



SEMARNAT

SECRETARÍA DE MEDIO AMBIENTE
Y RECURSOS NATURALES

MEXICO CARBON TAX

**Technical Workshop
Carbon Tax: Design and
Implementation in Practice**

March 22, 2017
New Delhi, India

Based on:

- El Impuesto a los Combustibles fósiles por Contenido de Carbono en México. Carlos Muñoz Piña, SHCP. Pagina Web http://www.senado.gob.mx/comisiones/cambio_climatico/reu/docs/SHCP.pdf
- Design and approaches to the carbon tax in Mexico: Lessons and the road ahead. Mariza Montes de Oca. Alexander Von Humboldt Fellow ICAP. Technical Seminar: Regional Perspectives on the implementation of Carbon Pricing Instruments. June 28, 2016.

- In 2013 a **Tax Reform** was approved.
- This Reform established several taxes for different services and products (alcoholic drinks, cigarettes, car fuels, energizing and flavored beverages, **fossil fuels**, pesticides, among others).
- It taxes a fixed amount for each **ton of CO₂** that the fossil fuel could emit.
- Amounts are **adjusted annually** by inflation.
- Introduced as one element of a “comprehensive” tax reform package to **increase income**.
- Under the **'Polluter Pays Principle'**, Carbon Tax objective is to ensure producers and alienators of fossil fuels pay some of the costs associated with the negative externalities of GHG emissions.

- Tax on fossil fuels (**coal and petroleum** mainly).
- Applicable to production & imports, not on emissions (**upstream**).
- Advantage of fuel-based CO₂ tax: **administratively simple**.
- Monitoring activities and CO₂ tax **not strictly linked**
- **Natural gas** was exempted as it is as fuel reference which generates fewer local pollution and have less carbon content per energy unit.
- Compatibility with **Energy Reform** and the market liberalization (imports and prices), will the number of liable entities.
- Pemex, CFE & manufacturers (approx. 30 entities) are entities who pays Carbon tax.

“To the **importations and commercialization** of fossil fuels...”

Fossil fuel	Pesos (\$MXN) per:		\$MXN / tCO ₂	\$USD / tCO ₂
Natural Gas	\$ -	m ³	\$ -	\$ -
Petroleum coke	\$ 0.0172	kg	\$ 6.38	\$ 0.33
Coal	\$ 0.0303	kg	\$ 12.02	\$ 0.63
Coal coke	\$ 0.0402	kg	\$ 14.72	\$ 0.77
Propane	\$ 0.0650	litro	\$ 43.75	\$ 2.30
Others	\$ 0.4377	tC	\$ 43.77	\$ 2.30
Butane	\$ 0.0842	litro	\$ 46.28	\$ 2.43
Gasoline	\$ 0.1141	litro	\$ 49.75	\$ 2.61
Fuel oil	\$ 0.1478	litro	\$ 50.37	\$ 2.65
Gas oil (diesel)	\$ 0.1384	litro	\$ 51.03	\$ 2.68
Aviation fuel	\$ 0.1364	litro	\$ 51.52	\$ 2.71

- Impact: **Approximately 1.8 million tCO₂ per year** (emissions are compared to counterfactual (what would have happened without carbon tax)).

- Use of carbon tax revenue: legally required to be deposited in the **general budget**... Is it enough, for instance, to accomplish NDC?
- Mexico Carbon Tax... **a good start**, but need for improvement... Increase tax? Same fuels?
- There was not a simultaneous announcement for climate protection investment so, what's the **main objective**?
- There is a need to review and deep down on how can **coexist** with other climate change mechanisms such as ETS.

- Carbon Tax is **supported by General Climate Change Law** (2012) where mandates the application of economic and fiscal instruments to tackle climate change.
- Internalizes, at least a small share of fossil fuels consumption **externalities**.
- Liable companies may choose to **pay the tax** with credits from CDM projects developed in Mexico.
- Secretariat of Finance is **defining the rules** to pay the carbon tax via Certified Emissions Reductions recognized internationally.



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THANK YOU

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