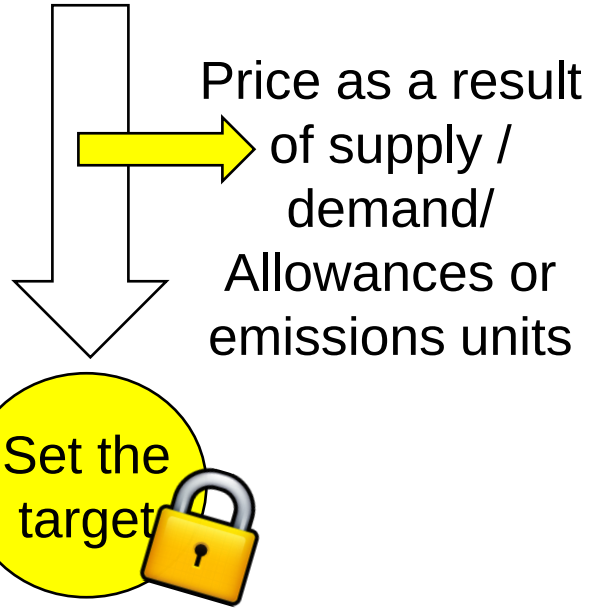
Baseline emissions



Impact (unknown)

Emission Trading System (cap-and-trade)

Baseline emissions



Types Of Carbon Pricing

Characteristics	Carbon Tax	Emission Trading Scheme
Certainty of Prices	Price is set = certain	Price determined by supply/demand
Level of Emissions	Level of emission achieved uncertain	Level of emission is defined by system
Mode of Control	Tax rate on annual emissions	Setting allowed level of GHG emissions

- Both, Carbon Tax and Emission Trading Schemes, require
  - **Measurement methodology for estimating emissions**
  - **Regular Reporting to regulatory body to verify emissions**

Carbon Tax and Emission Trading: Commonalities and Differences

- Both are regulated by the government
- Both put a price on carbon and thereby help to make low-carbon alternatives more attractive, changing consumption patterns and supporting low-carbon investments.
- individuals and firms can decide how best to respond to the price
- Generate public revenue that can be used, for example, to invest in climate and energy measures
- A carbon tax can be easier to implement (no new infrastructure required)
- ETS provides more flexibility (e.g., offsets, banking, extending ETS across borders by linking with other systems)
- Hybrid: Carbon tax and ETS are not mutually exclusive
  - possibility of complementary ETS and carbon taxes covering different sectors.
  - implement carbon tax as a step towards establishing an ETS – E.g. Nigeria prioritizing carbon tax over ETS for the short term.
  - e.g., price floors and ceilings in an ETS; offset certificates instead of paying the carbon tax.

Comparing systems

	Carbon tax	Emission Trading System (ETS)	Hybrid system
Price setting	Direct	Market	Direct or Market + safety system
Price certainty	Yes		Possible
Achievement certainty	Unknown	Known	Possible
Coverage	Broad	Only large emitters	Flexible
Complexity	Low (levying a tax)	High	Depending on system
Transparency	High	Medium	Depending on system
Recognition of outcomes	Difficult	High	Possible
International linkage		Yes	Yes

Carbon pricing…
….compared to other instruments

	Renewable energy	Low GHG fuels	Energy efficiency	Process emissions
Renewable energy mandates/markets/incentives	✓	✗	✗	✗
Energy efficiency certificate markets / incentives	✗	✗	✓	✗
Fossil-fuel tax (but one without “gaps”)	✓	✓	✓	✗
Carbon pricing	✓	✓	✓	✓

Broadest range

Common themes & Key aspects to consider

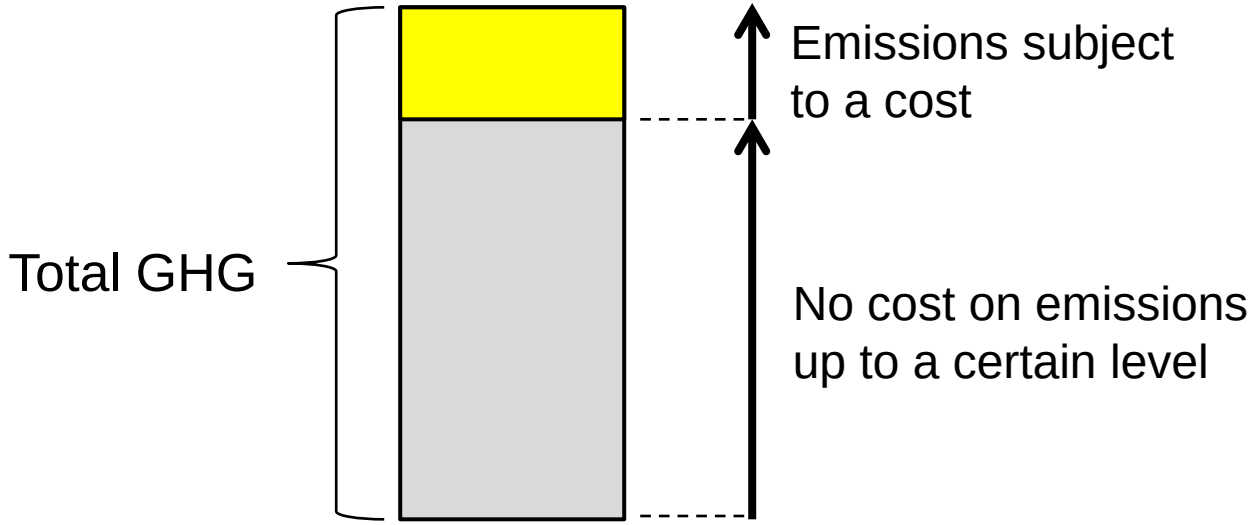
- Scope & coverage: which sectors/GHGs to include? Which threshold?
- Governance and oversight: which are the institutional arrangements?
- MRV and enforcement: who is in charge of MRV? Where does it take place?
- Revenues: how are revenues used?
- Flexibility and linking: Is there possibility of linking with other countries?
- Stringency setting (cap or price level): how to set it? When should it be revised?
- Discount or allocation of emission rights: yes or no? on which basis?

Price & Cost: not the same

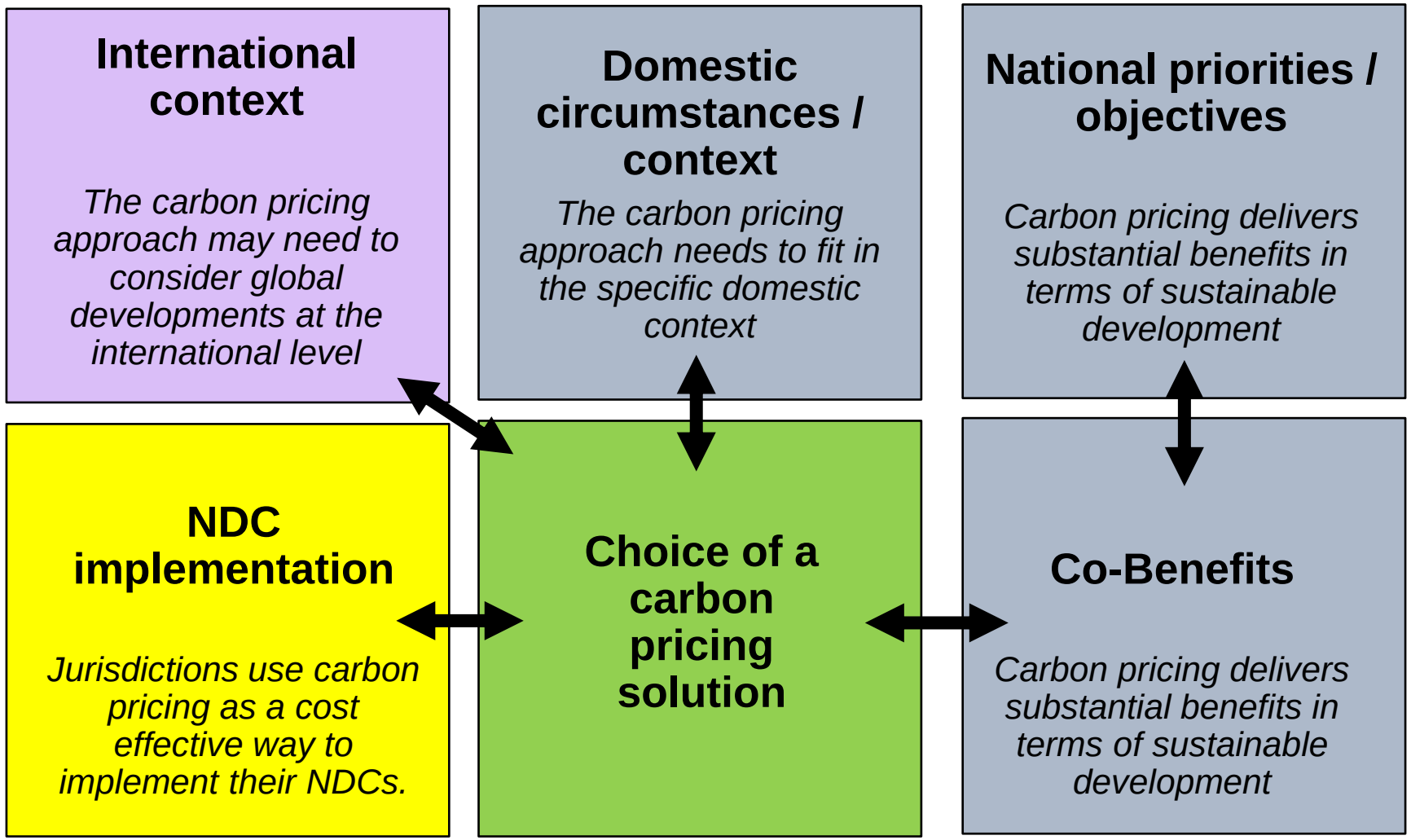
Cost: expense incurred ≠ **Price: agreed value per unit**

Concern: International competition limits the ability of many sectors to pass the carbon price to final customers: risk of "carbon leakage"

Solution: Allow a certain level of emissions which can be emitted free of cost for some sectors… while preserving the price signal on emissions:



Choice Of A Carbon Pricing Solution



Conclusion

- **Putting a price on carbon reduces emissions and the costs associated with these emissions**, costs that end up being borne by everyone, including companies and societies, through an array of impacts resulting from climate change.

- Carbon pricing has long been recognized as a **cost-effective** means to reduce greenhouse gas (GHG) emissions.

- Proposed national actions to mitigate climate change, embodied by Nationally Determined Contributions (NDCs), are widely understood to be collectively insufficient to achieve the ambitious goals of the Paris Agreement.

  ➢ Carbon pricing has proven to be one of the **most effective tools to unlock potential from the private sector**, companies, as well as investors. It is therefore an important **part of the toolkit** available to policy makers, both to **achieve current NDCs at least cost** and to **encourage greater ambition in future**.

- Co benefit of achieving SDGs by channeling financing to SD projects


Q&A

United Nations
Climate Change

RCC West and Central Africa
Collaboration for Climate Action

rccwacafrica@unfccc.int