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PMR IMPLEMENTATION IN CÔTE D’IVOIRE 2018 -2019

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OUTLINE

I. SETTING THE SCENE

II. QUESTIONS AND ANSWERS

III. ACTIVITIES PLANNED UNDER THE PMR
I- SETTING THE SCENE
• Côte d’Ivoire is a West African Country,
• with around **24 million people**
• The GDP (nominal, 2017 estimate) is of
  **36.9 billion USD total and about 1,477 USD per capita**
• **Agriculture** represents 24% in the GDP
• The country is the World’s **largest producer of Cocoa**
• **56%** of households have access to **electricity**
• **The emitting sectors are: Energy, Agriculture, Waste**
• NDCs’ goal - **28% of GHG** by 2030 compared to 2012
• **Renewable energy** target of **42%** in power mix
• Currently two **coal-fired power plants** of 2 X 350 MW each in planning
Greenhouse gas emissions profile
II- QUESTIONS & ANSWERS
Why a low-income country like Côte d'Ivoire is interested in a carbon tax?

• The Country was really involved in the CDM before so was willing to participate in a carbon market but everything failed because of the low demand and low price of CERs.

• With decision1/CP21 para.136 of the Paris Agreement there is a possibility to explore carbon pricing at the domestic level. The government would like to seize this opportunity to:
  • Go beyond the CDM approach by providing potential new (and more stable and predictable) resources for low-carbon project developers.
  • Mobilize new financial resources to fund renewable and low carbon activities
  • meet its demand under the NDCs by owning the mitigation outcomes
What are the activities conducted so far?

- Several workshops have been organized since November 2015 to discuss the idea of a carbon tax with a wide range of stakeholders on a possible carbon tax scheme in Côte d’Ivoire.


- Using its own financial resources, the AN-MDP commissioned a feasibility study to assess initial design options for the carbon pricing policy applicable to its national economy.

- Côte d’Ivoire’s NDC was endorsed by the country’s president and government in September 2015 and it clearly indicates that carbon pricing is part of its action plan.

- The commitment to promote the introduction of a domestic carbon pricing instrument has been reiterated several times since then by Prime Ministers Duncan and Coulibaly, as well as Environment Ministers Allah-Kouadio and Ouloto and Ministry of Finance Adama Koné.
Why a carbon tax and not an ETS?

• The (rather small) economy of the country is dominated by informal activities and a carbon tax can be structured in a way that efficiently covers the informal sector i.e. taxation at the source of production.

• There is a real lack of data and the data collection system is weak so it will be difficult to go for an ETS which requires a better structured system with strong data and at least basic infrastructures not in place yet.

• There is a need for a simple system with low transaction costs that is not vulnerable to market power and that can reuse the existing fiscal system instead of requiring entirely new administrative structures. **Carbon tax therefore represents a better solution for Cote d’Ivoire.**

• In a long-term perspective, an ETS could be envisioned at the regional level, preferably in the context of the Economic Community of West African States (ECOWAS) in order to mitigate issues related to competitiveness and risks of carbon leakage.
To what extent will investment in coal contribute to internal and external demand?

- Any transition needs time and should be progressive and make sure that the population can afford that transition.

- The choice of coal corresponds to the choice of a diversified energy mix in order to **ensure abundant, reliable and less expensive energy**, meeting the need of the national population and making it possible to respect the commitments with the countries of the region through the interconnections.

- The energy mix defined in the Production-Transport Master Plan proposes a basket comprising gas, coal, hydro, solar and biomass in view of the available potential, costs and tariffs and the internal and external demand.
How access to energy is related to coal?  
To what extent coal would contribute to household electricity coverage in the future

- The government has the obligation to respond to the needs of its population. Since the national demand of electricity is still not covered (56% access rate), the use of coal will help meet the demand of more consumers and facilitate access to energy.

- With a 9% share in 2020 produced by coal, access to energy must match this part and help make a balance between the price and the availability of the resource.

- The energy produced in Côte d’Ivoire will be put on the interconnected electricity grid regardless the sources (coal, hydro, thermal, etc.).
How will carbon tax contribute to the country's mitigation goals given its heavy energy trajectory based on coal?

- Transition towards renewable energy plants, including biomass, requires more investments compared to fossil fuel based-plants. Therefore, it will be useful to have a carbon tax to support industries in the change of their mode of production and technologies.

- In the absence of a meaningful carbon price, coal remains an attractive option for abundant, reliable and inexpensive energy supply.

- Furthermore the creation of new internal resources to be invested through the carbon tax in low carbon initiatives will encourage the development of more and more mitigation projects and help lower reliance on coal.
III- ACTIVITIES PLANNED UNDER THE PMR
Main activities proposed

1. **Selecting potential tax options** for further analysis, based on a clear determination of policy objectives and national circumstances,

2. **Analyzing the performance and impacts** of the tax options selected,

3. **Designing the main elements of the carbon tax** by identifying optimal tax bases, rate sand risk-abatement measures,

4. **Preparing the implementation** of the carbon tax design.

   In parallel, maximizing synergies and resources with the CPLC and the technical work program of the PMR as well as with external partners such as the UNFCCC West African Alliance on Carbon Markets and Climate Finance.
ACTIVITY 1: SELECTING POTENTIAL TAX OPTIONS
- TASK 1.1 Organization of an inter-ministry dialogue
- TASK 1.2 Integration into international carbon pricing support initiatives

ACTIVITY 2: ANALYZING THE PERFORMANCE AND IMPACTS OF THE CARBON TAX
- TASK 2.1 Mapping of existing related policies to identify potential synergies/adjustments needed
- TASK 2.2 Definition of scenarios for modeling analysis
- TASK 2.3 Analysis of application modalities and estimation of revenues
- TASK 2.4 Assessment of fiscal policy consequences and macroeconomic stability
- TASK 2.5 Evaluation of the optimal use of remaining revenues
- TASK 2.6 Workshop to present and discuss studies in Activity 2

ACTIVITY 3: DESIGNING THE MAIN ELEMENTS OF A CARBON TAX
- TASK 3.1 Design of the main elements of a carbon tax based on the previous findings
- TASK 3.2 Organization of public-private workshop to validate the final carbon tax design

ACTIVITY 4: PRELIMINARY STEPS TO PREPARE THE IMPLEMENTATION OF THE CARBON TAX
- TASK 4.1 Development and endorsement of an implementation plan

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<th>Activity</th>
<th>Budget (USD)</th>
<th>Notes</th>
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<tbody>
<tr>
<td>Task 1</td>
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<td>(15,000) (CPLC)</td>
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Timeline:
- June – Sept 2018
- July 2018 - February 2019
- March – July 2019
- August –December 2019
Working with the PMR

- Peer exchange
- Technical assistance
- Financial support

- Pioneer role and insights into carbon pricing potential in low-income countries
- Leadership in West Africa