



Side Event in the German Pavilion  
“Reaping the Benefits of Co-ordination”  
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# CO-ORDINATING CARBON PRICING POLICIES

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## Outline

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1. Carbon pricing – brief recap
2. State of play on carbon pricing
3. Benefits of international co-operation
4. Types of international co-operation



# Carbon pricing - an essential policy tool

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## Prices a negative global externality

- Economically efficient and cost-effective
- Drives investment and innovation in low-carbon technologies

## Raises revenue for governments

- Revenues can be used to address equity and affordability issues
- They can also provide funding for investment in other public goods

## Potential synergies with other objectives

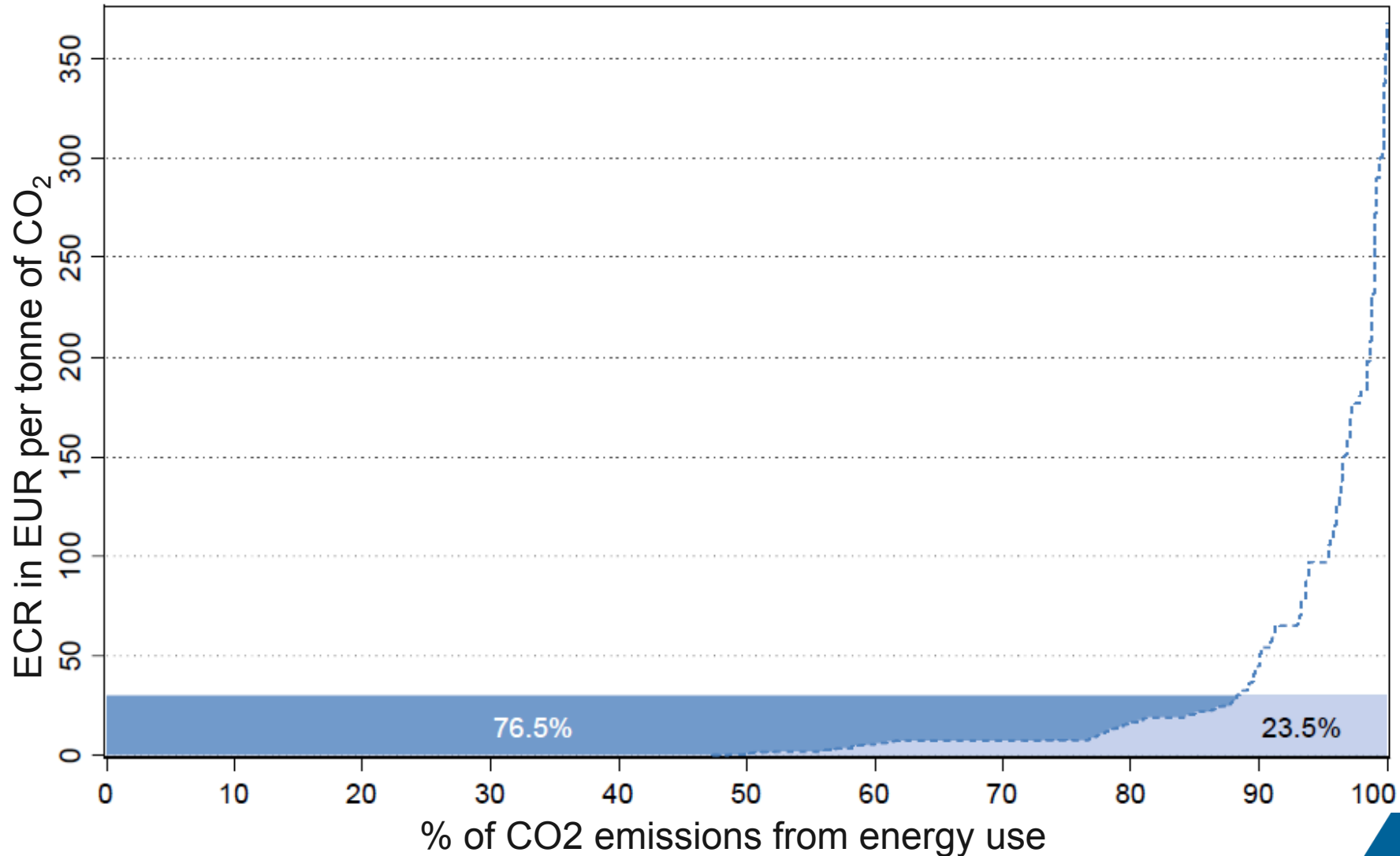
- Improvements in air quality and reduced health costs
- Reduced fossil fuel dependence, import bills

## More effective if complemented by other instruments

- To address other externalities (e.g. R&D support)



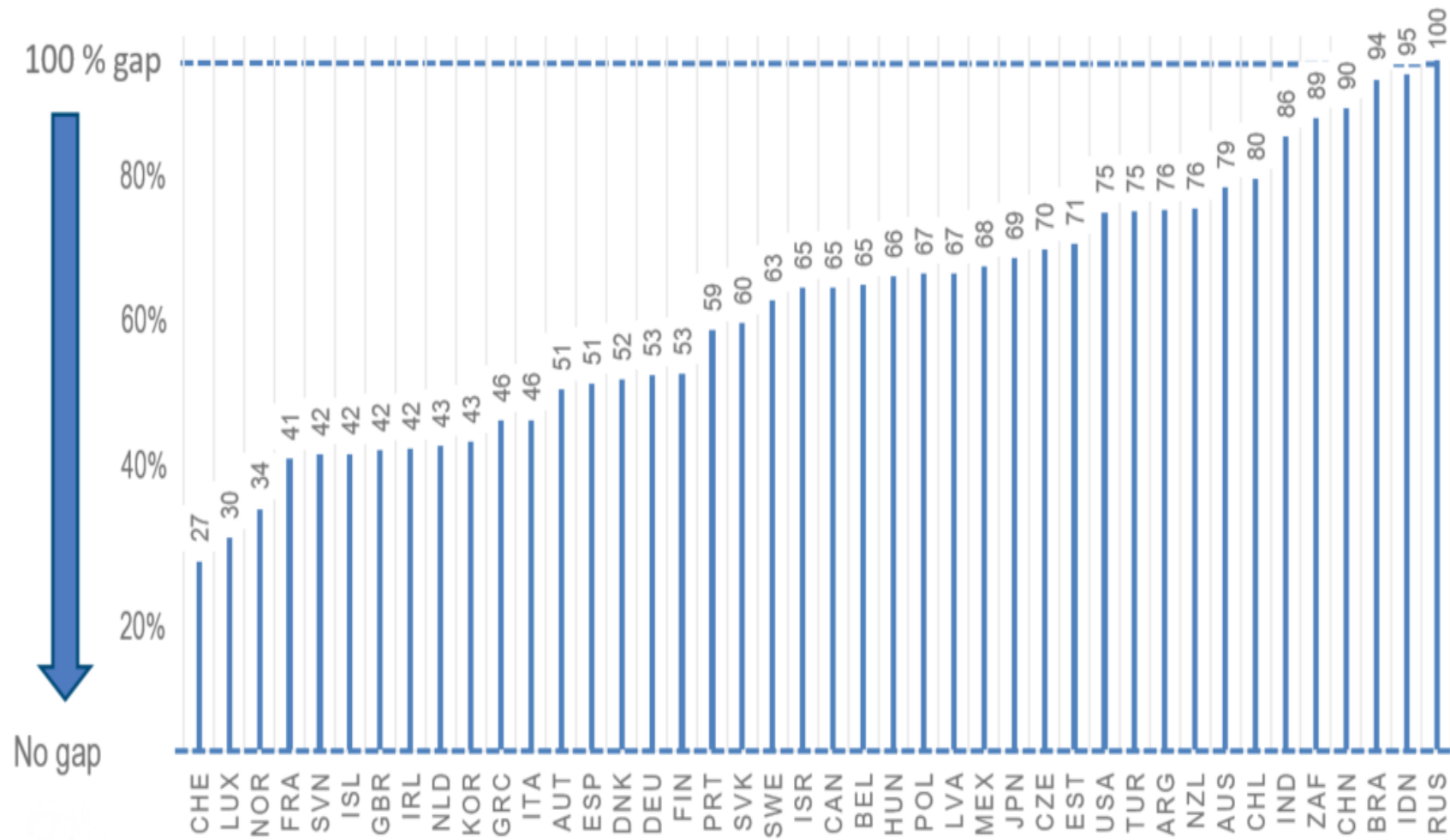
Current carbon prices are too low and too heterogeneous within countries...



Source: OECD (2018): Effective Carbon Rates 2018



## ...and across countries



Source: OECD (2018): Effective Carbon Rates 2018



## Co-ordination on carbon pricing brings mutual benefits

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### Economic

- Efficiency gains (reduced mitigation costs)
- Level the playing field, particularly for EITE industries

### Environmental

- Safeguard environmental integrity
- Avoid double counting

### Political

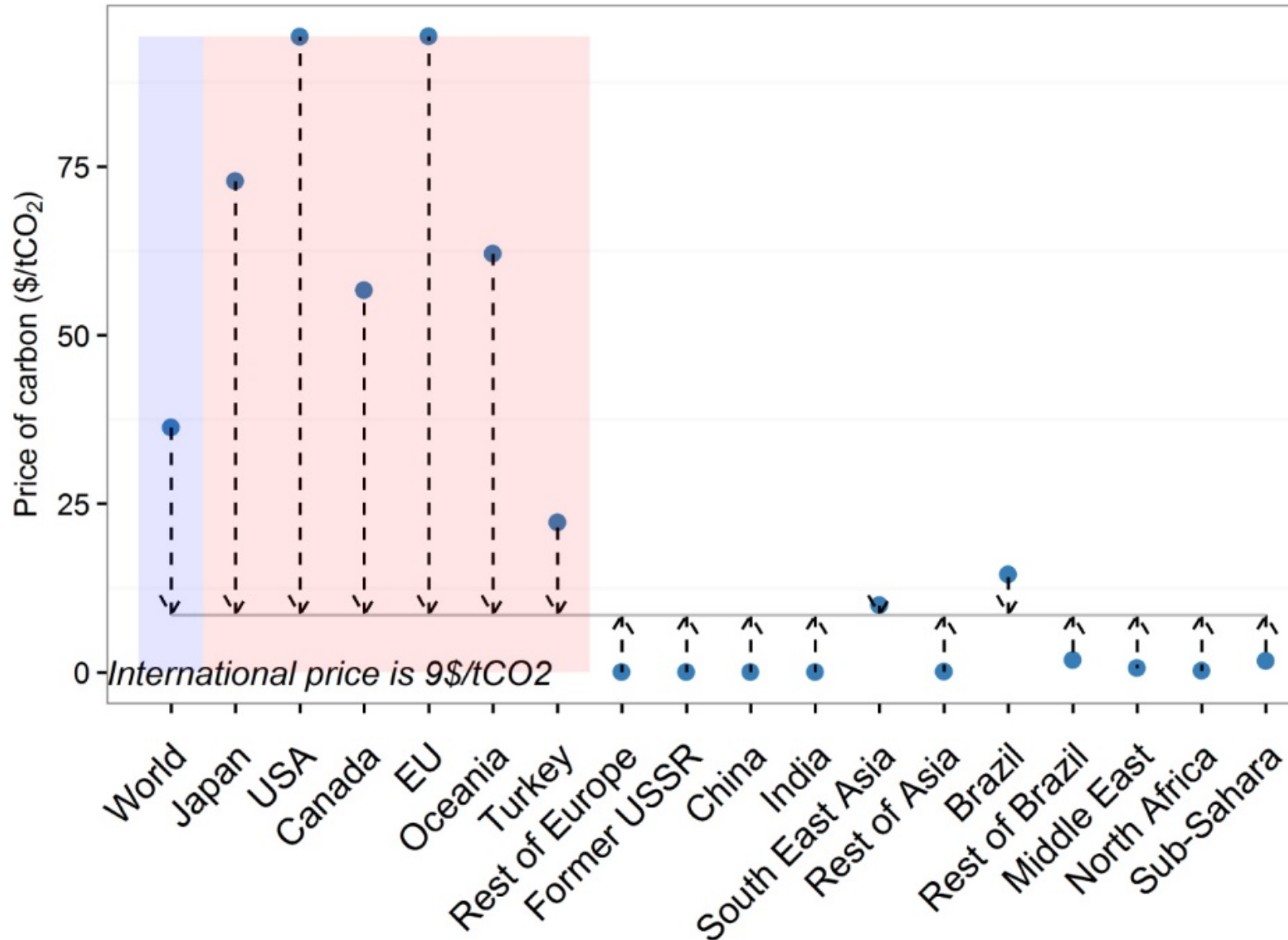
- Signaling commitment domestically and internationally
- Spill-over to other jurisdictions

Enables higher ambition for climate change mitigation

But barriers (e.g. competitiveness, affordability) need to be addressed



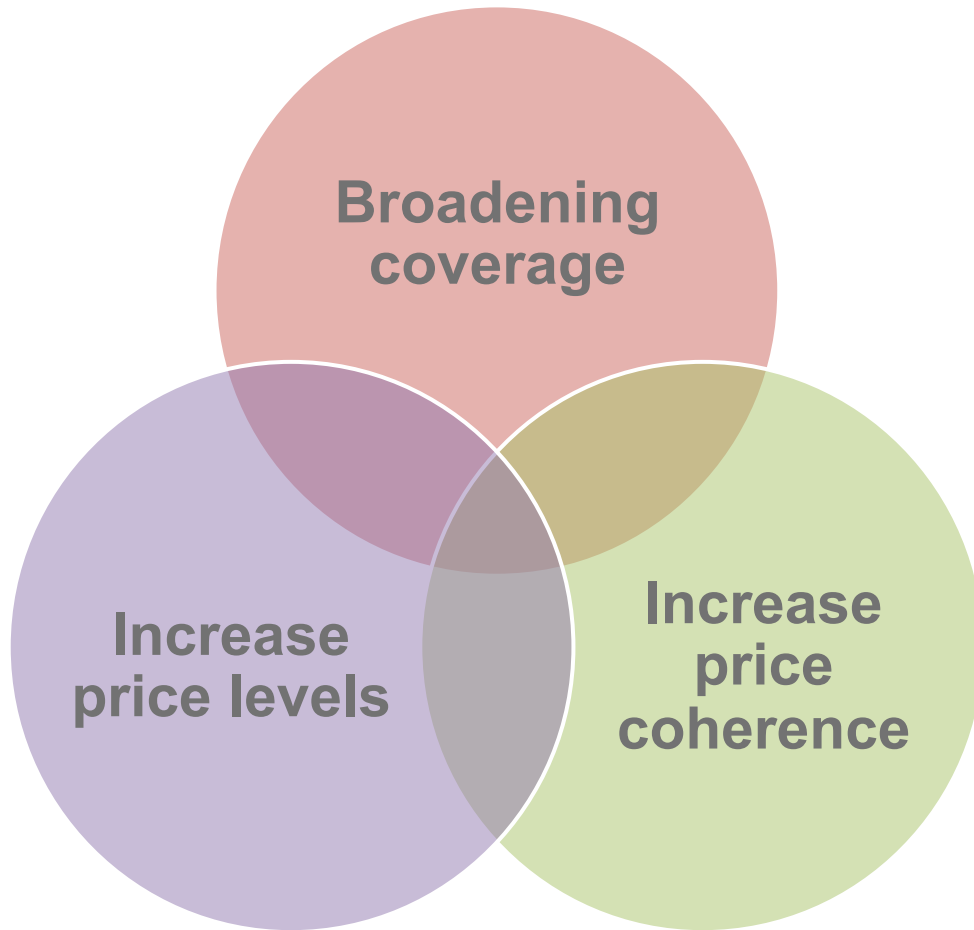
# Carbon prices for meeting the NDCs with and without emissions trading



Source: Fujimori et al. (2016)



# Levels of international co-ordination



- New pricing schemes
- Internal carbon pricing
- Crediting mechanism
- Fossil fuel subsidy reform
- Sectoral approaches
- Linking ETS
- Minimum carbon prices
- Carbon clubs
- Global carbon price





Thank you for your attention

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OECD work on carbon pricing:

<http://www.oecd.org/tax/tax-policy/tax-and-environment.htm>

<http://www.oecd.org/site/tadffss/>

<https://www.oecd.org/env/tools-evaluation/FASTER-carbon-pricing.pdf>



## Questions for discussion

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1. Where are the greatest benefits and opportunities for co-ordinating carbon pricing policies?
2. What is the preferred governance structure of the regional initiative?
3. What kind of political and technical support would facilitate coordination?