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Carbon Pricing Panel – Setting a Transformational Vision for 2020 and beyond

Vision Statement by the Carbon Pricing Panel: Prime Minister of Canada Justin Trudeau, President of Chile Michelle Bachelet, Prime Minister of the Federal Republic of Ethiopia Hailemariam Dessalegn, President of France François Hollande, Chancellor of the Federal Republic of Germany Angela Merkel, and President of Mexico Enrique Peña Nieto, together with World Bank Group President Jim Yong Kim, IMF Managing Director Christine Lagarde, California Governor Edmund G. Brown Jr., Rio de Janeiro Mayor Eduardo Paes and OECD Secretary-General Angel Gurría.

The Paris Agreement is a major global achievement, and lays the groundwork for collective action to limit warming well below 2 degrees.

Now, the world's attention is focused on the policies and actions that can deliver on the promise of COP21, achieve the goals of the Paris Agreement, and drive greater ambition.

Carbon pricing has a key role to play, as one of the most effective measures available to reduce climate pollution at the scale and pace the science demands.

Carbon pricing helps ensure that the true costs of fossil fuels – and the benefits of clean energy – are reflected in the marketplace; that energy efficiency earns its full return; and that forest protection has clear economic value. A price on carbon promotes investments in cost-effective emissions reductions today while unleashing innovation in the low-carbon technologies of tomorrow. And carbon pricing supports sustainable green growth and employment in the context of a climate friendly and resilient economic transition, while generating public revenues that can be used, among other things, for broader fiscal reform or supporting climate action.

The good news is that carbon pricing is gaining momentum around the world: 66 jurisdictions (home to more than 1.6 billion people) are implementing emission trading programs or carbon taxes. Ninety countries identified using some form of carbon pricing as means to achieve their nationally determined contributions (NDCs) as communicated in the run-up to the Paris Climate Conference in December 2015. Countries, states, provinces, cities and other jurisdictions are all actively engaged in seeking carbon pricing solutions. The current global low price of fossil fuels increases the urgency – and heightens the opportunity – for policies that correct price incentives, including through carbon pricing.

Still, current efforts are not enough. Only 12% of global greenhouse gas emissions are currently covered by explicit carbon prices. Much work remains to be done as countries implement their NDCs and increase ambition. We need to broaden the set of governments that are using carbon pricing, deepen existing carbon pricing programs, and promote global cooperation, including via Article 6 of the Paris Agreement.

The long-term vision of the Panel is that carbon pricing is implemented on a global scale and with rising ambition sufficient to help meet the goal of the Paris Agreement to hold the increase in the global average temperature to well below 2 °C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5 °C.

In line with that vision, the High Level Panel on Carbon Pricing calls upon the international community to deliver on the following carbon pricing goal:

CARBON PRICING GOAL: The percentage of global emissions covered by explicit carbon prices doubles to 25% by 2020 and doubles again to 50% within a decade.
In support of this goal, the Panel will support actions along three pathways:

- *Broadening* carbon pricing, by implementing it in jurisdictions and sectors that currently do not have a price on carbon;
- *Deepening* carbon pricing where it already exists, by strengthening ambition and ensuring clear long-term price signals for investment, consistent with the long term goal of the Paris Agreement;
- *Enhancing international cooperation*, by facilitating and promoting the alignment or possible convergence of domestic carbon pricing programs.

We welcome the leadership shown by businesses, investors, and other stakeholders in supporting carbon pricing policies and incorporating carbon pricing in their planning and investment decisions. We commit to work actively with them in implementing effective and ambitious carbon pricing policies, including through the Carbon Pricing Leadership Coalition (CPLC).

The coming years will be of critical importance for humanity and the planet. We commit, individually and collectively, to work toward the carbon pricing goals presented here in our own countries and regions, and contribute our own commitments as a starting point below:

Canada
Carbon pricing is an effective tool to reduce emissions and stimulate investments in clean growth and low-carbon innovation. It is also a crucial tool to support the shift towards sustainable economic growth. Canada recognizes that growing our economy and protecting our environment go hand-in-hand. Provinces and territories in Canada are already employing carbon pricing. As a result of provincial and territorial actions, more than 85% of Canadians will soon live in jurisdictions with an existing or planned carbon pricing.

The Canadian government is working with provincial and territorial governments to develop a comprehensive Canadian climate change plan. The Plan will support Canada's transition to a low-carbon economy while stimulating innovation, clean growth and resource efficiency. Federal-provincial-territorial working groups have been established, including one on carbon pricing, to develop options to reduce emissions.

There is significant support from business and industry in Canada for effective carbon pricing that will place Canada as a leader in the low-carbon economy.

Canada is also making significant new investments in clean technologies, and will increase the level of ambition of environmental policies over time. This will enable Canada to achieve even greater GHG emissions reductions, consistent with Canada's commitments under the Paris Agreement.

Chile
The Paris Agreement must be implemented successfully to ensure a safer climate future. Our country will move towards fostering private and public partnerships that link climate technologies and financing. And we will continue to collaborate on green growth and carbon markets, as we stated in a Ministerial Declaration of the Pacific Alliance last month in Colombia. In the Panel we share a common vision in the panel that expanding carbon pricing in the world is good for the economy and the planet.

Ethiopia
Ethiopia communicated its ambitious contribution of reducing its emissions by 64 percent by 2030 from business as usual as part of its national policy to build a climate resilient green middle income economy. Ethiopia renews its commitments to the use and promotion of all policy instruments and public investment schemes, including carbon pricing, that are found to be effective, fair, and efficient in preventing dangerous climate change. To deliver on this commitment, and with the support of the World Bank, Ethiopia will issue a commissioned study producing recommendations on the role and possible forms of carbon pricing policies in Ethiopia, which might also be applicable to similar low-income developing countries.

France
At the national level, France decided to inscribe the trajectory of its carbon tax in its bill on energy transition for the green growth, in order to enhance predictability for economic actors. France therefore commits to strengthen its carbon tax along this pathway, i.e. increase its rate from 22€ in 2016 to 56€ in 2020 and 100€ in 2030.

Germany
Germany highlights the Carbon Market Platform which provides a forum for a strategic high-level dialogue between governments to explore opportunities for cooperating aiming to accelerate the development of a global carbon market. The platform was initiated under the G7 presidency in 2015 and will be conducted with the technical support of the OECD.

At the European level, France and Germany promotes the idea of reforming the EU-Emission Trading Scheme with the view to strengthening its ambition and ensuring a clear price signal for investments and innovations.

Mexico
Mexico is working towards establishing a carbon market, as well as robust national clean energy certificates for the electricity sector by 2018. Both of these efforts-will directly support the attainment of the national mitigation goals.

Implementation of these objectives will be based on the market-based mechanisms that Mexico started in 2013—several of which have already been embedded in legislation:

- A carbon tax approved by the Mexican Congress (through amendments on the Excise Tax Law on Production and Services (IEPS Law)) that covers fossil fuels by carbon content, except for natural gas. This carbon tax has the objective of enhancing environmental awareness and to price carbon in a way that reflects externalities and helps the private sector shifting consumption toward the use of cleaner fuels.

- Clean Energy Certificates that encourage the development and use of low-carbon technologies that derive from the Energy Reform bill of 2014.

- A green bonds initiative through the Mexican Stock Exchange to support the development of green investments in Mexico.

Mexico adopted a fixed-rate excise tax on automotive fuels, eliminating the possibility of future subsidies, through an additional amendment to the Excise Tax Law on Production and Services approved in 2015.

Mexico is convinced that in order to stabilize the increase in global temperature under 2ºC, - through efforts to limit such temperature increase to 1.5oC above pre-industrial levels, a fair and real carbon price must be set.

California
California's cap-and-trade program is one of the state's key strategies to reduce greenhouse gas emissions that cause climate change. California is committed to leveraging its cap-and-trade program to meet its climate goals, including reducing emissions to 1990 levels by 2020, and 80 percent below 1990 level by 2050.

In 2014, California and Quebec effected a full linkage between our carbon market, and Ontario has expressed its intention to join the California-Quebec market. California is also committed to working with other states in the US on carbon pricing, including through the Pacific Coast Collaborative, and under the Clean Power Plan, as appropriate.

California will work with other jurisdictions to support for the development of environmentally rigorous emissions trading programs globally, including through bilateral memorandums of understanding with China at the national and subnational levels, as well as Mexico. California also engages multilaterally with other jurisdictions including as a technical partner in the World Bank's Partnership for

Market Readiness and as a member of the International Climate Action Partnership. California will seek to promote carbon pricing through the "Under2MOU," a subnational climate change agreement representing 128 signatories and more than a quarter of the global economy.

Rio de Janeiro
Rio de Janeiro aims to reach 20% greenhouse gas emissions reduction by 2020 and carbon neutrality by 2065. To achieve this goal, the city is promoting policies to reduce GHG emissions. Putting a price on carbon will accelerate Rio's transition to a low carbon economy. It will help Mayors and communities around the world to build urban prosperity while lowering environmental consequences. This is important because cities are associated with 70% of global energy use and greenhouse gas emissions. Urban actions have the potential to decrease global emissions in 3.7 GtCO2e below national actions currently on track by 2030, and by 8.0 GtCO2e in 2050. Cities are showing leadership through the Compact of Mayors, a commitment and instrument to measure, monitor and track GHG emissions reductions. C40 cities are taking actions to lower emissions, minimize climate risks and increase urban resilience.

Rio de Janeiro is committed to enhance carbon pricing policies. The urban potential for reductions of emissions can be unlocked through carbon pricing and will help us to achieve the Paris Agreement goals.

International Monetary Fund
The Fund recently released the *Managing Director's Statement on the Role of the Fund in Addressing Climate Change* and an accompanying paper, *After Paris: Fiscal, Macroeconomic and Financial Implications of Global Climate Change*. The Fund is developing spreadsheet tools to help countries with implementing carbon pricing schemes and understanding the trade-offs between alternative mitigation policies and offers technical assistance to member countries on carbon and energy pricing reform.

World Bank Group
The World Bank Group will scale up country support and global advocacy work to "get prices right," by helping clients to reform fossil fuel subsidies, putting a price on carbon, deepening market-based instruments, and reforming other distorting subsidies. Carbon pricing work will be extended to widen, deepen, and connect markets. The WBG will aim to have actively supported country-level Carbon Pricing Leadership Coalition dialogues in 15 countries by end 2017 and in 30 countries by 2020, with an aim to catalyze successful carbon pricing programs. This will supplement and enhance ongoing country programs of the Partnership for Market Readiness and the international discussions of the Networked Carbon Markets initiative. Results-Based Financing mechanisms, which support innovative market-based instruments such as the Pilot Auction Facility and the Transformative Carbon Asset Facility, will be expanded and scaled up.

OECD

The OECD is committed to supporting countries to implement the Paris Agreement and their intended NDCs, building on extensive expertise in carbon pricing and regulation, the analysis and reform of fossil fuel subsidies and taxation of energy. The OECD will increase its focus on the mitigation challenges faced by countries. Specifically, it will contribute to improved transparency of mitigation policies and outcomes in OECD countries and key partners. It will support countries in developing and implementing cost-effective mitigation strategies and policies that can be sustained and deepened over time. For example, the OECD will progress work monitoring taxes on energy use and price signals from emissions trading systems, to help track the use of market-based instruments to price carbon beyond explicit carbon prices.