



CARBON PRICING

COMBINED WITH FOSSIL FUEL SUBSIDY REFORM

SUMMARY FEATURES OF DIFFERENT MITIGATION POLICY INSTRUMENTS

CARBON PRICING MEASURES WILL BE ESSENTIAL TO LIMITING CLIMATE CHANGE. IT CAN ALSO RAISE FISCAL REVENUES THAT COULD SUPPORT BROADER SOCIO-ECONOMIC DEVELOPMENT AND HELP GOVERNMENTS MEET THEIR SUSTAINABLE DEVELOPMENT GOALS.

THE CURRENT CARBON MARKET COVERS ONLY 20% OF GLOBAL GREENHOUSE GAS EMISSIONS, AND MAJORITY OF EMISSIONS ARE PRICED AT LESS THAN US\$10 PER TONNE OF CO2. THIS PRICE MUST INCREASE AT LEAST TEN-FOLD THIS DECADE TO MEET THE TARGETS OF THE PARIS AGREEMENT.

EFFECTIVE PRICING REFORM STRATEGY

- 1 UNDERSTANDING THE DISTRIBUTIONAL IMPACTS
- 2 TARGETED COMPENSATION OF ADVERSELY IMPACTED & VULNERABLE STAKEHOLDERS
- 3 A GRADUAL & SEQUENCED APPROACH TO PRICE REFORM
- 4 A WELL-COMMUNICATED & COORDINATED POLICY IMPLEMENTATION

CARBON PRICE/ ENERGY SUBSIDY REFORM

- 😊 LOW-COST ABATEMENT
- 😊 REVENUE OPPORTUNITIES
- 😞 INCREASES ENERGY COSTS TO CONSUMERS
- 😞 POTENTIALLY POLITICALLY UNPOPULAR

FEEBATE

- 😊 AVOIDS ENERGY PRICE INCREASES
- 😊 CREATES INCENTIVES FOR MITIGATION BY INEFFICIENT CONSUMERS OR PRODUCERS
- 😞 NO FISCAL REVENUE
- 😞 NOT FULLY EFFICIENT

REGULATIONS (ENERGY EFFICIENCY REGULATIONS)

- 😊 OVERCOME SOME MARKET FAILURES & BARRIERS
- 😊 CREATE SCALE MARKETS
- 😞 TECHNICALLY CHALLENGING TO SET OR MEASURE PERFORMANCE STANDARDS
- 😞 RISK OF REGULATORY CAPTURE NO FISCAL REVENUE

FEED-IN TARIFFS

- 😊 EFFECTIVE AT STIMULATING INVESTMENT
- 😊 CAN BE DIRECTED AT SPECIFIC TECHNOLOGIES
- 😞 HIGH COST
- 😞 INCREASE ENERGY COSTS TO CONSUMERS
- 😞 INFLEXIBLE LONG-TERM PAYMENTS
- 😞 NEGATIVE IMPACT ON ETS PRICES
- 😞 NO FISCAL REVENUE

CAPITAL SUBSIDIES

- 😊 EFFECTIVE AT STIMULATING INVESTMENT
- 😊 CAN BE DIRECTED AT SPECIFIC TECHNOLOGIES
- 😞 FISCALLY EXPENSIVE
- 😞 RISK OF FREE-RIDING
- 😞 NEGATIVE IMPACT ON ETS PRICES

