Taxing Energy Use for Sustainable Development
COUNTRY NOTES

Jamaica

Macroeconomic and policy context

Key statistics	
GDP growth (annual) (2007-2017)	-0.1%
GDP growth (annual, per capita) (2007-2017)	-0.6%
CO_2 emissions growth (annual) (2007-2017)	-4.1%
CO_2 emissions growth (annual, per capita) (2007-2017)	-4.7%
Main combustible energy source; corresponding share of CO2 emissions (2017)	Fuel oil, 44.6%
Non-combustible energy sources; share of primary energy use (2017)	1.6%
Total energy self-sufficiency (%) (2017)	13.0%
Share of population with access to electricity (2018) SDG 7.1.1	99.0%
Share of population with access to clean cooking (2018) SDG 7.1.2	84.0%
Tax-to-GDP ratio (2017)	27.3%

Sources as specified in TEU-SD brochure.

Between 2007 and 2017, Jamaica's GDP decreased by an average of 0.1% per year in total, and 0.6% per capita. Over the same period, energy-related CO_2 emissions decreased by 4.1% per year in total, and 4.7% per capita. Fuel oil, the main fossil fuel used in Jamaica, accounted for 44.6% of CO_2 emissions from energy use in 2017, down from 53.3% in 2007. Non-combustible energy sources, mainly hydropower in Jamaica, accounted for 1.6% of primary energy use in 2017, up from 0.5% in 2007. Jamaica is a net energy and oil importer with an electrification rate of 99% and 84% of the population having access to clean cooking fuels and technologies.

The government of Jamaica has committed to pursuing sustainable economic development policies focused on addressing Jamaica's vulnerability to climate change and expanding domestic renewable energy production in its Updated Nationally Determined Contribution. In this NDC, Jamaica set an unconditional GHG emissions reduction target of 25.4% by 2030, relative to the BAU scenario. Jamaica's tax-to-GDP ratio of 27.3% is lower than the OECD average[1] of 33.9%, but higher than the LAC and Africa averages of 22.8% and 17.2%, respectively.

Taxes and subsidies on energy use, 2018

Jamaica does not have an explicit carbon tax, nor a CO_2 emissions trading system. However, it does collect energy taxes, including:

- A specific consumption tax on gasoline, diesel, kerosene, fuel oil, LPG and natural gas.

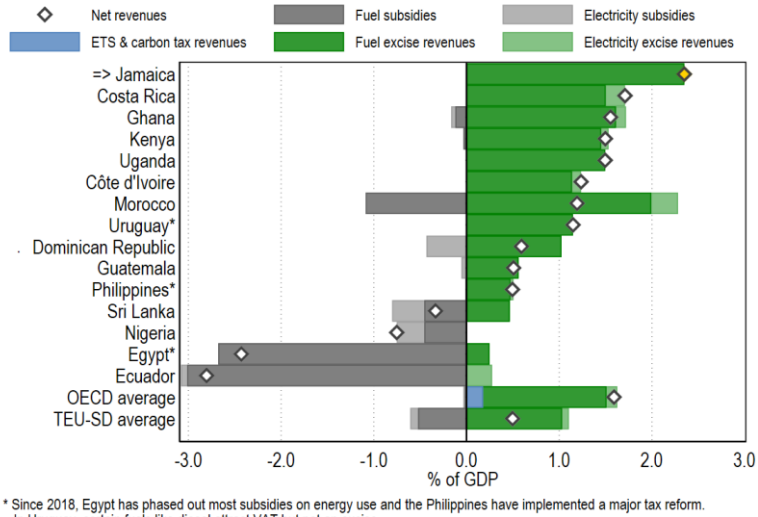
TEU-SD classified zero subsidies to be in effect in 2018.

Net energy tax revenues, 2018

Net energy tax revenues are a bottom-up estimate of the net revenues resulting from taxes and subsidies on energy use.

Net energy tax revenues in Jamaica represent 2.3% of GDP in 2018, contributing positively to domestic resource mobilisation. Compared to the other countries considered in TEU-SD and OECD countries:

- Revenues from fuel excise taxes as a share of GDP are significantly above the OECD and TEU-SD average.



* Since 2018, Egypt has phased out most subsidies on energy use and the Philippines have implemented a major tax reform. In Uruguay, certain fuels like diesel attract VAT but not an excise.

[1] Averages across countries refer to the simple, unweighted average.

The project was carried out with the financial support from the governments of Ireland, Japan, Luxembourg, Norway, Sweden and the United Kingdom

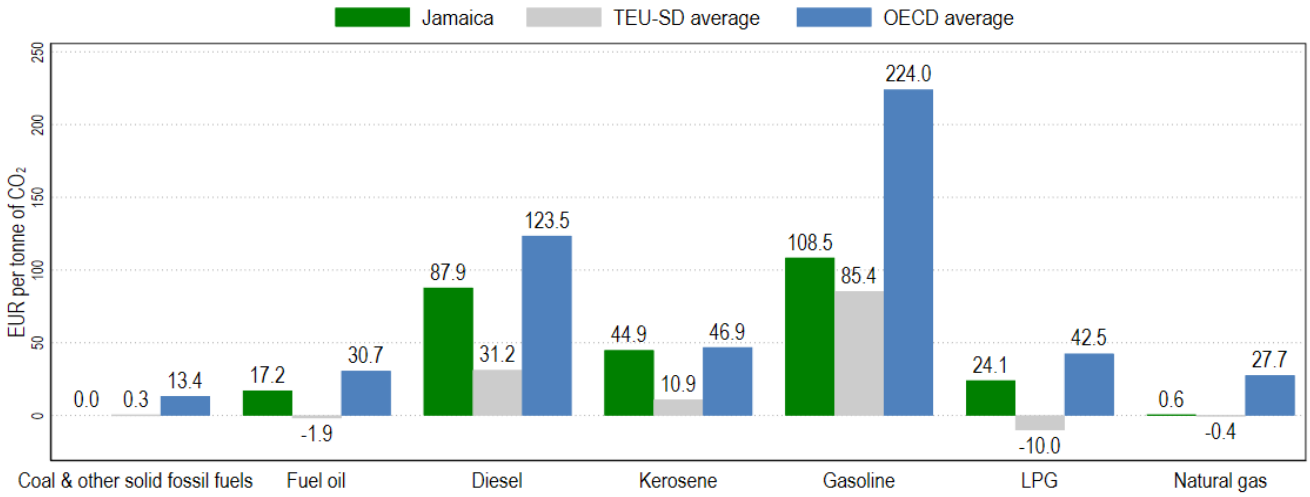
- There are no fuel or electricity subsidies, which is similar to the OECD average, and comparable to most TEU-SD countries.

Recent developments: In June 2020, Jamaica became the 11th country to submit its Updated Nationally Determined Contribution, taking into account the effect of the Covid-19 pandemic. In this contribution, Jamaica increased its 2030 carbon emissions reduction target compared to its First Nationally Determined Contribution, from 1.1-1.5 MtCO2e to 1.8-2.0 MtCO2e lower than under a BAU scenario.

Average effective carbon rates by fuel, 2018

The Effective Carbon Rate (ECR) is the total price that applies to CO_2 emissions from energy use as a result of taxes and emissions trading, net of fuel subsidies. A higher ECR encourages consumers and producers to use cleaner energy sources or reduce energy use, avoiding CO_2 emissions and local pollution, while taxes and permit auctioning raise public revenue.

- Coal, fuel oil, LPG and natural gas, mainly used in the industrial, residential & commercial, and electricity sectors, face the lowest ECRs. The industrial, residential and electricity sectors represent 49.2%, 9.7% and 16.1% of Jamaica's CO_2 emissions from energy use, respectively.
- Diesel, kerosene and gasoline face the highest ECRs. The road sector, where the bulk of diesel and gasoline is consumed, represents 24.6% of Jamaica's CO_2 emissions from energy use.



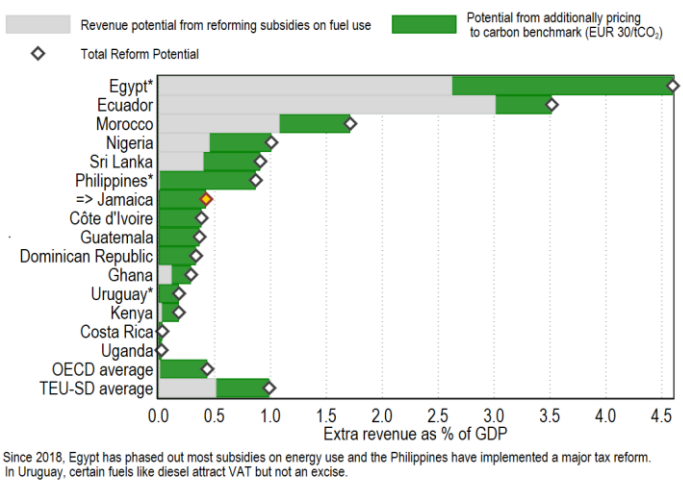
Jamaica has low effective carbon rates relative to the OECD average, apart from on kerosene. Compared to other TEU-SD countries:

- The ECR is high for fuel oil, diesel, kerosene, gasoline and LPG relative to the TEU-SD average.
- The ECR on coal and natural gas is similar to the TEU-SD average.

Revenue potential from carbon price reform

By how much would tax revenues increase if ECRs were raised to reach EUR 30/tCO₂ for all fossil fuels? The benchmark of EUR 30 is a low-end estimate of the climate damage caused by each tonne of CO_2 emitted. An equitable reform package is critical to ensuring that vulnerable groups, which also tend to be those that are disproportionately affected by climate change, will be able to access clean energy.

Jamaica's tax revenue potential from carbon price reform, if ECRs were raised to the benchmark rate of EUR 30/tCO₂, is an increase of revenue corresponding to 0.4% of GDP. This is similar to the OECD average, and lower than the TEU-SD average. There is no significant revenue potential from reforming subsidies on fuel use, in line with the OECD average and below the TEU-SD average.



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