

The Role of Carbon Pricing, Taxing & Trading in Emissions Reduction



“The biggest market failure is the lack of price on carbon”

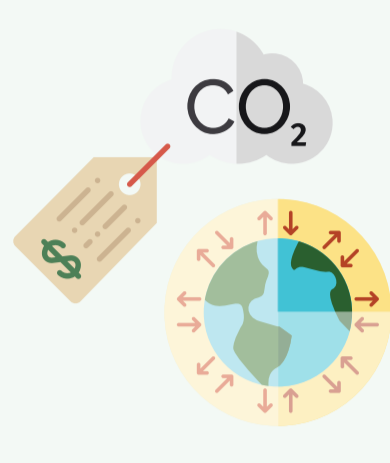
Philippe Desfosses - CEO ERAFP, Vice Chair IIGCC
in an [exclusive interview with Climate Action](#)

All but 3 nations have pledged to undertake emissions reductions in a collaborative commitment to keep global temperatures to well below 2°C.

A carbon price is a **cost applied to carbon pollution** to encourage polluters to reduce the amount of greenhouse gas they emit into the atmosphere. These can either be a carbon tax- a tax levied on the carbon content of fuels, or cap and trade- corporations or governments can trade emissions allowances under an overall cap on those emissions.

Economists agree that introducing a carbon price is the **most effective way** to enable countries to meet their NDC's to the Paris Agreement.

The Carbon Market- An Overview



As of 2017, over 40 national and 25 subnational jurisdictions representing almost 1/4 of global greenhouse gas emissions are putting a price on carbon.

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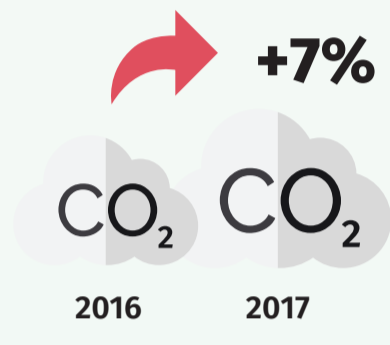
In 2016, Asia sold the most offsets (21.5 MtCO2 e), most of which came from India (10.0 MtCO2 e), Korea (3.4 MtCO2 e) and China (3.3 MtCO2 e).

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As of 2016, 1.1 billion metric tonnes of carbon dioxide emissions (MtCO2e) have been transacted voluntarily.

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The total value of carbon market in 2017 is \$52bn, an increase of 7% from 2016.

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This year, Chile, Canada, Colombia and various US states have all implemented carbon pricing initiatives.

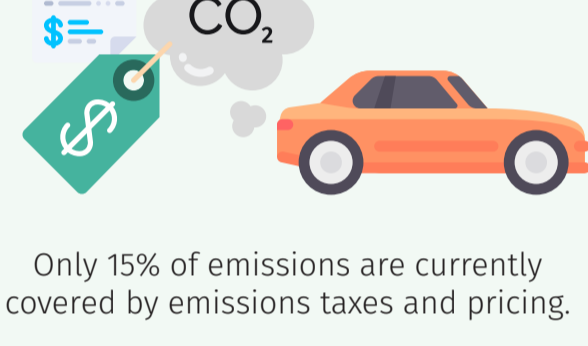
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In 2016, the majority of offsets sold came from Reduced Emissions from Deforestation and Forest Degradation (REDD+), wind and landfill methane projects.

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Challenges



Only 15% of emissions are currently covered by emissions taxes and pricing.



There are still 156 countries that have not considered carbon pricing initiatives.



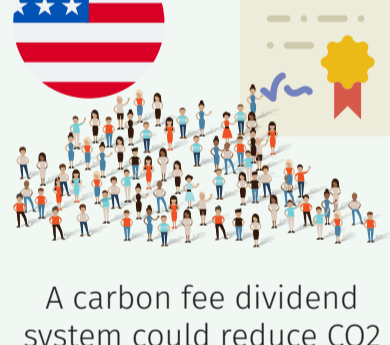
Stronger pricing is needed: the High Level Commission Carbon Prices report proposes pricing CO2 p/ tonne at \$40-\$80 by 2020, \$50-\$100 by 2030.

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The EU emissions trading system (ETS) is in need of major reform: it has suffered from an excess supply of carbon permits since 2008 that has depressed prices.

Opportunities



A carbon fee dividend system could reduce CO2 emissions to 50% of 1990 levels, add 2.8 million jobs to US economy, and avoid 230,000 carbon emission related deaths. (REMI)

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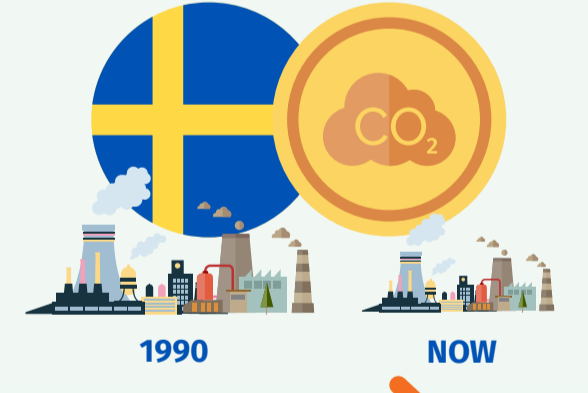
China will introduce a national carbon market in the world, at end of 2017.

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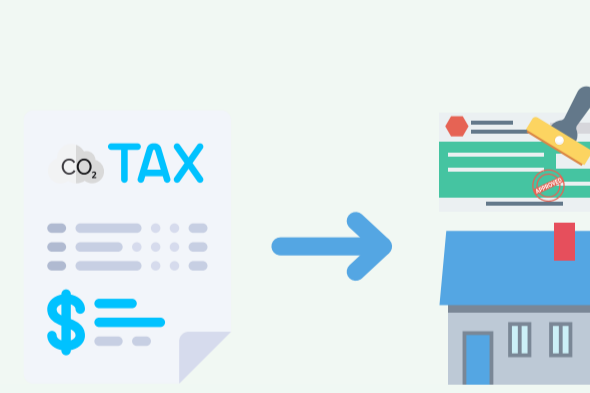
Aviation is creating a new market: In October 2016, the ICAO's Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) was put into force, capping GHG emissions from aviation.

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Sweden: A Shining example. Since Sweden introduced a carbon price in 1990, CO2 has reduced by 22%, whilst GDP has grown by 58%.

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Climate Leadership Council proposed: 'The Conservative Case for Carbon Dividends', a carbon tax starting at \$40 p/ton and rising each year- the \$250 billion in revenues generated after 10 years would be redistributed as quarterly cheques to every U.S. household.

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Leadership- carbon pricing

Internalising the cost of carbon to provide the business case for accelerated decarbonisation

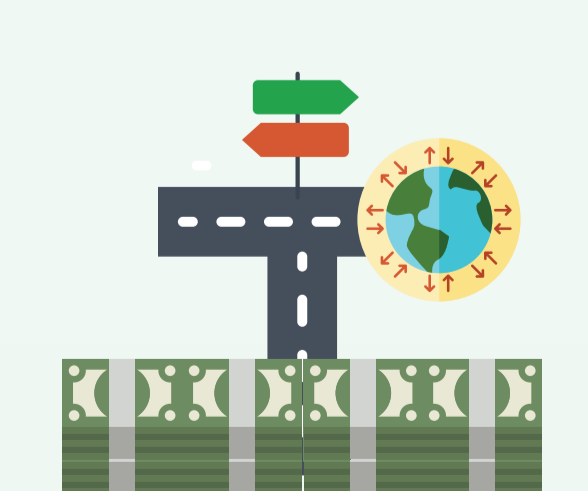


BT, Nestlé, Coca-Cola among the 78 institutional investors committed to the UN Global Compact Business Leadership Criteria on Carbon Pricing.

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GM, BP, Santander, Unilever, among 20 organisations supporting The Climate Leadership Council Carbon Tax Proposal.



According to Caring for Climate, 360+ institutional investors, managing \$24 trillion in assets, have demanded pricing that helps redirect investments in line with the climate challenge.

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The Chilean, French and Mexican Presidents, Ethiopian and Canadian Prime Ministers, Ghanaian and Canadian Prime Ministers, Governor of California, and Mayor of Rio are all part of the Carbon Pricing Panel.

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Join us at the Sustainable Innovation Forum alongside COP23 to hear more on how the most influential national and local policy makers, UN agencies, business leaders, investors and international NGOs are leading by example towards the full achievement of the Paris Agreement's ambitious climate goals.

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