Plenary Panel on Fiscal Consolidation and Environmental Taxation

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Fiscal Instruments must be Center Stage

- Effective
  - so long as targeted at the right base (e.g., emissions not electricity or vehicles)

- Cost effective
  - so long as revenues used productively

- Balance environmental benefits and costs
  - so long as tax rates aligned with external costs
Undercharging Substantial Across Fuels/Countries

- No meaningful coal taxes
  - despite high carbon and air pollution damages

- Substantial charges on motor fuels warranted
  - though partially transition to km-based charging

- Substantial global benefits from getting prices right
  - health: 63 percent reduction in deaths
  - CO$_2$: 23 percent reduction in emissions
  - fiscal: 2.6 percent of GDP in new revenue
Energy tax reforms are in countries’ self interest
  - reform need not wait for global action

Straightforward application of basic tax principles

Finance ministry engagement critical
  - championing reform
  - administering
  - putting revenues to good use