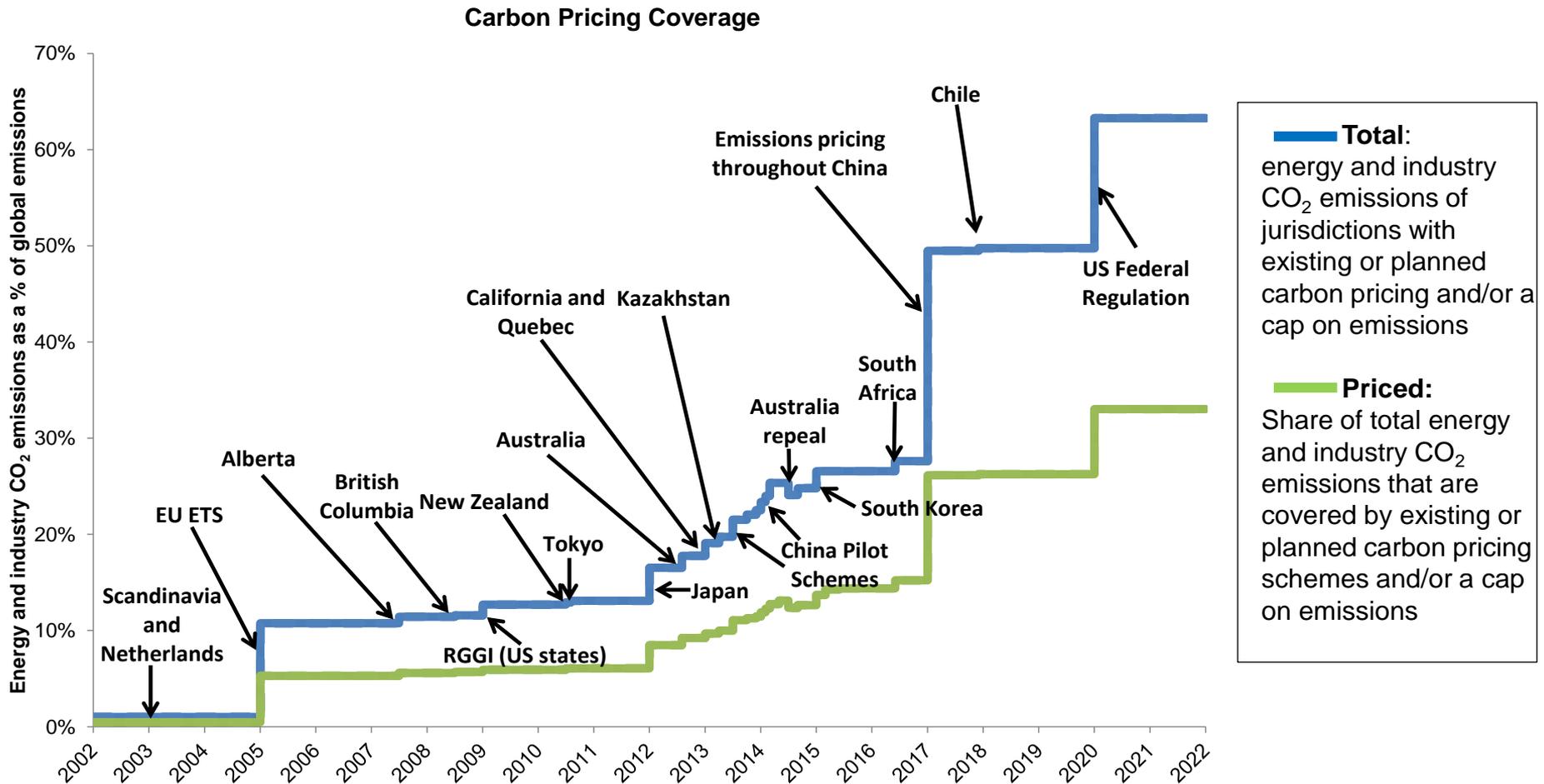


The status of carbon pricing around the world

**BIEE seminar
17th June 2015**

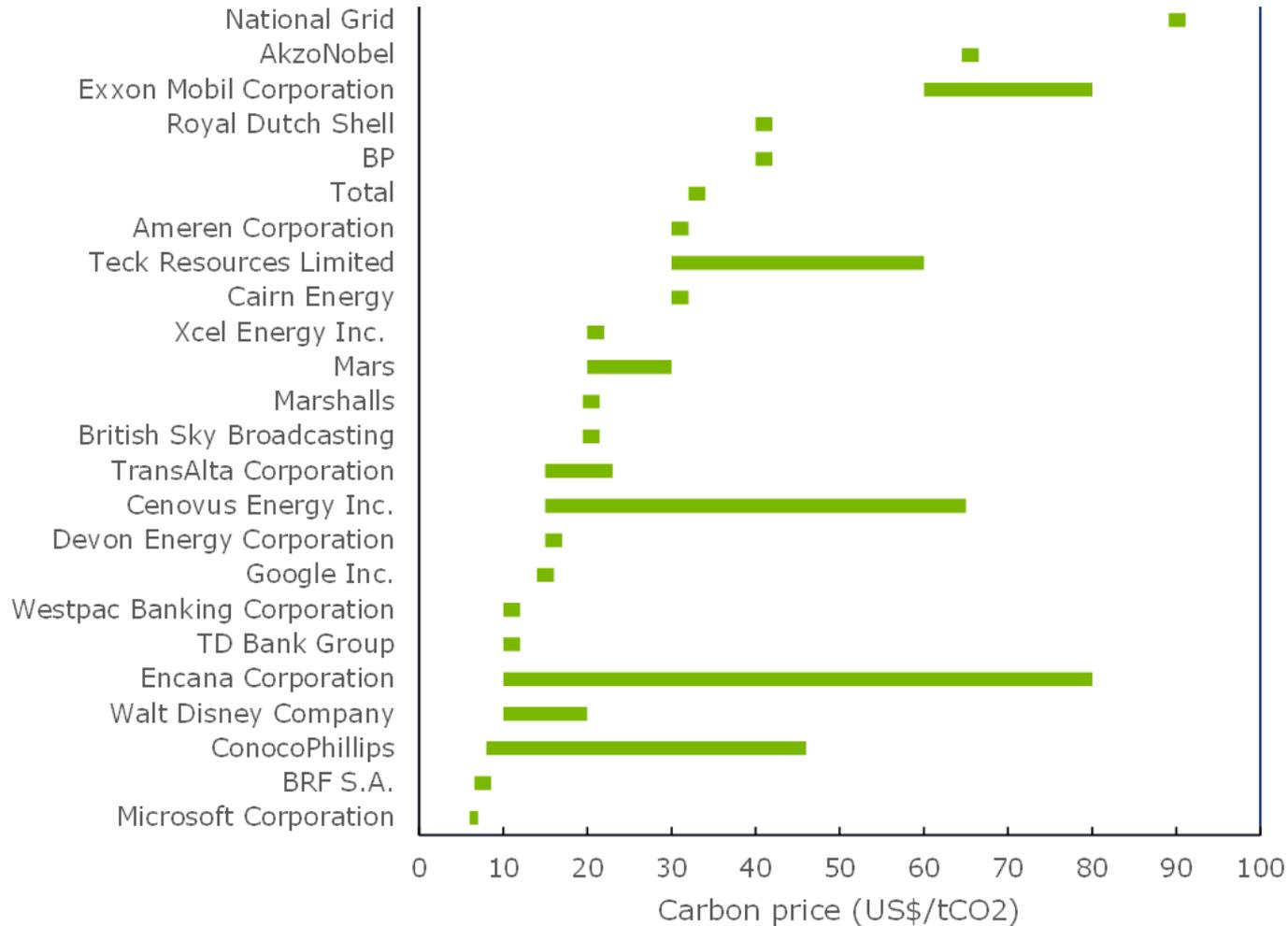
Adam Whitmore

Carbon pricing schemes and caps continue to spread, and will soon be in place in jurisdictions accounting for two thirds of emissions from energy and industry

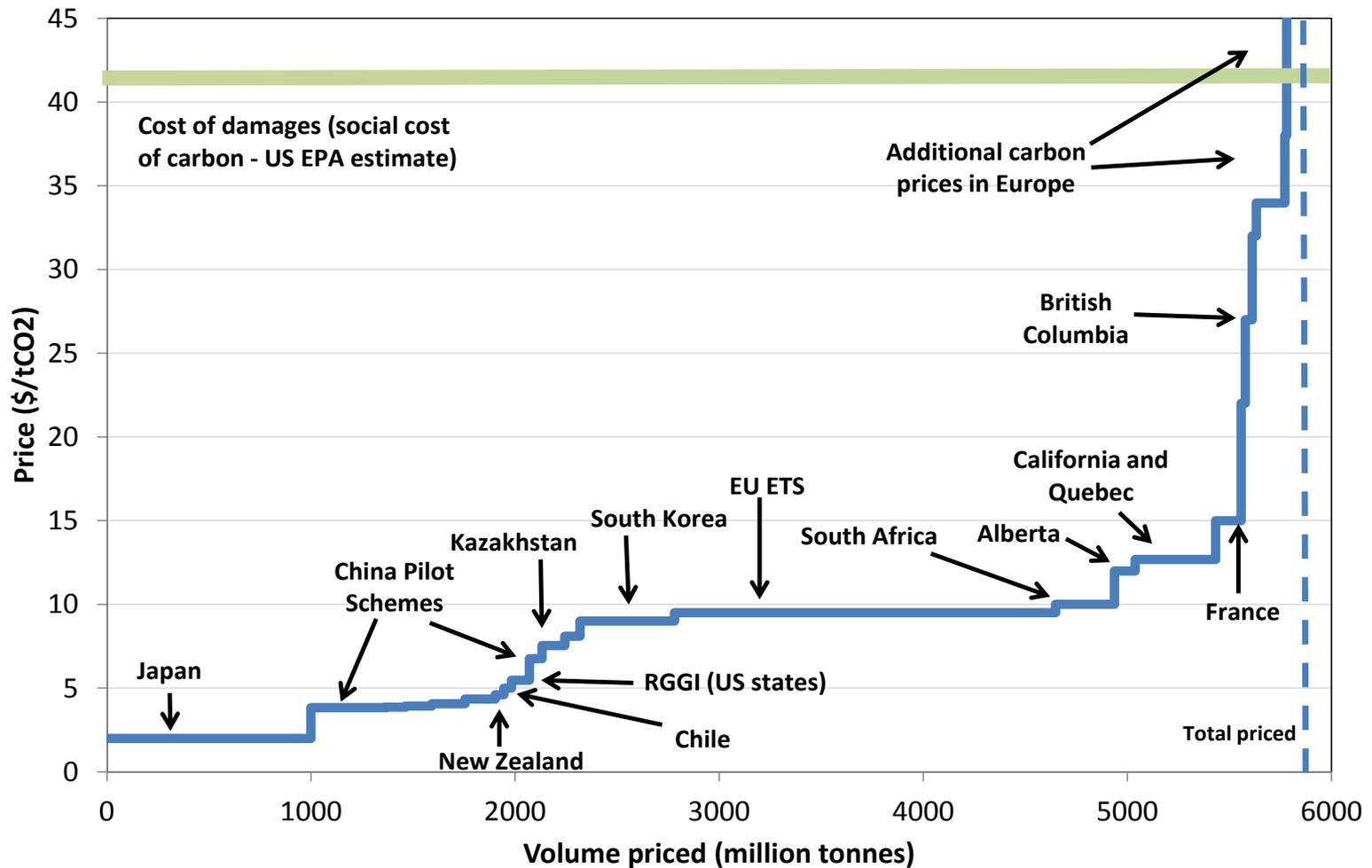


Note: A small tax in Mexico labelled a carbon tax is excluded as it does not apply to natural gas. The Japanese carbon tax is very low and trading on the Tokyo scheme very illiquid.

Many companies now factor carbon pricing into their decision making



However prices for the vast majority of emissions are too low compared with the cost of the damage



China continues to develop its carbon pricing rapidly, with a national scheme over the next 5 years

Pilot emissions trading schemes have been put in place in seven cities/provinces accounting for some 20% of total emissions and 26% of national GDP



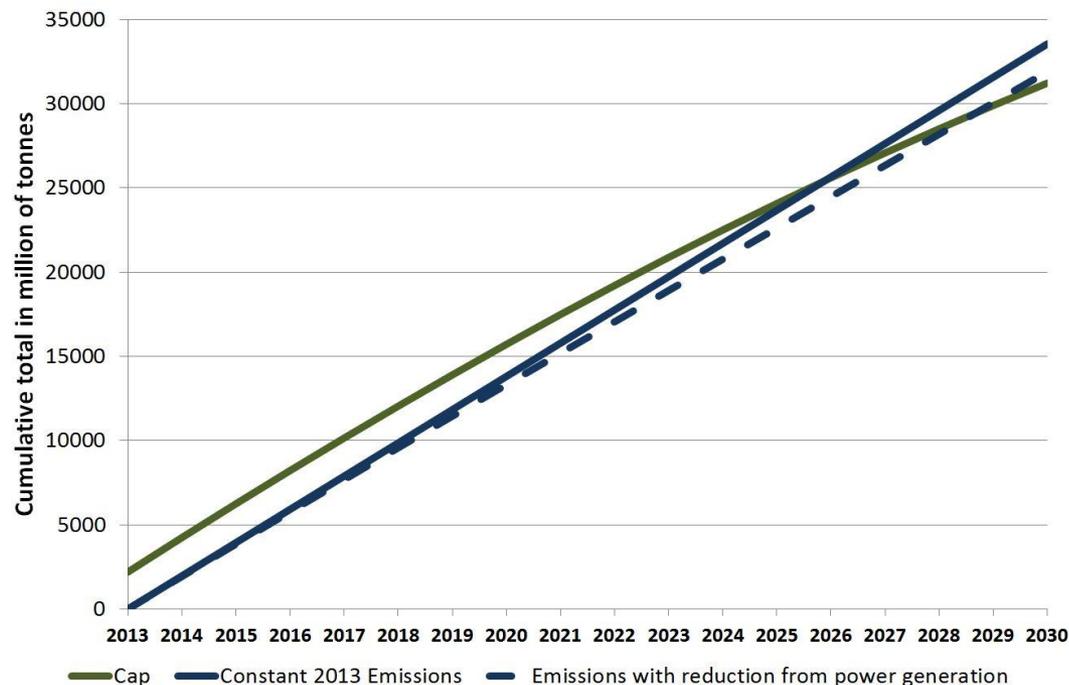
- Prices fairly low, and trading volumes thin in the pilot schemes.
- Awareness, monitoring, enforcement, and reporting systems have all improved.
- The national scheme, planned for 2016 but likely subject to some delay and take some time to become fully implemented in all regions

Progress in North America is continuing

- EPA's Clean Power Plan (CPP)
- California implemented expansion smoothly, and has set a target to reduce emissions by 2030 to 40% of the 1990 level
- In April 2015, Ontario announced its intention to join WCI
- Washington State is debating the implementation of its own ETS
- Newfoundland and Labrador is currently considering carbon pricing

EU reform is inadequate to the scale of the problems with the EUETS, but the scheme remains politically secure

- GHG emission reduction target of at least -40% by 2030 vs 1990 levels without making use of international offsets.
- The EU is close to final agreement on the proposed market stability reserve (MSR). However in the absence of cancellation of allowances in the MSR or changes in targets the long-term supply-demand balance is largely unchanged.

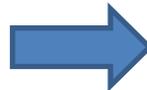


Analysis from early 2014, excludes effect of MSR

Australia has repealed legislation but there is hope for future progress

Old Scheme (repealed)	New scheme(s)
Limits on total emissions	No limit on total emissions
Broad coverage	Narrow coverage
Price paid by emitter	Subsidy for abatement (polluter gets paid principle?)/some penalties?
Two sided market - multiple buyers/ sellers	State monopoly buyer
Recycling of revenue to households	No revenue to recycle – cost to public purse

“Left-wing” government



“Right-wing” government

Elsewhere progress is mixed

- South Korea
- South Africa
- Chile
- Kazakhstan

A variety of developments are expected over the coming year

Q3 2015

- Finalisation of the US EPA Clean Power Plan rules
- EU ETS proposal free allocation
- Clarification on California's cap-and-trade program post-2020
- Ontario's intention to join the Western Climate Initiative
- Australia's Safeguard Mechanism rules released

Q4 2015

- 21st Conference of the Parties (COP21) to the United Nations Framework Convention on Climate Change (UNFCCC)
- Potential decision on cap-and-trade in Washington state
- Potential decision from Newfoundland and Labrador on the implementation of a carbon pricing instrument
- Further clarity on the status of the South African carbon tax

2016

- Further details on the implementation of China's national ETS
- Possible revisions of Intended Nationally Determined Contributions following COP21