



CARBON PRICING IS ONE OF THE MOST IMPORTANT ECONOMIC REFORMS FOR ASEAN COUNTRIES TO DECARBONISE THEIR ECONOMIES

Energy Transition Masterclass

Session 3 - Recap on Key Message

CARBON PRICING

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Australian National University

23 March 2022



*CO2 emissions have escalated because our economies consider pollution as an **EXTERNALITY** to the market. That is, the environmental, social and economic costs of **CO2 emission are not borne by those emitting.***

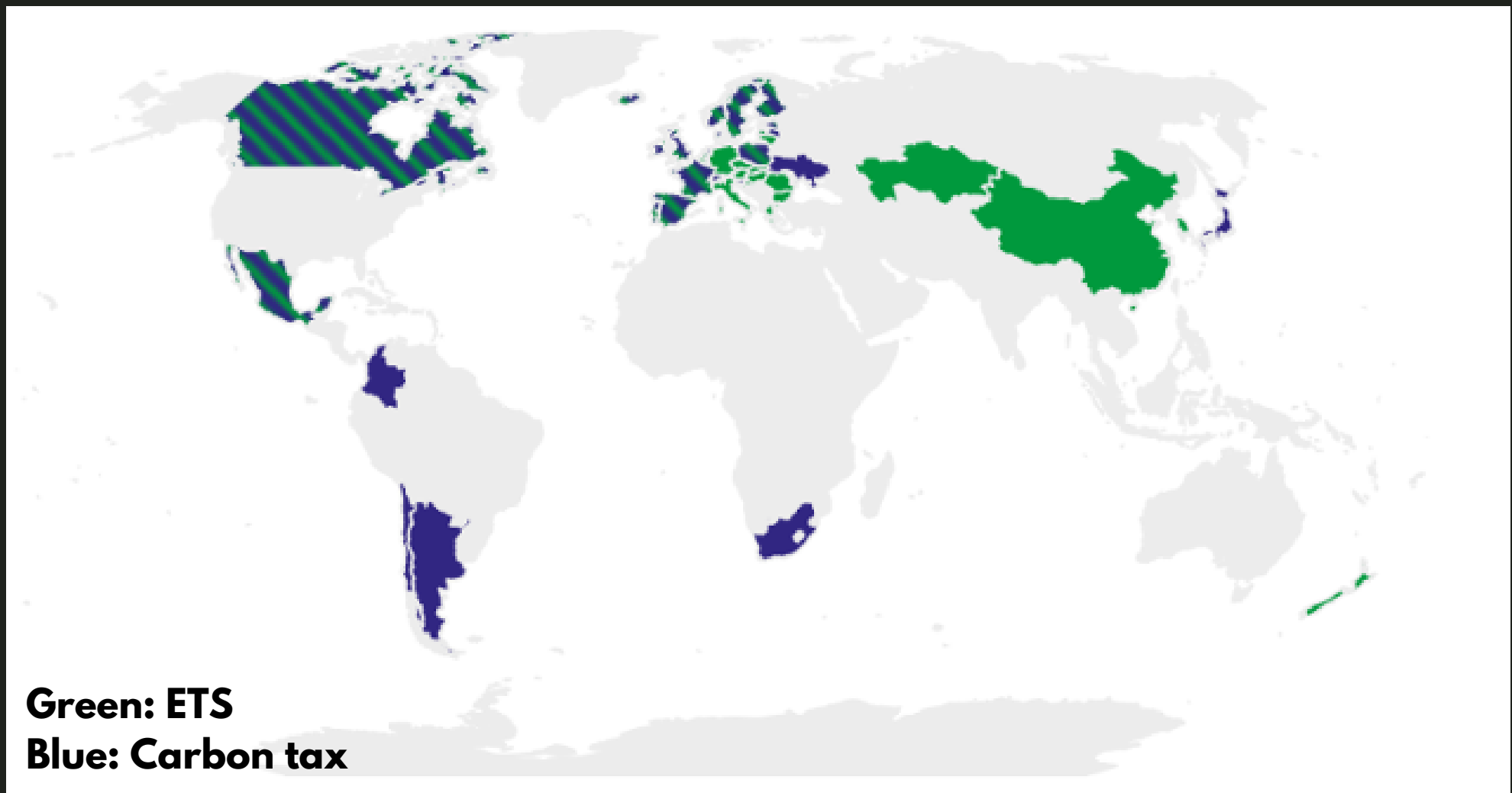




"TAX AND RELAX"

Putting a price on carbon fixes this issue by bringing the cost of emissions into the market. If there is an economic cost to polluting, polluters will have an incentive to reduce their emissions.

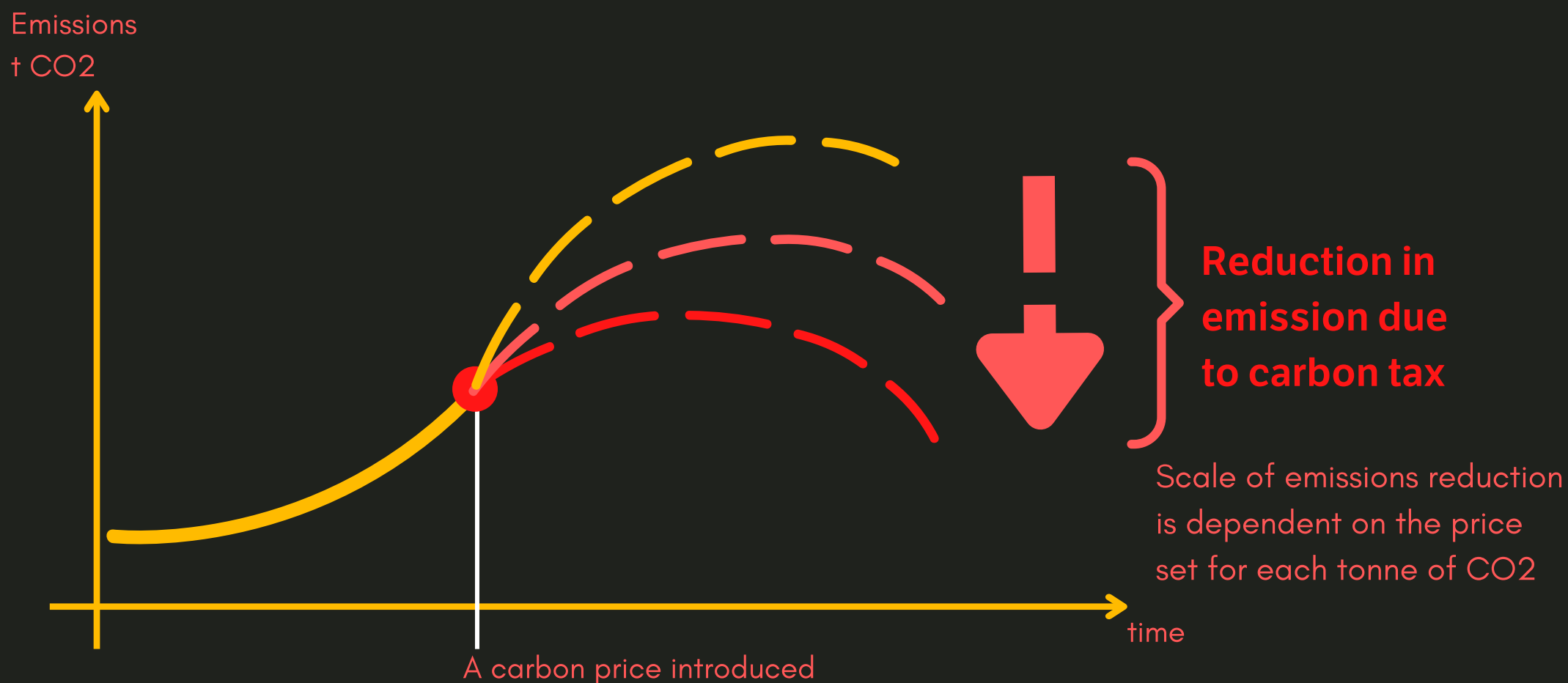
The simplest form of carbon pricing is a carbon tax which set a price for every ton of CO₂ emitted. Another type is emissions trading schemes (ETS) which set a cap on total annual emissions and then allow emitters to buy and sell permits as needed.



45 NATIONS HAVE INTRODUCED A CARBON TAX AND/OR EMISSION TRADING SCHEME BY 2021, INCLUDING SINGAPORE IN ASEAN.

Source: Carbon Pricing Dashboard (World Bank, 2022)

CARBON PRICING WORKS

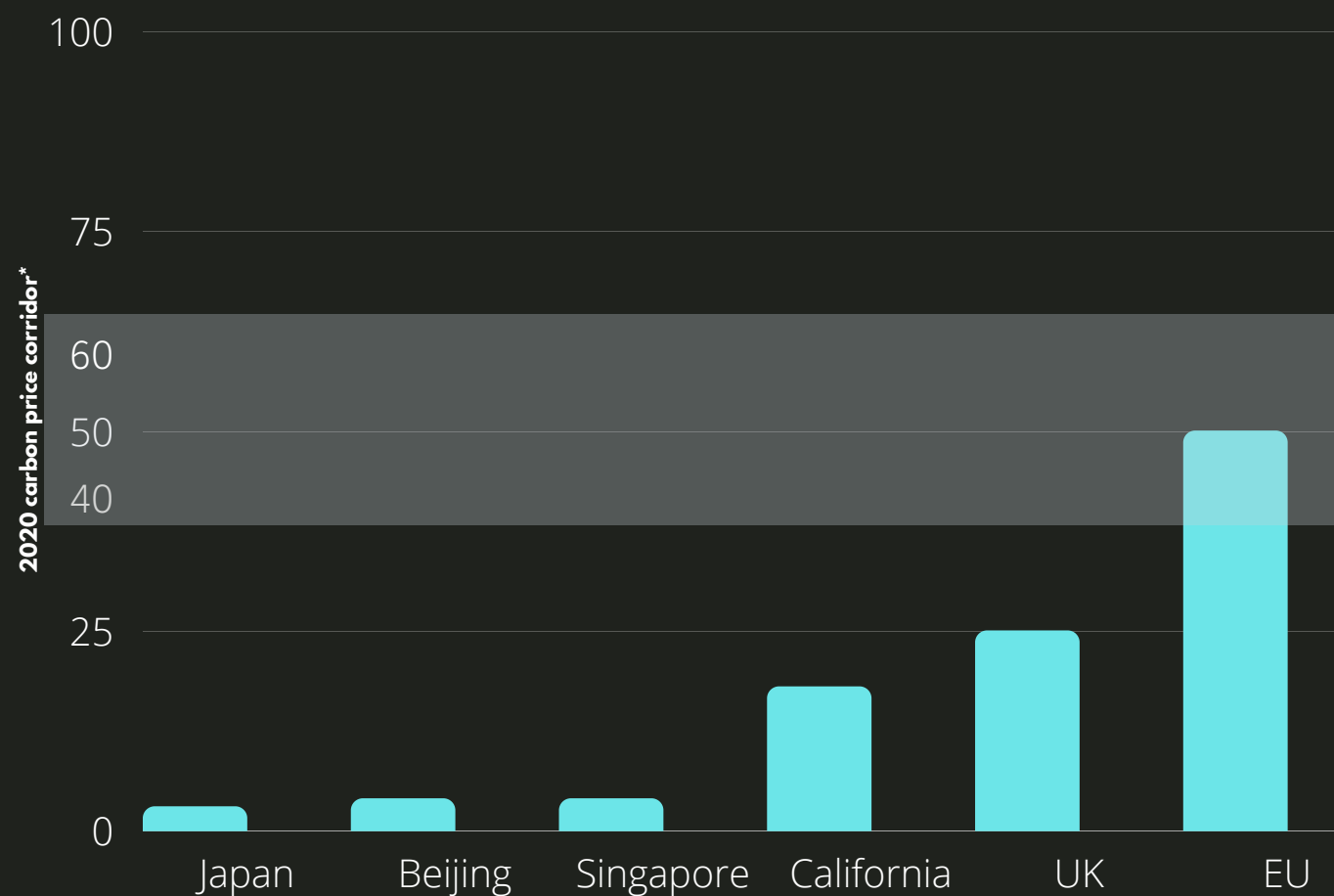


Countries with carbon pricing have an average 2% lower annual emission growth rate.

Every additional EUR/tCO2 in carbon tax amounts to a 0.3% reduction in annual emissions growth

Source: Carbon Pricing Efficacy: Cross-Country Evidence (Best et al, 2020)

The World Bank recommends a price of at least US\$40–80 per tonne CO₂ by 2020 to be consistent with the 2°C goal, but few countries meet this minimum pricing, and instituting such a price may be difficult in some ASEAN economies.



Source: State and Trend of Carbon Pricing 2021 (World Bank, 2021)





WHAT CAN COUNTRIES DO?

1. Start with a low carbon price

2. Have a clear plan and road map to increase the price over time

3. Start with easy-to-abate and measurable emitting sector

4. Align with other policies, e.g., through spending tax revenue on climate change mitigation and adaptation and a just energy transition



SINGAPORE

A carbon tax was enforced on 1 January 2019 at S\$5/tCO₂-e (US\$3.7/tCO₂).

The tax rate will increase to S\$25/tCO₂e in 2024 and to S\$50–80/tCO₂e by 2030.





INDONESIA

From 1 April 2022,
Indonesia will implement a
carbon tax of US\$2/tCO₂e
for **coal-fired power plants**.

VIETNAM



Vietnam will pilot a domestic carbon trading scheme in 2025 and put it into full operation in 2028.





**A clear, long term policy
commitment to carbon pricing
could help countries accelerate
decarbonisation and meet
NDC commitments.**



NEXT SESSION

INTERNATIONAL RENEWABLE ENERGY SYSTEM

Dr. Bin Lu

10:00–12:00 HANOI–JAKARTA TIME

11:00–13:00 MANILA TIME

6 APRIL 2022

ETP Round Tables is a two-year capacity building and networking program of the ETP in Indonesia, the Philippines, and Vietnam. The program aims to build awareness and understanding of practical solutions and pathways that can support Indonesia, the Philippines, and Vietnam accelerate their transition to 100% zero-carbon energy.

Over a 24-week structured online training programme, the ETP Roundtables – **Energy Transition Masterclass** will provide a suite of tailored professional forums (training sessions) to enable the exchange of information, develop leadership among the region's energy transition stakeholders, and endow participants with the latest understanding and tools to accelerate energy transition for both policy and market contexts.

See more: <https://www.energytransitionpartnership.org/>

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