

# Energy Price Reform: An IMF Perspective

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Disclaimer: The views expressed herein are those of the author and should not be attributed to the IMF, its Executive Board, or its management.

# Plan of talk



- IMF activities
- Getting energy prices right

# Main Messages



- Energy prices should cover
  - supply costs
  - environmental costs
- Fiscal instruments must be center stage
  - effective (if target right base)
  - cost effective (revenue can cut other taxes)
  - balance benefits/costs (if equal envir. damage)

# MOF Have Critical Role



- Championing energy tax reform
- Administration
- Putting revenues to good use
  - smarter not higher taxes

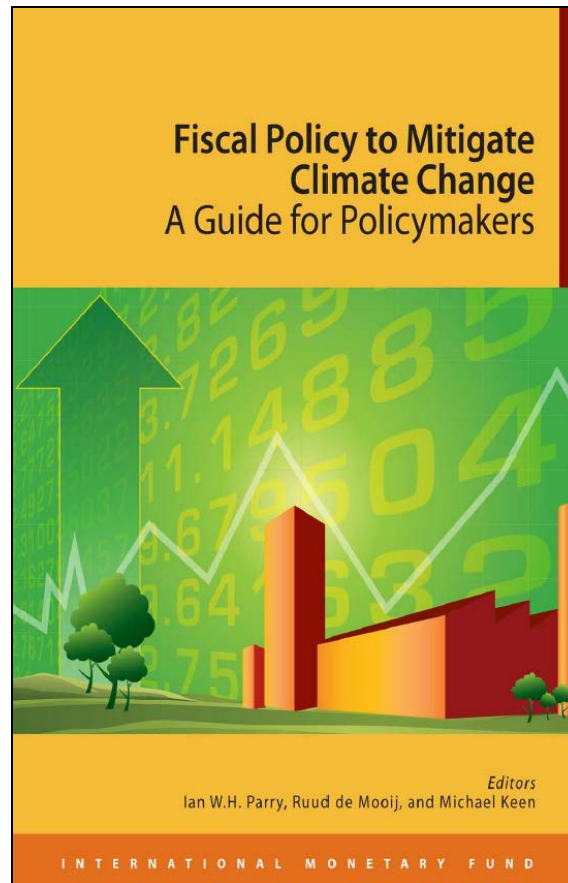
# TA and Outreach on Environmental Taxes



- Discussing with
  - Albania, Australia, China, Costa Rica, France, Ireland, Jordan, Indonesia, Mali, Mauritius, US, Yemen.
  
- Active conference agenda on energy climate issues working with other IOs (UNEP, OECD, EC).

## **Mobilizing Climate Finance** G20 Report, 2011

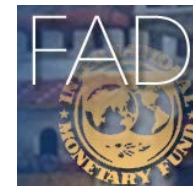
World Bank, IMF



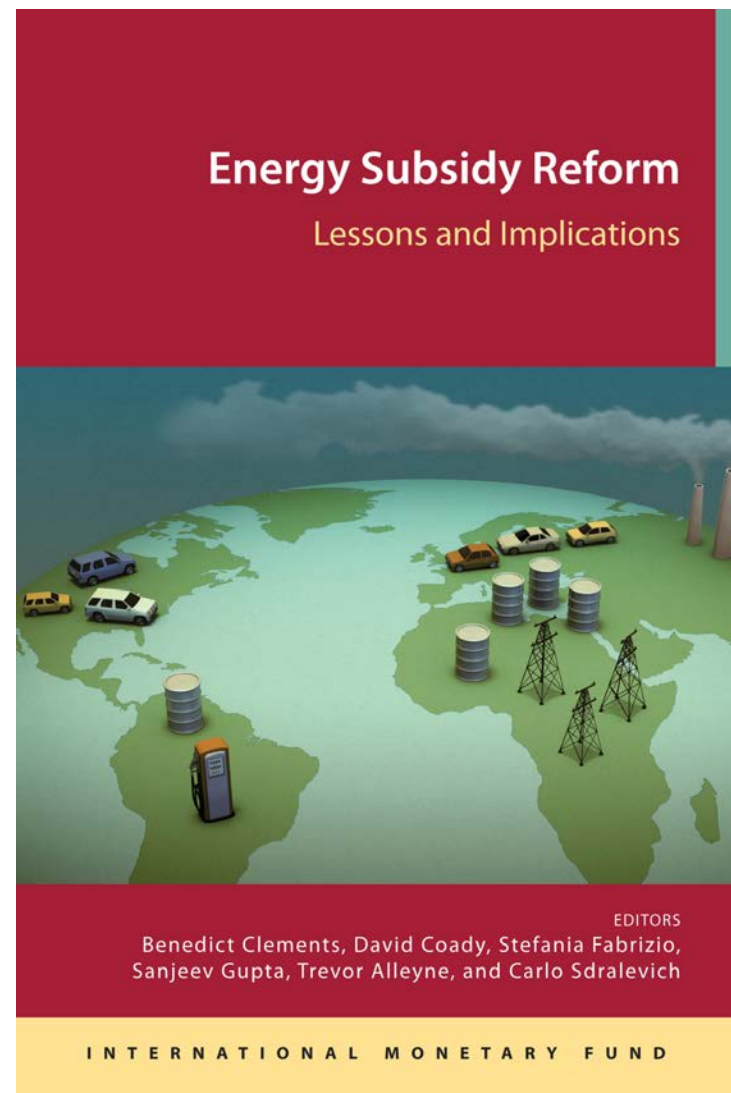
## **Carbon Taxes and Fiscal Reform: Key Issues Facing US Policy Makers** forthcoming

IMF, Brookings,  
RFF

# Analytical Products: Energy Subsidies



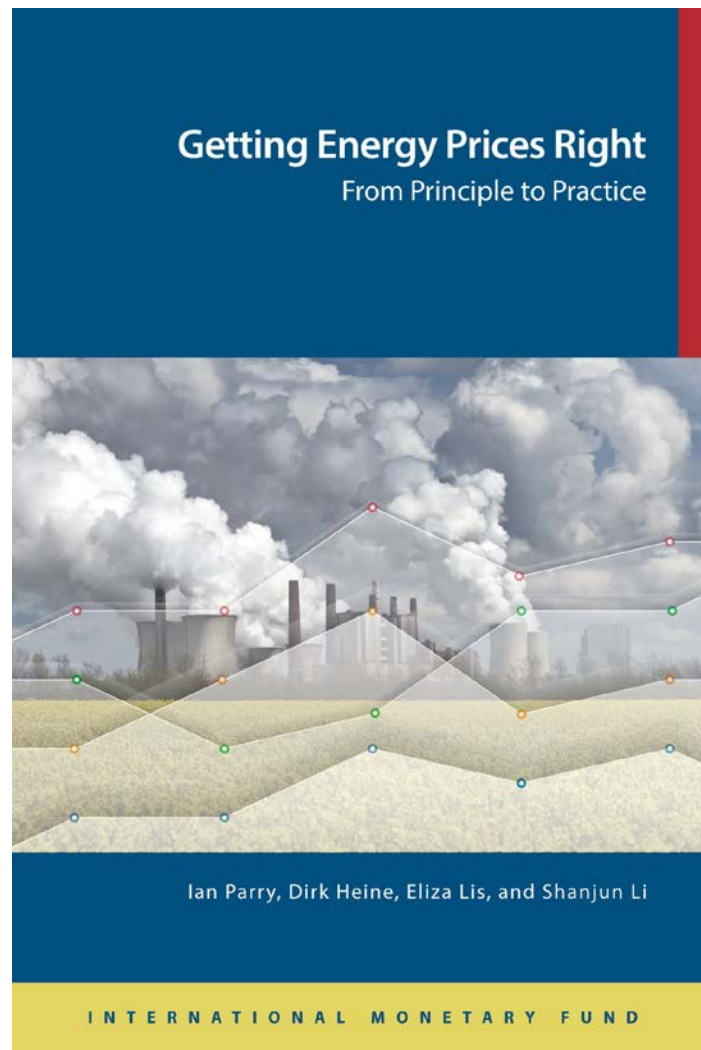
- *Pre-tax* subsidies: \$490 billion
  - MENA (48%), advanced (5%)
- *Post-tax* subsidies: \$2 trillion
  - pricing environmental damages critical
  - advanced (32%)



# Analytical Products: Getting Energy Prices Right

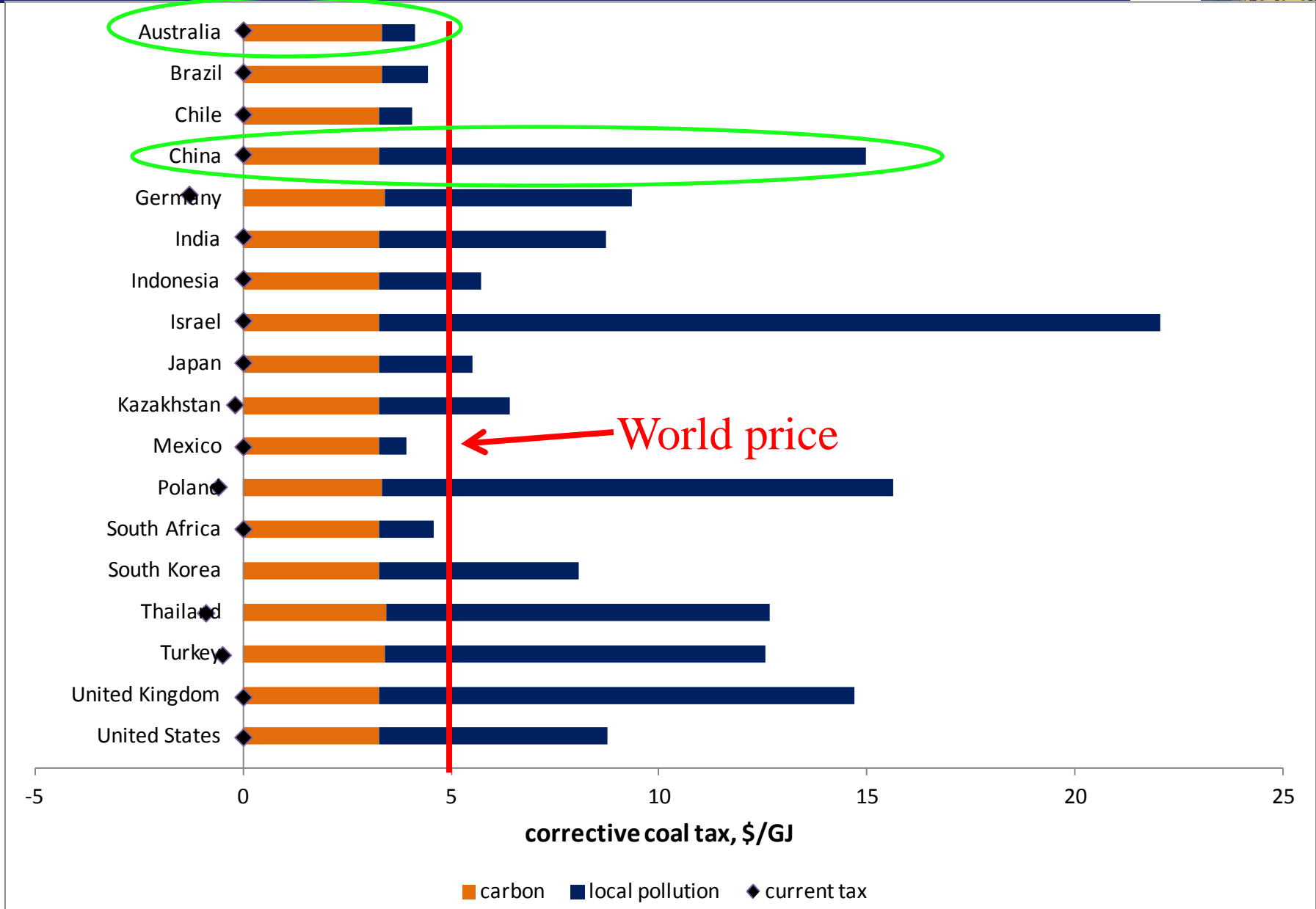


- Estimates for 150 countries taxes on
  - coal, nat. gas, gasoline, diesel
  - for carbon, air pollution deaths, congestion, accidents
- Uncertainties but
  - conceptual framework
  - spreadsheet:  
[imf.org/environment](http://imf.org/environment)

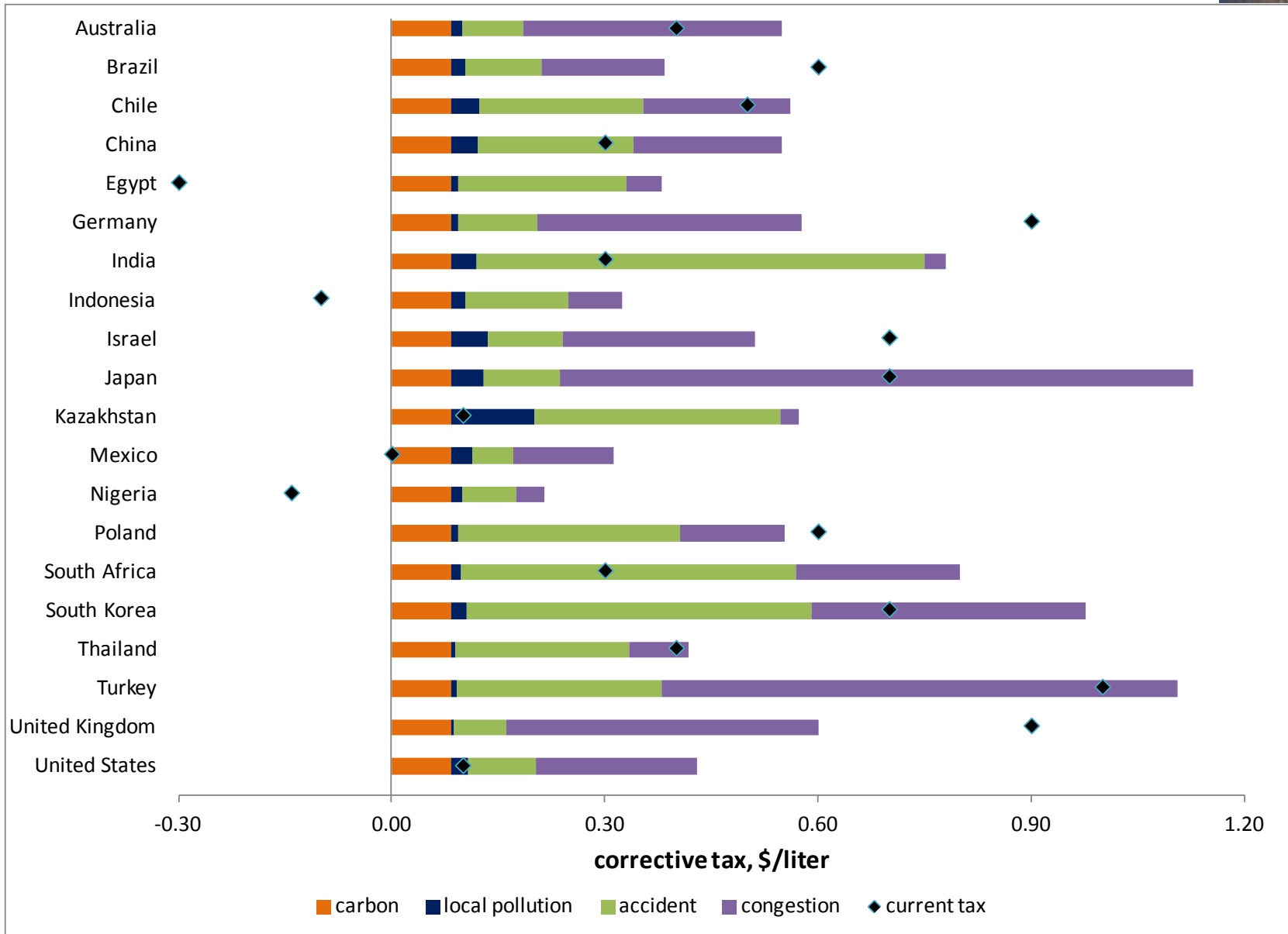




# Taxes on Coal to Reflect Envir. Costs, 2010



# Taxes on Gasoline to Reflect Envir. Costs , 2010



# Global Benefits from Price Reform



- Health
  - 63 percent reduction in air pollution deaths
  
- Environmental
  - 23 percent reduction in CO<sub>2</sub> emissions
  
- Fiscal
  - 2.6 percent of GDP in new revenue

# Concluding Message



- Reform need not wait for global action (e.g., carbon agreements)
  - substantial carbon pricing is in countries' own self interests because of domestic benefits (health, etc.)



**Thank you**