



Making green tax incentives work: Protecting revenue while accelerating the energy transition

2 JUNE 2026 | 13h00-14h30 (CEST) | ONLINE



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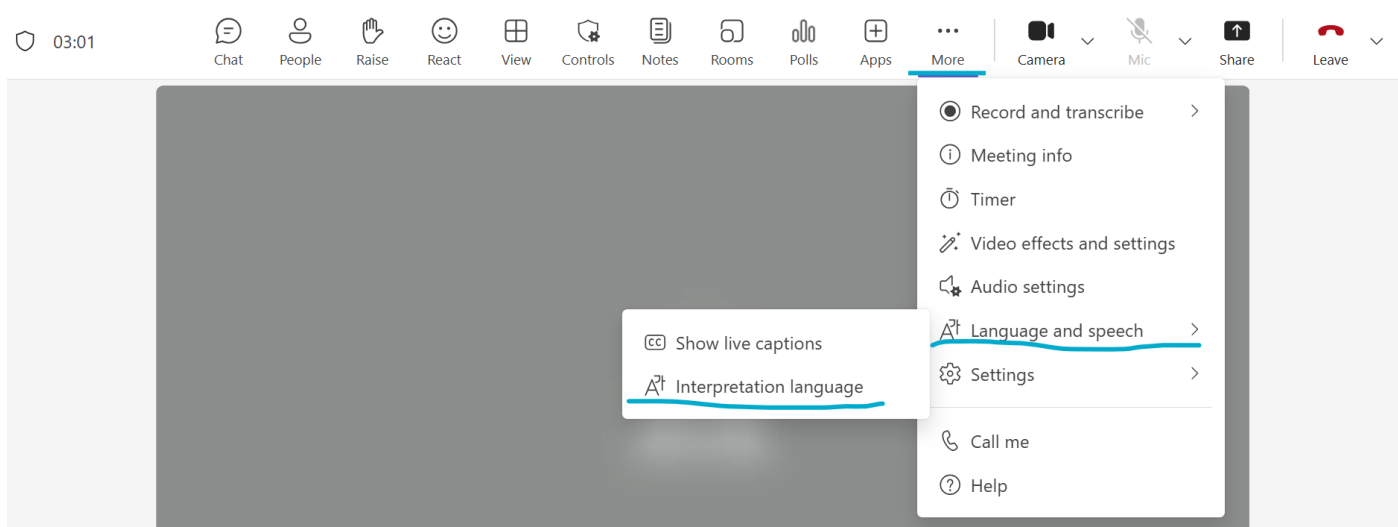
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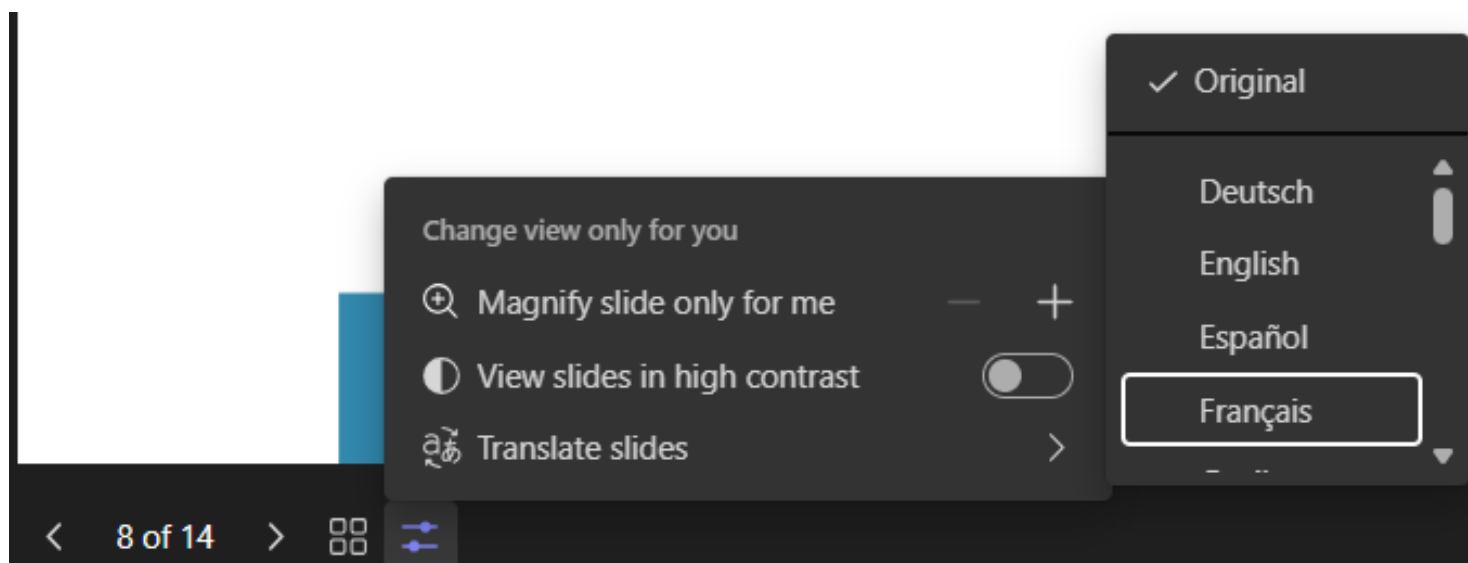
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Agenda

Time		Session	Speaker
13:00 13:05	–	Welcome, objectives, and presentation of the agenda	Leila Kituyi , Manager: Strategic Partnerships & International Cooperation, African Tax Administration Forum (ATAF) (Moderator)
13:05 13:25	–	Scene-setting presentations - IISD: Key findings from EMDE experience: what incentive reforms look like in practice - CEP: Key lessons on industrial decarbonisation and the role of incentives within coherent policy frameworks	Kudzai Mataba, Policy Advisor, Economic Law and Policy Program, International Institute for Sustainable Development (IISD) Sofia Berg, Fellow, Council on Economic Policies (CEP)
13:25 14:25	–	Panel discussion and Q&A: Aligning incentives with revenue, climate, and industrial strategy	Hadi Setiawan, Senior Policy Analyst, Directorate of Taxation Strategy, Directorate General of Economic and Fiscal Strategy, Ministry of Finance, Indonesia Tantely Ravelomanana, Head of the Tax Policy Unit, Ministry of Finance of Madagascar Herman Vollebergh, Senior Research Fellow, Netherlands Bureau for Economic Policy Analysis (CPB)
14:25 14:30	–	Closing reflections and next steps	Moderator

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Objectives of the webinar



This session will support fair and effective DRM, policy coherence, evidence-based reform, and accountability, by creating a space for countries and other interested stakeholders to **exchange experiences on the design and governance of green tax incentives.**

The discussion will address three guiding questions:

- *When and how can green tax incentives support low-carbon and resilient growth while protecting revenue?*
- *How do incentives interact with other instruments (e.g., carbon pricing, standards, public finance, and investment policy), and what coordination is needed across government?*
- *What lessons can be drawn across country contexts, including differences in incentive design and implementation capacity between high-income and low- and middle-income countries?*

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The Use of Green Tax Incentives for Renewable Energy Deployment in Emerging and Developing Countries

Kudzai Mataba



Trillions Needed for the Energy Transition

Investment in renewable technologies has increased, but acceleration only started in 2021 and has focused on China, the EU and the US. **What's needed now:**



Overall, tripling renewables in line with 1.5C scenarios requires [\\$12 trillion of investment](#) in the power system until 2030 – \$2 trillion per year starting in 2024.



Developing countries need to mobilize over USD 2.4 trillion by 2030 to finance their way towards a low-carbon and climate-resilient trajectory



Green Tax Incentives as an Investment Promotion Tool

Definition

- **Green tax incentives** are targeted tax relief to attract private investment into sustainable sectors, including renewable energy.
- Aimed at shifting capital toward climate-aligned development by improving **return on investment** on green activities.
- The term reflects **policy objectives in design**, not outcomes — evaluations must be carried out to establish the actual effect.

Incentive Types at a Glance

Fiscal Incentives

Profit-based · Cost-based · Indirect taxes · Production-based

Financial Incentives

Grants & subsidies · Subsidized loans

Other Tools

Feed-in-tariffs · Auctions · RPS/Quotas · Guarantees · Business facilitation

Barriers to Investment in Renewable Energy in Developing Countries

IISD's Tipping Point Framework

Distorted Market Signals – The Role of Subsidies

Fossil fuel subsidies undermine price competitiveness of renewable alternatives

Infrastructure Incompatibility

Existing grid systems designed for centralized fossil fuel generation

Fossil Fuel Incumbency and System Inertia

Established industries and institutional lock-in resist energy transition

High Capital Costs and Perceived Risk

Large upfront investment requirements deter private financing

Introduction to the IISD Study

Scope and purpose

**35 Emerging
Markets and
Developing
Economies**



**Focuses on fiscal and non-fiscal
incentives for RE generation**

Generation, distribution, domestic use



**Provides illustrative, not
exhaustive, coverage**



**Builds on IISD Public Financial
Support for Renewable Power
Generation in G20 Countries
Database**



**Complements OECD Investment
Tax Incentives Database**

Database Findings

59%

of all measures
are fiscal incentives

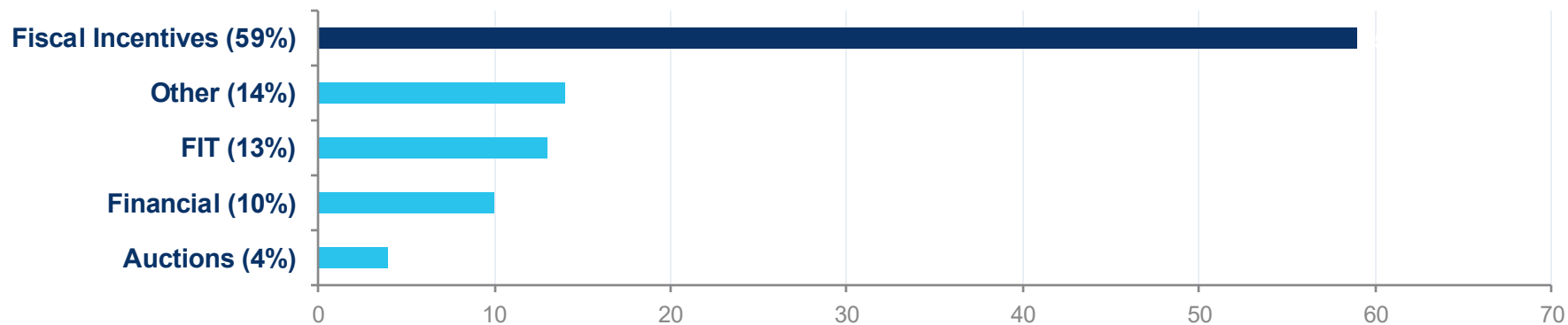
21%

cost-based incentives
(underutilised)

17%

of countries use
technology-specific tools

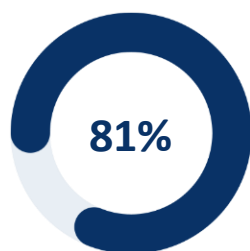
Distribution of All Identified Incentive Measures



Source: IISD Database on Green Incentives in Emerging and Developing Countries

Use of Investment Incentives across Regions

Latin America



tax-based instruments

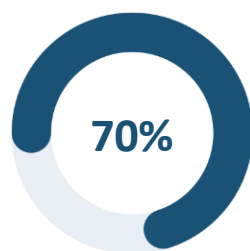
Main instrument

Income tax exemptions & accelerated depreciation

Duration: 5–10 yrs

80% of surveyed countries use at least one fiscal incentive.

Asia



tax-based instruments

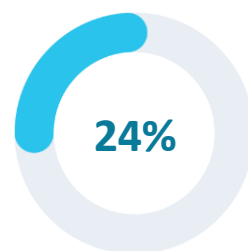
Main instrument

Income tax holidays

Duration: 7–21 yrs

East & Southeast Asia most reliant; rural projects get longer incentives.

Africa



tax-based instruments

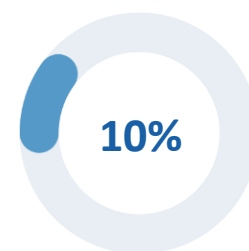
Main instruments

VAT & import duty exemptions

Duration: 3–10 yrs

FITs are the most-used tool; greater reliance on grants & concessional finance.

Middle East



tax-based instruments

Main instrument

Import duty relief & tax deductions

Duration: 3–5 yrs

Auctions dominate at 40%; least reliance on tax tools of all regions.

Key Challenges in the Design and Use of Tax Incentives in EDMES

1

Broad and Untargeted Incentives

Incentives lack specificity, diluting impact and increasing fiscal cost

2

Revenue Losses Poorly Reported

Fiscal sustainability risks from incentives are not adequately tracked or disclosed

3

Administrative Complexity

Weak oversight, particularly for VAT and customs-duty exemptions

4

Overlapping Legal Regimes

Conflicting regulations across tax codes, investment laws, and sector rules

5

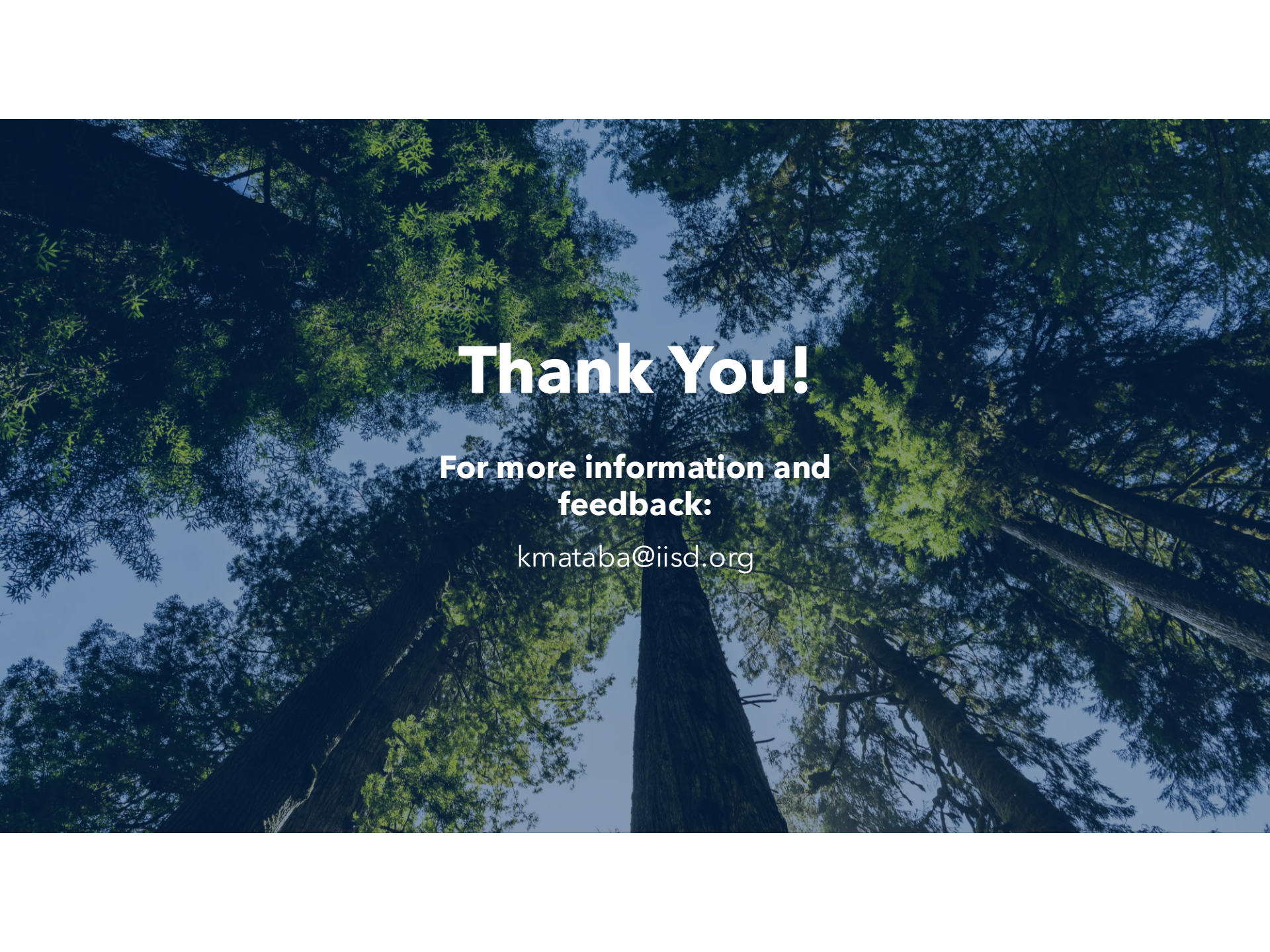
Weak Policy Alignment

Tax incentives not integrated with broader climate and industrial policy frameworks

6

Setting the Right Duration

Incentive timeframes that are too short or too long reduce effectiveness and investor confidence



Thank You!

**For more information and
feedback:**

kmataba@iisd.org

Accelerating industrial decarbonisation

The role of tax incentives

Making green tax incentives work: Protecting revenue while accelerating the energy transition

Sofia Berg
June, 2025

Authors: Flurim Aliu, Sofia Berg, Luke Hatton, Patrick Lenain, Agustin Redonda, Magd Shamshan, and Nirosha Elsem Varghese

Accelerating industrial decarbonisation

The role of tax incentives

- Decarbonising heavy industries is critical for achieving climate goals – also, a key pillar of national economic strategies, innovation and competitiveness.
- The paper outlines key design features of tax incentives for industrial decarbonisation and reviews their application across the following sectors:
- **Electricity, Road vehicles, Hydrogen, Steel, Cement, and Petrochemicals**



H₂



- Our paper focus on tax incentives, but there is a growing recognition of integrated policy packages consisting of complementary policy instruments.
 - These packages include various fiscal measures (taxes, subsidies, public investments, procurement) and regulations (standards, limits, bans and mandates).

Key insights about design features

Target eligibility carefully - Align eligibility criteria with clear policy objectives and measurable outcomes (e.g. investment, emissions reductions, or clean energy production) while keeping rules simple and accessible.

Get the timing right - Use sunset clauses and phase-out mechanisms to support early technology adoption without creating long-term fiscal costs or subsidising investments that would occur anyway.

Allow flexibility through carry-forward provisions - Enable firms to claim benefits over multiple years, particularly in capital-intensive sectors where taxable income may be limited during the early stages of an investment.

Key insights about design features

Balance effectiveness with fiscal discipline – Caps, phasedown mechanisms, and performance-based incentives can help contain costs while maintaining strong incentives for investment.

Distributional impacts – Consider how incentive design affects different income groups; non-refundable credits may limit access for lower-income households.

Pass-through – Assess whether benefits are ultimately passed on to consumers or captured by producers, particularly for VAT-related measures.

Lessons from a sectoral approach

Electricity



- Tax incentives are available to support manufacturing of renewables equipment (France and Finland), as well as for deploying renewables (Canada and U.S.).
- Example: The U.S. Investment Tax Credit (ITC) and Production Tax Credit (PTC) have played a major role in expanding wind and solar power, with investment estimated to be one-third lower in their absence.
- Tax incentives alone are not enough; they must be supported by grid expansion, energy storage, and smarter electricity systems.

Road vehicles



- Tax incentives can support both EV production and adoption by encouraging investment in supply chains (U.S.), R&D (Japan and South Korea), vehicle manufacturing (China), and consumer purchases (Spain and France).
- Performance-based incentives linked to outcomes—such as batteries produced or zero-emission vehicles assembled—may be more effective than unconditional investment support.

Lessons from a sectoral approach

Hydrogen, Steel, Cement, and Petrochemicals

H₂

- Governments are supporting businesses investing to produce green hydrogen with tax credits and corporate income tax exemptions (Australia, Canada and Egypt).
- Several countries have also introduced incentives for lower-carbon steel production including abatement via CCUS (e.g., Malaysia). Similar incentives pertain to green cement (Finland) and petrochemicals (Thailand).
- Coordinated policy approaches are essential, as green hydrogen is a key input for decarbonising sectors such as steel and petrochemicals, while CCUS can play an important role in reducing emissions from steel and cement production.
- Tax incentives are likely to be most effective when combined with complementary measures, including carbon pricing, infrastructure investment, and support for technology deployment to close cost gaps with conventional production methods.



Conclusion

- Tax incentives work best as part of a broader policy mix alongside carbon pricing, regulation, and direct support. Maintain a holistic approach and assess interactions between sectors, infrastructure needs, and broader policy timing.
- Target innovation and first-of-a-kind projects to accelerate technology development and deployment.
- Ensure fiscal sustainability through clear objectives, sunset clauses, adequate and transparent monitoring and regular evaluations.
- Adapt incentives over time as technologies mature and decarbonisation pathways evolve.

Thank you!

Email: sb@cepweb.org

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Panel discussion:

Aligning incentives with revenue, climate, and industrial strategy

Pande Putu Oka Kusumawardani, Director of Taxation Strategy, Directorate of Economic and Fiscal Strategy, Ministry of Finance, Indonesia

Tantely Ravelomanana, Head of the Tax Policy Unit, Ministry of Finance of Madagascar

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Open discussion and Q&A



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