



*Presidencia de la República Dominicana*

Consejo Nacional para el Cambio Climático  
y Mecanismo de Desarrollo Limpio



**Regional Collaboration Centre – St. George's**  
Promoting Action Against Climate Change



# Exploring the Adoption of Carbon Pricing Instruments

## Results of CI-ACA Project - Dominican Republic

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# Collaborative Instruments for Ambitious Climate Action (CI-ACA)

Economic instruments for emissions reductions

# General Conclusions- MRV

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- **Any carbon pricing initiative will need a robust Measurement, Report and Verification system to measure its performance.**
- **The Dominican Republic is currently working on proposal of a national MRV system** through an Initiative for Climate Actions Transparency (ICAT) project carried out by the CNCCMDL in collaboration with UNEP DTU. With this initiative, **a domestic MRV system will be designed and a roadmap for its creation will be developed.**
- **An MRV system applied to large emitters can be applied either under a carbon tax scheme and under an ETS.** In fact, even if it is initially applied only under a tax scheme, it would be a first step for the introduction of an ETS.

## General Conclusions- MRV

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- **An MRV system in DR could be approved through a Supreme Presidential Decree.** The proposal for this decree would come directly from the **CNCCMDL** office.



## General Conclusions

Mechanism /Instrument	Main focus on	Theoretical Pros	Theoretical Cons	Technical feasibility	Political feasibility	Private sector acceptance	Public sector acceptance
<b>Carbon Tax</b>	Emissions reductions	<ul style="list-style-type: none"> <li>- Easy to understand.</li> <li>- Low cost of implementation.</li> <li>- Revenue source for governments.</li> <li>- Certainty on prices (price set by the government).</li> <li>- Can use current infrastructure and administrative structures</li> <li>- Allows the use of offsets.</li> </ul>	<ul style="list-style-type: none"> <li>- Effectiveness depends on the cost of the tax (usually needs to be high).</li> <li>- Difficult to link internationally.</li> <li>- Uncertainty on emissions reductions.</li> <li>- Less time for business to adapt.</li> <li>- Carbon leakage is difficult to manage.</li> </ul>	High	Very low	Very low	Medium to low
<b>Emissions Trading Scheme</b>	Emissions reductions	<ul style="list-style-type: none"> <li>- Revenue source for governments.</li> <li>- Relatively easy to link internationally.</li> <li>- Certainty on emissions reductions.</li> <li>- Allows the use of offsets.</li> <li>- Carbon leakage is relatively easy to manage.</li> </ul>	<ul style="list-style-type: none"> <li>- More difficult to understand by government and all stakeholders.</li> <li>- Effectiveness depends on the design of the ETS.</li> <li>- High cost of implementation.</li> <li>- Uncertainty on prices.</li> <li>- Usually needs of infrastructure and administrative structures.</li> <li>- More time for business to adapt.</li> <li>- Requires a fair number of participants (covered entities).</li> </ul>	Medium to low	Medium to high	High	High
<b>Hybrid Instrument</b>	Emissions reductions	<ul style="list-style-type: none"> <li>- Designed for the jurisdiction's specific needs.</li> <li>- Usually allows the use of offsets.</li> </ul>	<ul style="list-style-type: none"> <li>- More difficult to understand.</li> <li>- High cost of implementation.</li> <li>- Usually difficult to design due to convergence with other instruments.</li> <li>- Possible higher costs for covered entities compared with an ETS.</li> </ul>	Medium	Medium to low	Medium	Medium to high
<b>Green Certificates</b>	Renewable energies	<ul style="list-style-type: none"> <li>- Easy to understand.</li> <li>- Relative certainty on the use of renewable energy.</li> <li>- Increased electric generation capacity.</li> </ul>	<ul style="list-style-type: none"> <li>- Uncertainty on emissions reductions.</li> <li>- Potential policy overlap.</li> </ul>	Medium	Medium	High	High

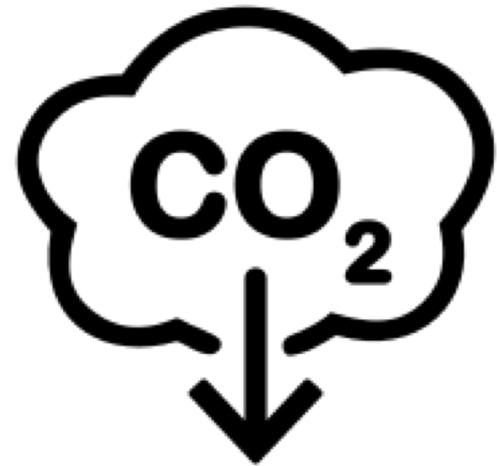


# Recomendations

# Carbon Pricing

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- **To consider simple approaches to introduce a carbon price in the Dominican Republic**, while having most of the companies (and individuals) covered.
- **To engage on capacity building for carbon pricing from the earliest possible stage**, including the private sector, academia, NGOs and the media.
- **To have an association with the Carbon Pricing Leadership Coalition (CPLC)** to improve the exchange of knowledge, best practices and public-private dialogues related to the adoption of a carbon price.



# Carbon tax

- To conduct a research study to have up to date **technical information** regarding **short term and long term price elasticities of the demand** and short and long term **income elasticities** of the demand for gasoline (and maybe other fossil fuels) to properly assess the real impact of a carbon tax measured as GHG emissions reductions in the Dominican Republic.
- **To study the possible impacts of the establishment of a carbon tax on electricity tariffs** for final consumers, analysing different tax rates on fossil fuels used in the generation of electricity.
- **To study the applicability of a tax on coal** and its possible impacts on reducing emissions and energy efficiency.



# ETS

- Given the absence of a wide number of large GHG emitters, a challenge to establish an ETS would be the creation of liquidity in the market. In this sense, it is proposed **to create a pool of energy products** (this includes futures for physical goods like carbon and natural gas, financial transmission rights –FTRs-, financial options, etc.) and emission allowances to create this liquidity.
- **To consider the integration with a regional ETS for Latin America or the Caribbean.**



# Use of Incomes

- The redistribution of the revenue generated by the different carbon pricing mechanisms is the single most promising option to increase its political attractiveness.
- Whichever mechanism is selected to establish a price on GHG emissions in the Dominican Republic, it is important to consider using the revenue raised in a **clear fashion and through a predefined spending structure**, preferably in projects related to climate change and emissions reductions. As international experiences have shown, revenue recycling can help address the majority of the political opposition and get private sector participation.
- To increase transparency in the use of resources, **it is advisable to involve civil society in the decision-making process for its spending.**





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