Transport Pricing Guidance

Guidance for assessing the greenhouse gas impacts of transport pricing policies

May 2018

How to describe the policy or action being assessed

5. DESCRIBING THE PRICING POLICY

This chapter provides guidance on describing the policy. In order to estimate the GHG impacts of a policy, users need to describe the policy that will be assessed, decide whether to assess the individual policy or a package of related policies, and choose whether to carry out an ex-ante or ex-post assessment.

Figure 5.1: Overview of steps in the chapter

Checklist of key recommendations

- Clearly describe the policy (or package of policies) that is being assessed

5.1 Describe the policy to be assessed

In order to effectively carry out an impact assessment in subsequent chapters, it is necessary to have a detailed understanding of the policy being assessed. It is a key recommendation to clearly describe the policy (or package of policies) that is being assessed. Table 5.1 provides a checklist of recommended information that should be included in a description to enable an effective assessment. Table 5.2 outlines additional information that may be relevant depending on the context.

If assessing a package of policies, these tables can be used to document either the package as a whole or each policy in the package separately. The first two steps in the chapter (Sections 5.1 and 5.2) can be done together or iteratively.
Users that are assessing the sustainable development and/or transformational impacts of the policy (using the ICAT Sustainable Development Guidance and/or Transformational Change Guidance) should describe the policy in the same way to ensure a consistent and integrated assessment.

*Table 5.1: Checklist of recommended information to describe the policy being assessed*

<table>
<thead>
<tr>
<th>Information</th>
<th>Description</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title of the policy</td>
<td>Policy name</td>
<td>National Fuel Levy</td>
</tr>
<tr>
<td>Type of policy</td>
<td>The type of policy, per Table 3.1.</td>
<td>Increased fuel tax/levy</td>
</tr>
</tbody>
</table>
| Description of specific interventions | The specific intervention(s) carried out as part of the policy, such as the technologies, processes or practices implemented | The national fuel levy is on gasoline and diesel and will be targeted at LDVs in the form of a fixed sum per litre, higher for gasoline than for diesel. Mean average income of USD 13,254 per capita and an annual mean fuel price of USD 0.75 per litre in 2016 Elasticities are as follows:  
  - Default gasoline own-price elasticity value is -0.24  
  - Default diesel price elasticity value is -0.22.  
  - Cross-price elasticity with respect to gasoline price, for motor bus: 0.15  
  - Cross-price elasticity with respect to gasoline price, for rail (average): 0.24 |
| Status of policy                    | Whether the policy is planned, adopted or implemented                                                | Planned                                                                                                                              |
| Date of implementation             | If applicable, the date the policy ceases, such as the date a tax is no longer levied or the end date of an incentive scheme with a limited duration (not the date that the policy no longer has an impact) | 1 January 2017                                                                                                                       |
| Date of completion (if applicable) | If applicable, the date the policy ceases, such as the date a tax is no longer levied or the end date of an incentive scheme with a limited duration (not the date that the policy no longer has an impact) | 2022                                                                                                                                 |

2
Implementing entity or entities | The entity or entities that implement(s) the policy, including the role of various local, subnational, national, international or any other entities | Ministry of Finance
---|---|---
Objectives and intended impacts or benefits of the policy | The intended impact(s) or benefit(s) the policy intends to achieve (e.g., the purpose stated in the legislation or regulation) To encourage individuals and industry to use less fossil fuel and to reduce GHG emissions | High-level objectives:
- To encourage individuals and industry to use less fossil fuel and to reduce GHG emissions
- To send a consistent price signal
- To ensure that emitters pay for emissions (integrating external costs)
- To encourage a shift to more efficient vehicles and/or more efficient modes of transport

Level of the policy | The level of implementation, such as national level, subnational level, city level, sector level or project level | National
Geographic coverage | The jurisdiction or geographic area where the policy is implemented or enforced, which may be more limited than all the jurisdictions where the policy has an impact | Country
Sectors, targeted | Which sectors or subsectors are targeted | Gasoline and diesel emissions from passenger transport, LDVs
Greenhouse gases targeted | Which GHG the policy aims to control, which may be more limited than the set of GHG that the policy affects | CO₂
Other related policies or actions | Other policies or actions that may interact with the policy being assessed | A policy entitled Transport 2030 aims to plan regional systems across municipal borders, increasing ease and access to public transport. Public transport will also be subsidised through this policy in rural areas.

Table 5.2: Checklist of additional information that may be relevant to describe the policy being assessed

<table>
<thead>
<tr>
<th>Information</th>
<th>Description</th>
<th>Example</th>
</tr>
</thead>
</table>
| Intended level of mitigation to be achieved and/or target | Target level of key indicators, if applicable | Target
- 3-5% annual reductions in vehicle emissions compared to baseline |
<table>
<thead>
<tr>
<th>level of other indicators (if applicable)</th>
<th>• $X revenue generated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title of establishing legislation, regulations, or other founding documents</td>
<td>The name(s) of legislation or regulations authorising or establishing the policy (or other founding documents if there is no legislative basis)</td>
</tr>
<tr>
<td>Monitoring, reporting and verification procedures</td>
<td>References to any monitoring, reporting, and verification procedures associated with implementing the policy</td>
</tr>
<tr>
<td>Enforcement mechanisms</td>
<td>Any enforcement or compliance procedures, such as penalties for noncompliance</td>
</tr>
<tr>
<td>Reference to relevant documents</td>
<td>Information to allow practitioners and other interested parties to access any guidance documents related to the policy (e.g., through websites)</td>
</tr>
<tr>
<td>The broader context/significance of the policy</td>
<td>Broader context for understanding the policy</td>
</tr>
</tbody>
</table>
| Outline of sustainable development impacts of the policy | What are the sustainable development impacts of the policy? | • Estimation of impact of policy, including the use of revenues on low-income households  
• Will reduce air pollution, congestion and traffic |
| Key stakeholders | Key stakeholder groups affected by the policy | Departments or ministries of transport  
Ministries of finance  
National and city governments  
Public transit authorities  
Taxation bureaus  
Fleet operators  
Vehicle manufacturers  
Consumers |
| Other relevant information | Any other relevant information |
5.2 Decide whether to assess an individual policy or a package of policies

Where multiple policies are being developed or implemented in the same timeframe, users can assess them either individually or as a package. When making this decision, consider the assessment objectives, the feasibility of assessing impacts individually or as a package, and the degree of interaction between the policies under consideration. Pricing policies may interact with other policies and actions. Elasticities are empirical values and implicitly take other policies into consideration. Where other policies have an impact on behaviours the impacts are represented in the elasticity. However, users can refer to the Policy and Action Standard for further general guidance on policy interactions and whether to assess an individual policy or a package of policies.

In subsequent chapters, users follow the same general steps and requirements, whether they choose to assess an individual policy or a package of policies. Depending on the choice, the impacts assessed in later chapters will either apply to the individual policy or to the package of policies.

5.3 Choose ex-ante or ex-post assessment

After describing the policy or package of policies being assessed, decide whether to carry out an ex-ante assessment (see Chapter 8), an ex-post assessment (see Chapter 9), or a combined ex-ante and ex-post assessment. Choosing between ex-ante or ex-post assessment depends on the status of the policy. If the policy is planned or adopted, but not yet implemented, the assessment will be ex-ante by definition. Once the policy has been implemented, the assessment can be ex-ante, ex-post, or a combined ex-ante and ex-post. The assessment is an ex-post assessment if the objective is to estimate the impacts of the policy to date; an ex-ante assessment if the objective is to estimate the expected impacts in the future; or a combined ex-ante and ex-post assessment to estimate both the past and future impacts.

In practice, the assessment of pricing policies is primarily an ex-ante approach. The ex-ante assessment helps the user determine whether to implement the policy and is also an important factor in determining the level of price increase and coverage. Ex-post assessment is an important complement to the ex-ante assessment, though it is not often undertaken due to complexity, data and modelling skills required.

In most sectors, ex-ante assessment plays a role in planning for mitigation actions, but the focus of MRV is on ex-post assessments because it is only through ex-post assessment that all relevant data to determine the impact is available. The exact level of emission reductions can be quantified based on the actual measured data. For example, in a biomass energy project, it is only because the amount of biomass that has actually been used to substitute fossil fuels is known (ex-post) that the exact quantity of emission reductions resulting from this substitution can be determined with high accuracy (ex-post). The level of accuracy of ex-post assessments may be improved if detailed and elaborate models of transport are available.

The assessment of pricing policies on the basis of price elasticities is fundamentally different. After the implementation of the policy, there are so many different factors that influence the emissions from ground transport that the ex-post estimate does not provide a significantly better level of accuracy (see Chapter 8 for a more thorough description of accuracy associated with ex-ante assessments). In other words, the additional data available after the implementation of the policy (e.g., actual fuel consumption) does allow for a plausibility check, but does not generally contribute to a much more accurate result than the ex-ante
estimation. Therefore, the ex-ante assessment is the key step in assessing impacts of pricing policies, and the ex-post assessment can be used as more of a plausibility check.