

# 5 Describing the pricing policy

*This chapter provides guidance on describing the policy. 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.*

## Checklist of key recommendations

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

## 5.1 Describe the policy to be assessed

To effectively carry out an impact assessment (in subsequent chapters), a detailed understanding of the policy being assessed is needed. 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 who are assessing the sustainable development and/or transformational impacts of the policy (using the ICAT *Sustainable Development Methodology* and/or *Transformational Change Methodology*) should describe the policy in the same way to ensure a consistent and integrated assessment.

## 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 time frame, users can assess them either individually or as a package. When making this decision, users should consider the assessment objectives, the feasibility of assessing impacts individually or as a package, and the degree of interaction between the policies.

Pricing policies may interact with other policies and actions. For example, higher fuel prices can be implemented along with other pricing policies, to further reduce emissions from the transport sector. [Chapter 10](#) provides additional guidance to help users estimate the impacts of purchase incentives for highly efficient vehicles and road pricing policies. If several pricing measures are implemented together, users can assess a package of policies. More guidance on policy interactions and whether to assess an individual policy or a package of policies

FIGURE 5.1

## Overview of steps in the chapter

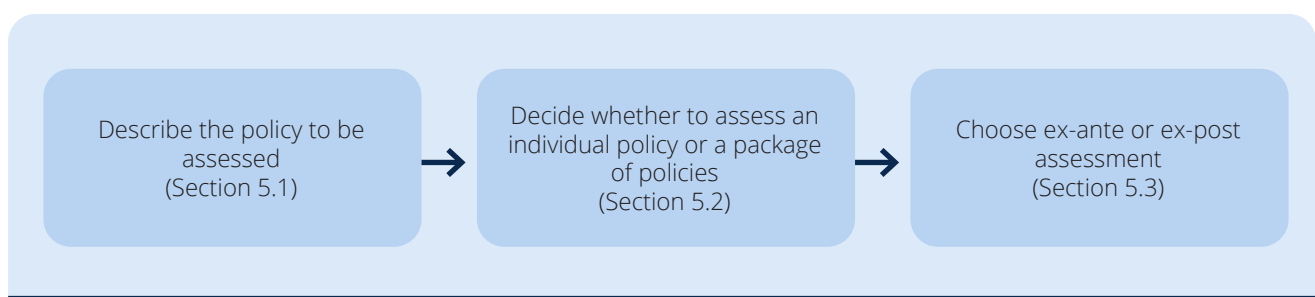


TABLE 5.1

**Checklist of recommended information to describe the policy being assessed**

Information	Description	Examples
Title of the policy	Policy name	National Fuel Levy
Type of policy	The type of policy, such as those presented in <a href="#">Table 3.1</a> .	Increased fuel tax/levy
Description of specific interventions	The specific intervention(s) carried out as part of the policy, such as the technologies, processes or practices implemented	<p>The national fuel levy is on gasoline and diesel. It will target LDVs in the form of a fixed sum per litre – higher for gasoline than for diesel.</p> <p>Mean average income of \$13,254 per capita and an annual mean fuel price of \$0.75 per litre in 2016.</p> <p>Elasticities are as follows:</p> <ul style="list-style-type: none"> <li>• Default gasoline own-price elasticity value is <math>-0.24</math>.</li> <li>• Default diesel price elasticity value is <math>-0.22</math>.</li> <li>• Cross-price elasticity with respect to gasoline price, for motor bus, is <math>0.15</math>.</li> <li>• Cross-price elasticity with respect to gasoline price, for rail (average), is <math>0.24</math>.</li> </ul>
Status of policy	Whether the policy is planned, adopted or implemented	Planned
Date of implementation	The date the policy comes into effect (not the date that any supporting legislation is enacted)	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
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) of the policy (e.g. the purpose stated in the legislation or regulation)	<p>High-level objectives:</p> <ul style="list-style-type: none"> <li>• To encourage individuals and industry to use less fossil fuel and to reduce GHG emissions</li> <li>• To send a consistent price signal</li> <li>• To ensure that emitters pay for emissions (integrating external costs)</li> <li>• To encourage a shift to more efficient vehicles and/or more efficient modes of transport</li> </ul>
Level of the policy	The level of implementation, such as national level, subnational level, city level, sector level or project level	National

TABLE 5.1, continued

**Checklist of recommended information to describe the policy being assessed**

Information	Description	Examples
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 vehicles and LDVs
Greenhouse gases targeted	Which GHG the policy aims to control, which may be more limited than the set of GHGs that the policy affects	CO <sub>2</sub>
Other related policies or actions	Other policies or actions that may interact with the policy being assessed	A policy titled Transport 2030 aims to plan regional transport systems across municipal borders, increasing ease of access to public transport. Public transport will also be subsidized through this policy in rural areas.

Source: Adapted from WRI (2014).

Abbreviations: CO<sub>2</sub>, carbon dioxide; LDV, light-duty vehicle

TABLE 5.2

**Checklist of additional information that may be relevant to describe the policy being assessed**

Information	Description	Examples
Intended level of mitigation to be achieved and/or target level of other indicators	Target level of key indicators, if applicable	Target <ul style="list-style-type: none"> <li>• 3–5% annual reductions in vehicle emissions compared with baseline</li> <li>• \$X revenue generated</li> </ul>
Title of establishing legislation, regulations or other founding documents	The name(s) of legislation or regulations authorizing or establishing the policy (or other founding documents, if there is no legislative basis)	Motor Fuel Levy Law
Monitoring, reporting and verification procedures	References to any MRV procedures associated with implementing the policy	A data clearing house will be established, and a coordinating body will oversee and monitor quality control/quality assurance standards with other participating institutions involved in data collection.
Enforcement mechanisms	Any enforcement or compliance procedures, such as penalties for non-compliance	Enforcement mechanisms may be necessary.

TABLE 5.2, continued

**Checklist of additional information that may be relevant to describe the policy being assessed**

Information	Description	Examples
Reference to relevant documents	Information to allow practitioners and other interested parties to access any guidance documents related to the policy (e.g. through websites)	IPCC guidelines and emission factors, national GHG emissions inventories, national/international data sources
Broader context or significance of the policy	The broader context for understanding the policy	The policy will contribute to the goal established in the country's NDC to reduce growth of total national GHG emissions in 2030 from 20% to 10% above 2010 levels.
Outline of sustainable development impacts of the policy	Any anticipated sustainable development benefits other than GHG mitigation	Estimation of impact of policy, including 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 (e.g. costs, non-GHG mitigation benefits)	

Source: Adapted from WRI (2014).

is provided in Chapter 5 of the *Policy and Action Standard*.

Elasticities are empirical values and implicitly take other policies into consideration; where other policies have an impact on behaviours, such impacts are represented in the elasticity.

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 apply either 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. Where 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 assessment. 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, and a combined ex-ante and ex-post

assessment if the objective is to estimate both the past and future impacts.

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

The assessment of pricing policies on the basis of price elasticities is fundamentally different. After the policy has been implemented, 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 implementation of the policy (e.g. actual fuel consumption) do 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.