

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



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

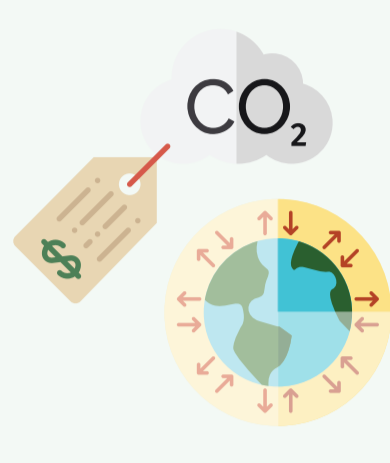
Philippe Desfosses - CEO ERAFP, Vice Chair IIGCC
in an [exclusive interview with Climate Action](#)

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



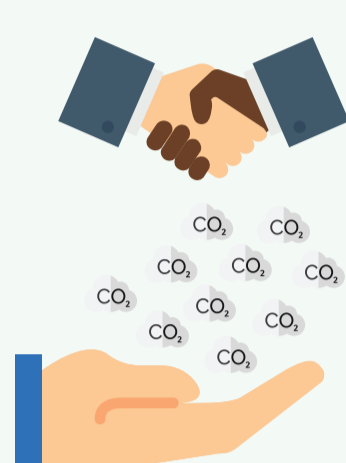
As of 2017, over 40 national and 25 subnational jurisdictions representing almost 1/4 of global greenhouse gas emissions are putting a price on carbon.

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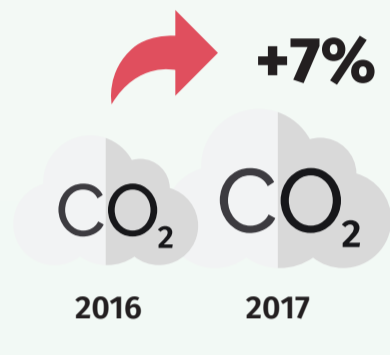
In 2016, Asia sold the most offsets (21.5 MtCO2 e), most of which came from India (10.0 MtCO2 e), Korea (3.4 MtCO2 e) and China (3.3 MtCO2 e).

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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.

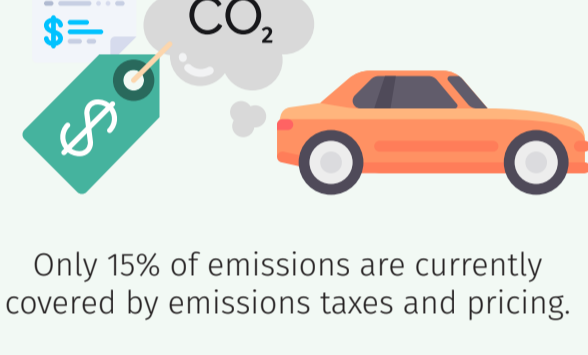
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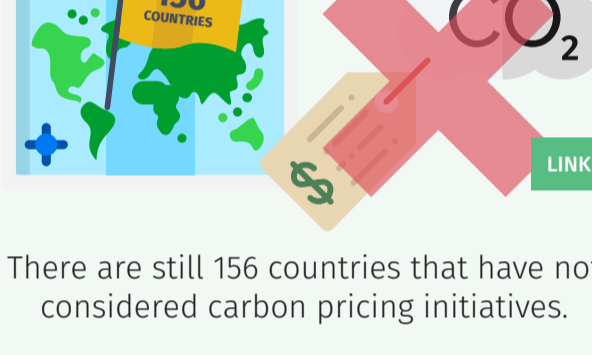
In 2016, the majority of offsets sold came from Reduced Emissions from Deforestation and Forest Degradation (REDD+), wind and landfill methane projects.

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Challenges



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

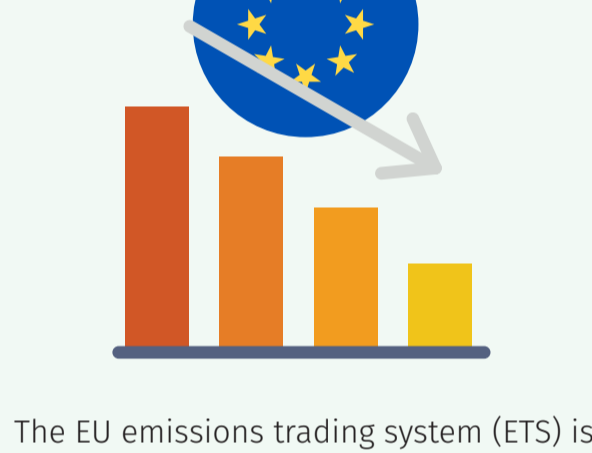


There are still 156 countries that have not considered carbon pricing initiatives.



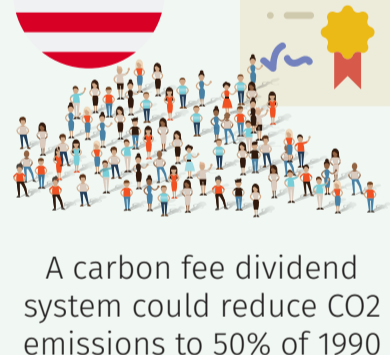
Stronger pricing is needed: the High Level Commission Carbon Prices report proposes pricing CO2 p/ tonne at \$40-\$80 by 2020, \$50-\$100 by 2030.

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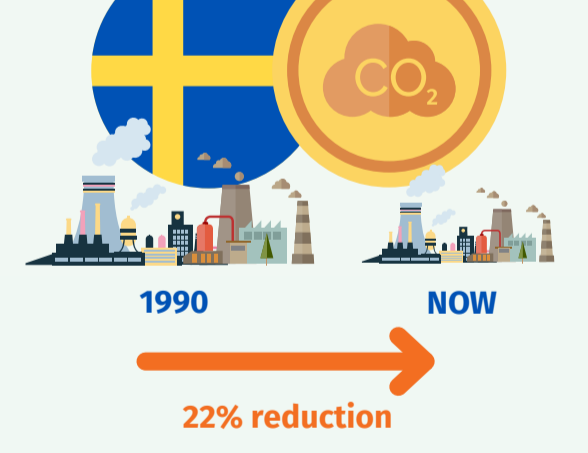
China will introduce a national carbon market in the world, at end of 2017.

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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 that can generate approximately \$250 billion per year, and might be able to raise at least \$2,4 trillion over a decade. The revenue is suggested to be redistributed to U.S. households through monthly dividends.

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Leadership- carbon pricing

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

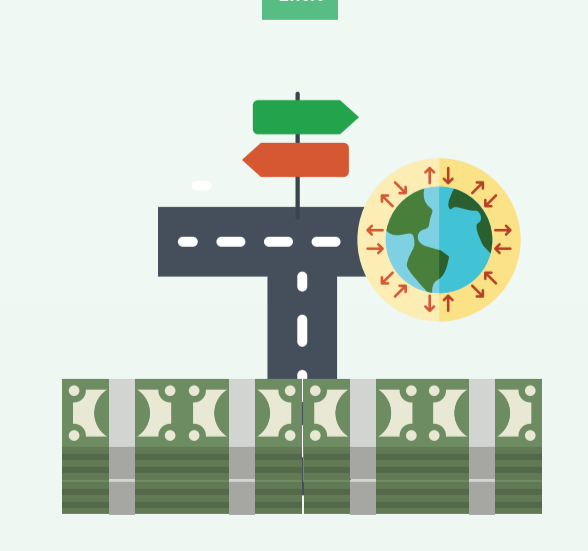


BT, Nestle, Coca-Cola among the 78 institutional investors committed to the UN Global Compact Business Leadership Criteria on Carbon Pricing.

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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, Governor of California, and Mayor of Rio are all part of the Carbon Pricing Panel.

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