

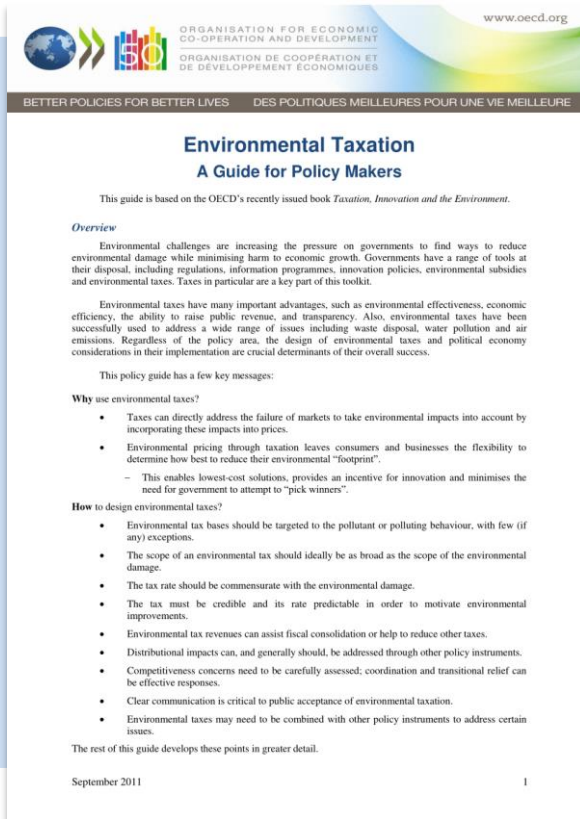


Sets the Standards and Beyond

# Design, Implementation & Impact of Carbon Tax

DDTC Fiscal Research & Advisory

# Carbon Tax Design



- 1 Polluters Pays Principle
- 2 The scope which is in line with environment concern
- 3 Tax rate that represents the problem and environmental issue
- 4 Should have certainty and predictable that motivates change of behavior
- 5 Redistribution of taxation revenue
- 6 Distributional impact

How is the withholding mechanism?

What would be the tax base?

Who pays the tax?

How much is the tax rate?

How to monitor and evaluate the result?

## Challenges

There are no certain limitation of emission that can be produced

Political Challenge

# Carbon Leakage Issue

There are no uniformity and clear coordination between countries

Does not applicable to every sector

## Carbon Leakage

Output channel

Investment channel

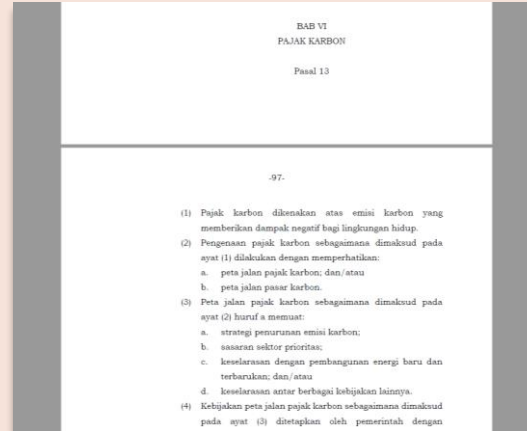
Fossil-fuel price channel

! **Competitiveness Issue**  
! **Mobility Risk of Factor of Production**



## Issue of renewable and sustainable energy

- Program energy mix (bahan bakar nabati)
- Struktur biaya
- Bagaimana industri yang lebih ramah lingkungan bisa tercipta? Earmarking tax?
- Insentif pajak

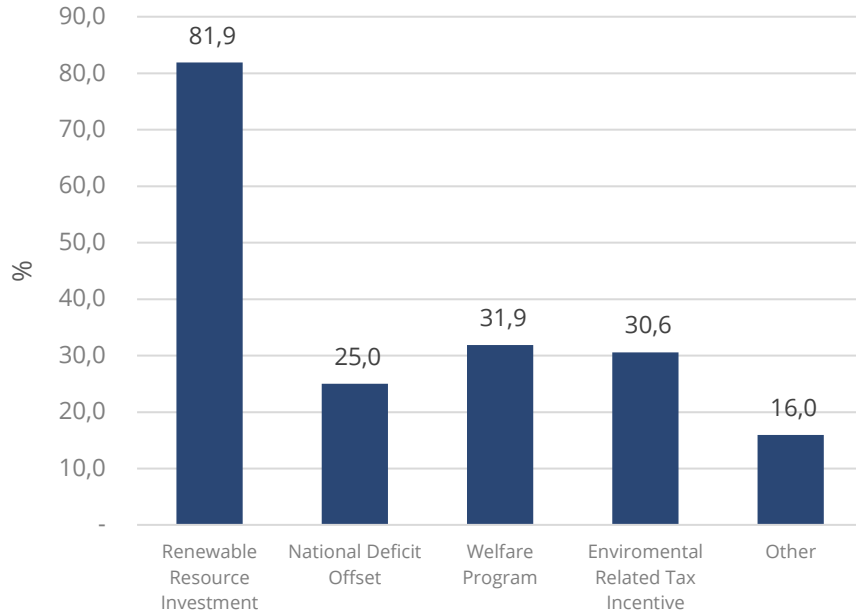


RUU HPP state that the regulations will be in line under the **roadmap in carbon pricing** and the **agenda of environmental sector**

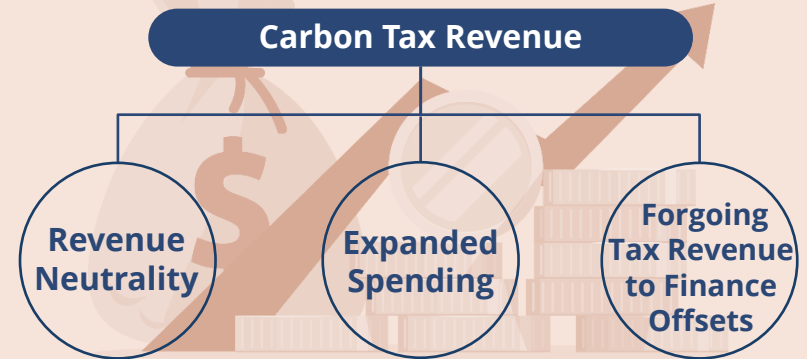
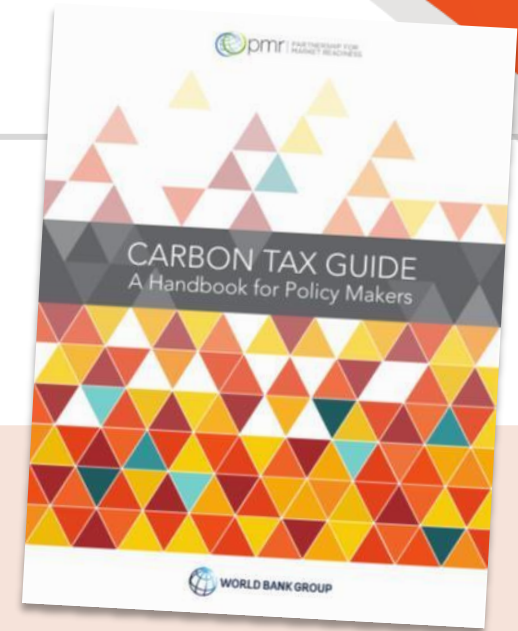
# Further Issue: Budget Allocation?



How should carbon tax revenue be allocated?



Source: DDTC News Survey



# Thank You

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