

03 – Climate Policy in Iran
Status Quo and the Case for Market-Based Instruments
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Following the outbreak of COVID-19, Iran was strongly affected, and the late response of the country led to a high number of infected people and a critical mortality rate. This experience highlights the importance of proper governance in the face of crisis and has immediate implications for another major global threat, climate change.

Being a heavily fossil fuel-based economy, CO₂ emissions in Iran have surged over the last decade, making Iran a significant global emitter. Currently, Iran has an unconditional emissions reduction target of 4% compared to 2010 levels by 2030. To achieve this goal, policies such as promoting renewable energies and using market-based instruments have been considered by the government. However, to date, Iran has no carbon pricing mechanism in place, as climate policies are mostly limited to laws emphasizing energy-efficiency, adjusting value added tax and re-organizing subsidies.

Against this background, we aim to (1) evaluate the efficacy of Iran's climate policies so far, (2) find out whether market-based instruments such as carbon taxation and cap-and-trade have the potential to be part of Iran's policy mix for climate mitigation, and (3) examine the role of good governance.

To answer these questions, we conduct an exploratory study of the existing academic literature on climate policy in Iran as well as of recent official government documents and respective laws in Iran. We then survey existing evidence on carbon pricing effects on the environment, economy, and social justice from jurisdictions with carbon pricing policies in place. We also take a specifically close look at carbon pricing options in developing countries and the role of governance.

Our review shows that Iran's climate policies are not stringent enough and additionally suffer from a lack of enforcement. Therefore, market-based policies might act as a complement to existing policies, and the revenues raised could also be used to cushion economic, environmental, or social crises. We discuss prerequisites for their introduction with respect to institutions, political decision-making, and design in a developing country setting. Considering the unique circumstances of Iran, we hence suggest feasible market-based approaches to climate policy in Iran.

Biographical note

Bahareh Ghafouri is a PhD student at the Graduate School of Global Environmental Studies, Kyoto University, Japan. She has earned her master's degree in Environmental Sciences, specializing in landscape ecology, from the University of Tehran, Iran. Considering the broad adverse effects of climate change, currently Bahareh is particularly interested in the use of environmental policy instruments for climate change mitigation. Therefore, in her PhD research, she intends to explore the chances of carbon taxation and its distributive effects in Iran.