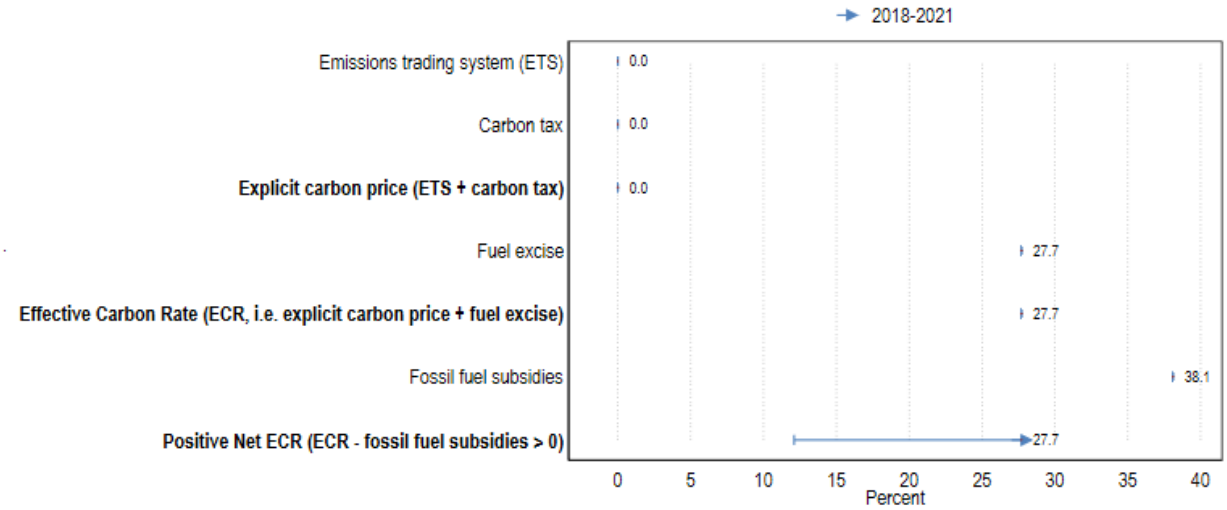
## Carbon pricing in Sri Lanka

### Share of greenhouse gas emissions subject to a positive price by instrument, 2018-2021

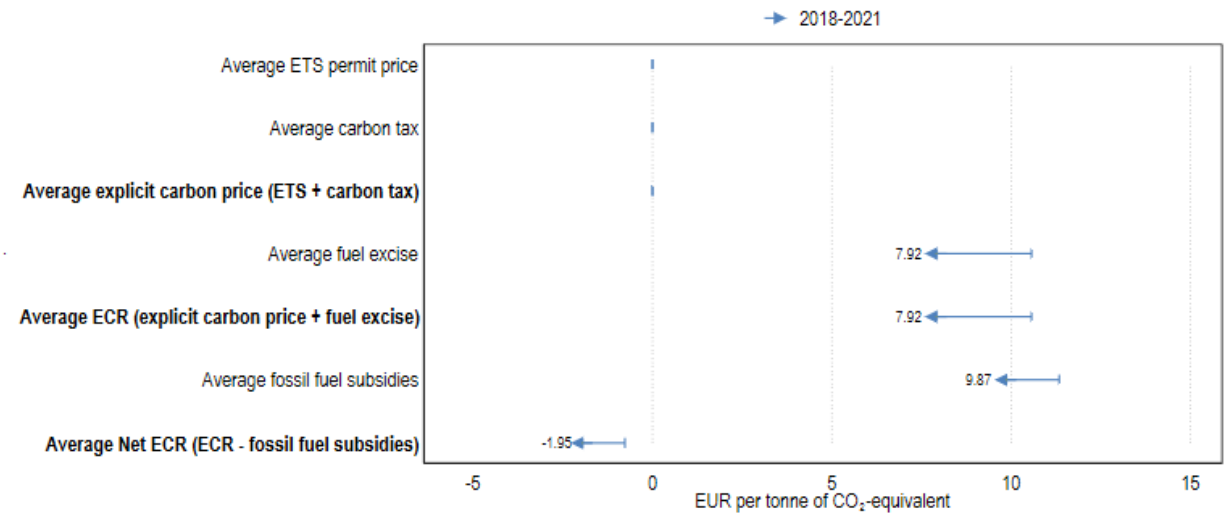
In total, 27.7% of GHG emissions in Sri Lanka are subject to a positive Net Effective Carbon Rate (ECR) in 2021, up from 12.1% in 2018. Sri Lanka does not levy an explicit carbon price. Fuel excise taxes, an implicit form of carbon pricing, cover 27.7% of emissions in 2021, unchanged since 2018. Fossil fuel subsidies cover 38.1% of emissions in 2021, unchanged since 2018.




Note: Percentages are rounded to the first decimal place.

### Average effective carbon prices by instrument, real 2021 EUR, 2018-2021

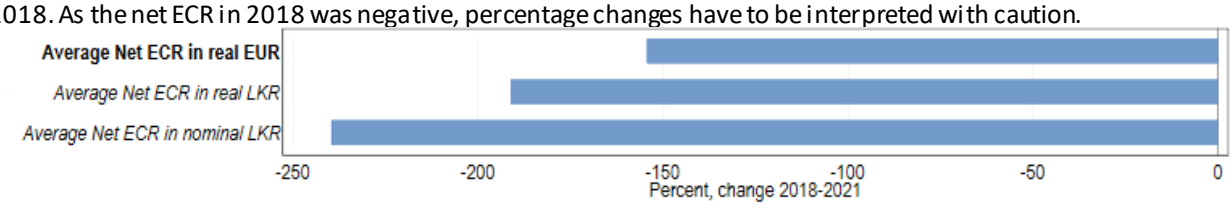
In 2021, fuel excise taxes amounted to EUR 7.92 on average, down by EUR 2.65 (25.1%) relative to 2018. Fossil fuel subsidies have decreased to an average of EUR 9.87 per tonne of $CO_2$e, down 13% since 2018.




Note: Prices are rounded to the nearest eurocent.

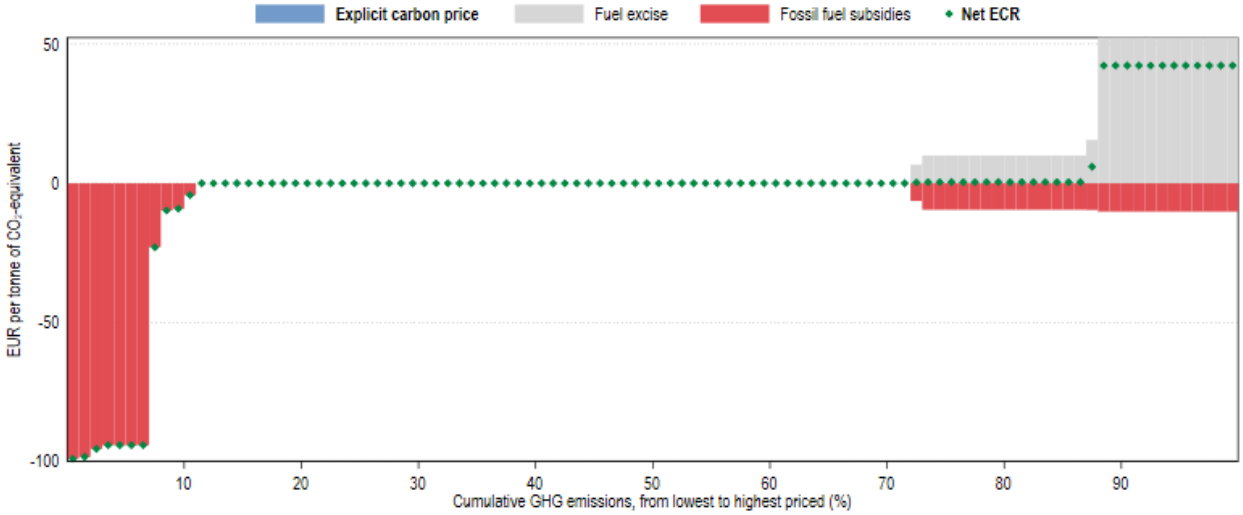
### Percentage change in the average Net ECR by reference price, 2018-2021

The change in carbon prices in Sri Lanka was affected by exchange rate depreciation and inflation. The average Net ECR on GHG emissions has decreased by 154.4% since 2018 when measured in real 2021 euros. In real Sri Lankan rupees (LKR), which has depreciated relative to the euro between 2018 and 2021, the average Net ECR has decreased by 191.2%. In nominal LKR, devalued by inflation, the average Net ECR has decreased by 239.7% since 2018. As the net ECR in 2018 was negative, percentage changes have to be interpreted with caution.



## Distribution of effective carbon prices across GHG emissions, 2021

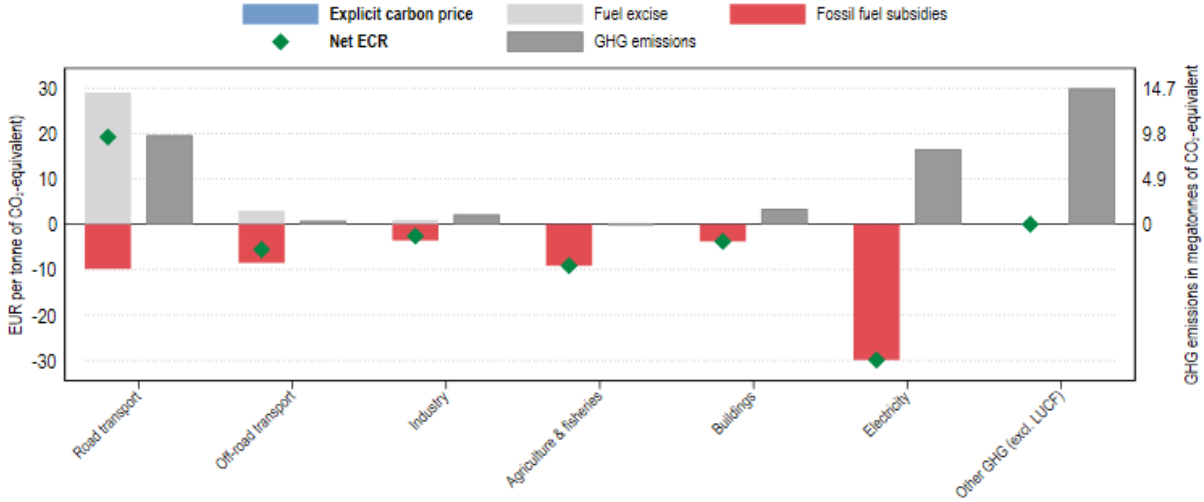
No GHG emissions have a Net ECR above EUR 60 per tonne of $CO_2e$, a mid-range estimate of current carbon costs.




Note: Simplified for illustration (the average price for each percentile bracket is shown).

## Average effective carbon prices (left axis) and GHG emissions (right axis) by sector, 2021

Net effective carbon rates are highest in the road transport sector, which accounts for 27.1% of the country's total GHG emissions. The Net ECR is zero or negative in the electricity, agriculture & fisheries, off-road transport, buildings, industry and other GHG emissions sectors. Together, these sectors account for 72.9% of GHG emissions.




**Want to know more?**

- Access the report *Pricing Greenhouse Gas Emissions* (OECD 2022): https://oe.cd/pricing-greenhouse-gas-emissions.
- Which domestic policy instruments are included as carbon pricing instruments? View the background information: www.oecd.org/tax/tax-policy/carbon-pricing-background-notes.pdf
- Access the data shown in the country notes: https://stats.oecd.org/Index.aspx?DataSetCode=ECRS

https://oe.cd/tax-and-environment ctp.contact@oecd.org @OECDtax OECD Tax