



# CSBAG BUDGET NEWS BRIEF



212<sup>th</sup> EDITION | 10<sup>th</sup> - 16<sup>th</sup> October 2016

Advocating for a People Centered Budget that Dignifies Humanity



## Fiscal Policies to Mitigate Climate Change

**Scientific evidence suggests that climate change is an extremely serious threat and a major international effort to slow atmospheric accumulations of greenhouse gases (GHGs) over the twenty-first century is a key component of the appropriate policy response. If left unchecked, climate change could have increasingly serious macroeconomic consequences. In this Edition CSBAG shares with you fiscal policies to mitigate climate change**



Residents of Bududa cut through trees and timber on June 26, 2012 as they try to stop the slides. Photo credit: The EastAfrican

food markets). Worldwide impacts also mask huge disparities in regional burdens—hotter, low-lying, and low-income countries are most at risk and are most lacking in adaptive capability, while some wealthy, more temperate countries could benefit (e.g., from longer growing seasons). (Chapter 3, IPCC (2007).

**National commitment to tackle climate change:**The Uganda National Climate Change Policy, adopted in 2013, identifies key sectors for climate change mitigation action: agriculture, forestry, energy, transport, waste, and industry. It is being implemented through sectoral development plans. In four of these sectors (agriculture, energy, waste and transport), UNDP's Low Emissions Capacity Building (LECB) initiative identified eight Nationally Appropriate Mitigation Actions (NAMAs) as priorities for Ugandan efforts in climate change mitigation. Uganda's Second National Communication to the United Nations Framework Convention on Climate Change (UNFCCC) in 2014 lays down further mitigation options and adaptation considerations in key sectors, such as the wider use of solar energy and the introduction of a forestry monitoring information system as well as looking at the impacts on climate change on agriculture, water, health and risk management. It also points to significant shortcomings with regards to financial, technical and capacity building needs that hamper the implementation of mitigation and adaptation measures. The Uganda Green Growth Development Strategy (UGGDS) will address these gaps to allow for effective mitigation action (Bbosa, 2015).

**Complying with International commitments to tackle climate change:** The international community demonstrated strong political will and commitment to address global climate change by adopting the UNFCCC in 1992. The ultimate objective of this Convention and any other related legal instruments that the Conference of the Parties may adopt is to achieve stabilization of GHG concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system. The 21st Conference of the Parties (COP) to be held in Paris in December 2015 is expected to adopt a protocol or legally binding agreement with legal force that is universally applicable.

**For Uganda's case:** Despite the shortage of finance, Uganda has taken steps to comply with its national pledges and the country's Intended Nationally Determined Contribution (INDC) have been submitted to the UNFCCC for discussion in the Paris meeting. The country has committed to developing national strategies to mitigate climate change and promote low-carbon development. The development of the UGGDS is also a response to the UNFCCC that established that in order to stabilize concentrations of greenhouse gases in the atmosphere, all countries, and particularly middle-income countries, as part of their commitments, must develop and implement Low Emissions Development Strategies (LEDS), also called Green Growth Development Strategies (Bbosa, 2015).

### Development goals underpin sustainable development

Uganda's long-term development is to become an upper middle-income status by 2040. The Vision 2040 identifies a range of growth opportunities that are currently considerably under-exploited: oil and gas, tourism, minerals, Information, Communication and Technology (ICT), business, abundant labour force, geographical location and trade, water resources, industrialization, and agriculture. In order to exploit these opportunities, the Vision foresees the strengthening of 'fundamentals' of the Ugandan economy, including infrastructure (energy, transport, water, oil and gas, and ICT); science (technology, engineering and innovation); land use and management; urbanization; human resources; and peace, security and defence.

To realize this Vision 2040, the government has so far prepared two short-term development goals in five-year National Development Plans (NPDs) that were launched in 2010 and 2015. They both called for the promotion of a low-carbon economic development path. The NDP II (2015/16-2019/20) that is currently being implemented recognizes that by having serious consequences on agricultural production, food security, forests, water supply, infrastructure, health systems, incomes, livelihoods and overall development, climate change potentially poses one of the greatest challenges for Uganda to realize its Vision 2040. NDP II states that Uganda will continue to promote climate change resilient and low carbon pathways (Bbosa, 2015).

### Comprehensive Carbon Pricing Policies Can Effectively Reduce Emissions and at Least Cost.

Comprehensive carbon pricing measures exploit the entire range of emissions reduction opportunities across the economy. As the emissions price is reflected in the prices of fossil fuels, electricity, and so on, this promotes fuel switching in the power sector and reductions in the demand for electricity, transportation fuels, and direct fuel usage in homes and industry.

Carbon pricing also strikes the cost-effective balance between different emission reduction opportunities because all behavioral responses are encouraged up to where the cost of the last tonne reduced equals the emissions price. Moreover, the carbon price provides a strong signal for innovations to improve energy efficiency and reduce the costs of zero- or low-carbon technologies.

If carbon pricing policies are not initially viable, carefully designed regulatory packages or, better still, "feebates" can be reasonable alternatives. Combining a carbon dioxide (CO<sub>2</sub>) per kilowatt hour standard for the power sector with energy-efficiency standards for vehicles, appliances, buildings, and so on can promote many of the emission reduction opportunities that would be exploited by carbon pricing policies. And regulatory policies avoid large (politically challenging) increases in energy prices as they do not involve the pass-through of large carbon tax revenues (or allowance rents) in higher prices. But again, extensive credit-trading provisions across firms and sectors are important for containing the costs of these regulatory packages.

More promising is to use feebate or tax/subsidy analogs of these regulations (e.g., taxes for generators with high emissions intensity and subsidies for generators with low emissions intensity), as these policies circumvent the need for credit trading. Regulatory or feebate policy packages should still transition to carbon pricing whenever feasible, however, to raise government revenue, more comprehensively reduce emissions, and facilitate international Coordination.

- Bbosa, M. (2015, October 30). UNDP. Retrieved from [http://www.ug.undp.org/content/uganda/en/home/presscenter/pressreleases/2015/1](http://www.undp.org: http://www.ug.undp.org/content/uganda/en/home/presscenter/pressreleases/2015/1) Aldy, Joseph, Alan J. Krupnick, Richard G. Newell, Ian W. H. Parry, and William A. Pizer, 2010, "Designing Climate Mitigation Policy," *Journal of Economic Literature*, Vol. 48, pp. 903–34.
- IPCC, 2007. *Climate Change 2007: The Physical Science Basis. Contribution of Working Group I to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change* (New York: Cambridge University Press).

## UPCOMING EVENTS

**EVENT:** Parallel Session on Women and Taxation @ the 3<sup>rd</sup> National Women's week 2016.

**DATE:** 21st October 2016.

**VENUE:** Hotel Africana.

**CONVENER:** CSBAG and SEATINI-UG

## OUR WORK IN PICTURES



Citizens of Kibuku district listening to their district budget on WASH on 12th October 2016 in Kibuku district.

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