Carbon and Local Pollutants Taxes
Recent Developments in Chile

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Nicola Borregaard
Head, Sustainable Development Division
Ministry of Energy
Facts

- Became Law (N° 20.780) on September 29, 2014 (date of publication in Diario Oficial)
- Will enter into force on January 1st, 2017 (considering emissions generated in that year)
- First Payment one year after (2018)
- An Annual tax on emissions of carbon dioxide (CO₂), Particulate Matter (PM); Sulphur Dioxide (SO₂) and Nitrogen Oxides (NOx)
Who will be affected?

In the case of stationary sources:

• The tax will target emissions produced by facilities whose stationary sources, conformed by boilers and turbines that individually or as a whole, result in a thermal input greater than or equal to 50 thermal megawatts (considering the upper limit of the energy value of the fuel).
• Excludes CO₂ emitted from power plants based on biomass.

In the case of mobile sources:

• NOx emissions produced by light and medium size vehicles (diesel most impacted).
• Passenger vehicles, taxis, emergency vehicles, are excluded.
Tax values

**CO₂**

- 5$ USD per ton emitted

**PM, NOx, SO₂**

- Amount will be established in accordance with the valuation of such damage, on the basis of a floor value set in the law (i.e., 0.1$ USD per ton of local pollutant).

- A formula to estimate the tons of each contaminant, as well as the social cost of per capita pollution for each local pollutant, is established in the law.

The law points out that the tax should not be considered in the determination of the immediate marginal power cost, when this affects the marginal generating unit of the system (in line with provisions in article 149 of the General Law of Electrical Services).
Steps to implement the tax

• The Ministry of the Environment will determine, by a Supreme Decree, the facilities that will be regulated by these taxes (the Decree will be updated annually).

• Another regulation of this Ministry will establish the methodology to estimate concentration-emission factors at the communal level, as well as the administrative procedures needed to implement the taxes.

• The Superintendence of the Environment will certify the emissions of local pollutants on March every year (monitoring characteristics as well as requisites needed will be determined by this entity).

• The **PMR** will support the implementation of the infrastructure needed to put in place these taxes (MRV, Registry), and will also provide inputs to further discuss other carbon pricing instruments (i.e. an ETS) or the introduction of incentives (such as offsets) in the future, as well looking into specific aspects of mechanisms to deal with uncertainties and carbon price volatility.
Thanks for your attention!