

Uganda

Macroeconomic and policy context

Key statistics	
GDP growth (annual) (2007-2017)	6.0%
GDP growth (annual, per capita) (2007-2017)	2.5%
CO ₂ emissions growth (annual) (2007-2017)	2.7%
CO ₂ emissions growth (annual, per capita) (2007-2017)	-0.7%
Main combustible energy source; corresponding share of CO ₂ emissions (2017)	Biofuels, 94.9%
Non-combustible energy sources; share of primary energy use (2017)	1.4%
Total energy self-sufficiency (%) (2017)	92.0%
Share of population with access to electricity (2018) SDG 7.1.1	43.0%
Share of population with access to clean cooking (2018) SDG 7.1.2	5.0%
Tax-to-GDP ratio (2017)	13.5%

Sources as specified in TEU-SD brochure.

resources. Uganda's tax-to-GDP ratio of 13.5% is lower than the OECD, LAC and Africa averages¹ of 33.9%, 22.8% and 17.2%, respectively.

Taxes and subsidies on energy use, 2018

Uganda does not have an explicit carbon tax, nor a CO₂ emissions trading system. However, it does collect energy taxes, including:

- ◆ Excise taxes on fuels, with the exception of fuels used for fishing.
- ◆ A public lighting charge on electricity consumption.

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

Net energy tax revenues, 2018

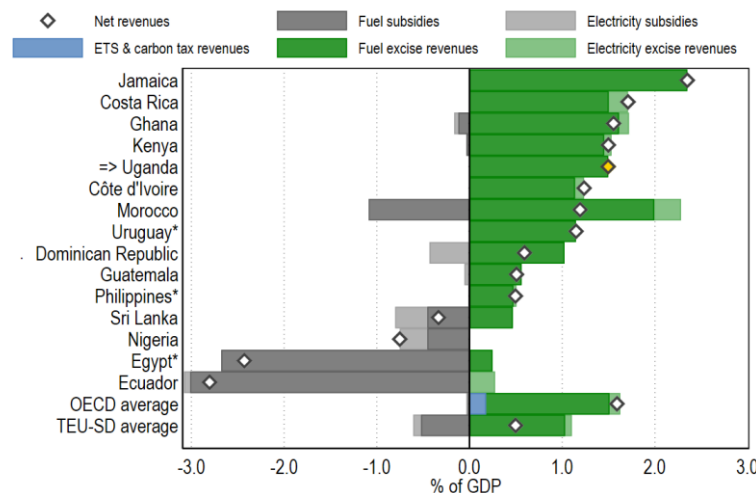
Net energy tax revenues are a bottom-up estimate of the net revenues resulting from taxes and subsidies on energy use.

Net energy tax revenues in Uganda represent 1.5% 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 similar to the OECD average, and above the TEU-SD average.

Between 2007 and 2017, Uganda's GDP grew by an average of 6.0% per year in total, and 2.5% per capita. Over the same period, energy-related CO₂ emissions increased by 2.9% per year in total and decreased by 0.5% per capita. Biofuels accounted for 94.9% of CO₂ emissions from energy use in 2017, down from 96.3% in 2007. Diesel, the main fossil fuel used, accounted for 2.6% in 2017, up from 2.3% in 2007. Non-combustible energy sources, mainly hydropower in Uganda, accounted for 1.4% of primary energy use in 2017, up from 0.8% in 2007. Uganda is a net energy and oil importer. Only 43% of the population has access to electricity and 5% to clean cooking.

The government of Uganda has committed to pursuing sustainable economic development policies focused on addressing Uganda's vulnerability to climate change and expanding domestic renewable energy production in its First Nationally Determined Contribution. In this NDC, Uganda set a GHG emissions reduction target of 22% by 2030, relative to the BAU scenario, conditional on external financial support of 70% of the required financial



* 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.

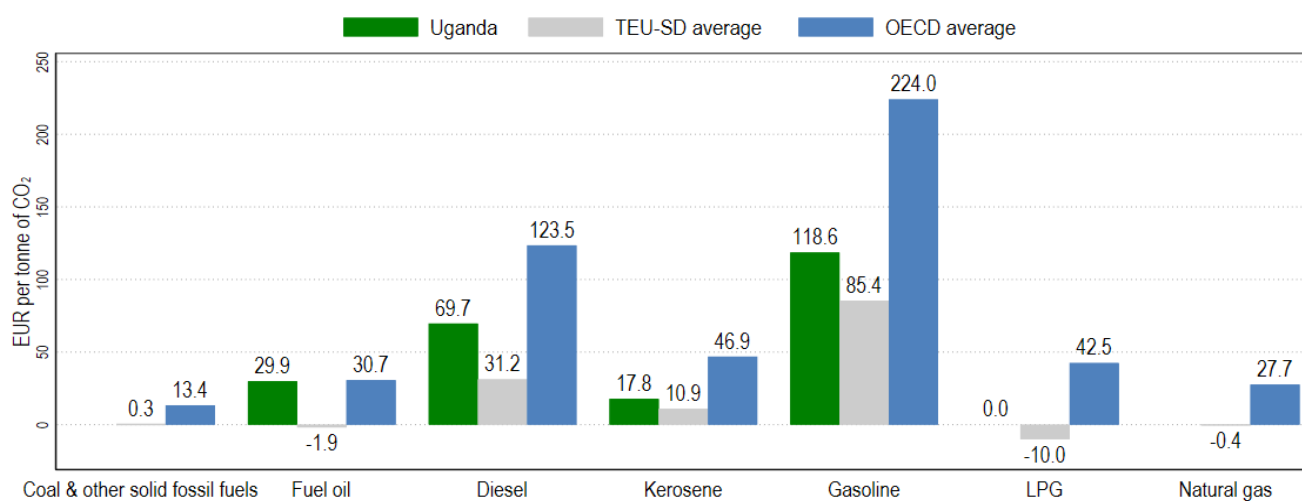
- ◆ Revenues from electricity excise taxes as a share of GDP are relatively low.
- ◆ There are no fuel or electricity subsidies, which is similar to the OECD average, and comparable to most TEU-SD countries.

Recent developments: In April 2020 the Ugandan Parliament passed the Excise Duty (Amendment) Bill of 2020, which would increase the tax on petrol and diesel by 12.5% and 17.0%, respectively.

Average effective carbon rates by fuel, 2018

The Effective Carbon Rate (ECR) is the total price that applies to CO₂ 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 CO₂ emissions and local pollution, while taxes and permit auctioning raise public revenue.

- ◆ Kerosene and LPG face the lowest ECRs, but their use is very low in Uganda. No coal or natural gas consumption is reported.
- ◆ Fuel oil, mainly used in the industrial sector, and diesel and gasoline, mainly used in the road sector, face the highest ECRs. The industrial and road sectors represent 61.8% and 3.3% of Uganda's CO₂ emissions, respectively.



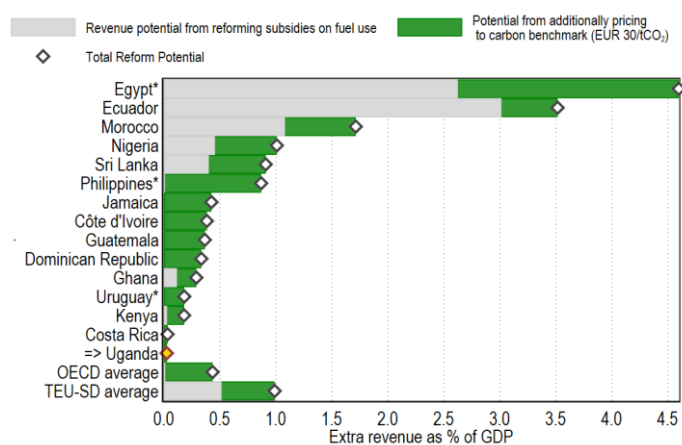
Uganda has low effective carbon rates relative to the OECD average, apart from kerosene and LPG. Compared to other TEU-SD countries:

- ◆ The ECRs on diesel, kerosene, fuel oil, LPG and gasoline are high relative 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 CO₂ 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.

The majority of Uganda's emissions are already taxed higher than the benchmark rate of EUR 30/tCO₂. Raising revenues from carbon price reform would thus require raising effective carbon prices above the levels of the low-end benchmark. Similar to the OECD average and most TEU-SD countries, Uganda does not subsidise fuel use, and thus cannot benefit from reforming fuel subsidies.



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