



International Carbon
Action Partnership



ICAP-IETA High-Level Carbon Pricing Dialogue

On 24 September 2014, the International Carbon Action Partnership (ICAP) and the International Emissions Trading Association (IETA) co-hosted a High-Level Dialogue on Carbon Pricing in the context of the UN Climate Summit in New York. About 150 government and corporate leaders came together to discuss lessons learned from and prospects for carbon pricing as a key policy instrument in tackling climate change.

Opening Remarks: Carbon Pricing Gaining Momentum

Dirk Forrister, President and CEO of IETA, reported on the UN Climate Summit, where the issue of carbon pricing received significant attention and highlighted the role of ICAP and IETA on the road to Paris 2015. **David Heurtel, Minister of Sustainable Development, Environment and the Fight against Climate Change of Québec, the current Co-Chair of ICAP**, referred to Québec's experience with emissions trading to illustrate that climate leadership need not come at the expense of economic success. In 2012, Québec reached its goal of reducing emissions by 6% compared to 1990 levels and is now aiming for 20% reductions by 2020. Earlier this year, Québec successfully linked its ETS with California and is looking for new linking partners in Canada and the US.

High Level Key Note Addresses

Barbara Hendricks, Federal Minister for the Environment, Nature Conservation, Building and Nuclear Safety of Germany, stressed that policymakers need to establish the regulatory framework to make investments in low carbon technology worthwhile. Ms. Hendricks argued that the world needs more than a technical dialogue on how to get to a global carbon market: this dialogue must be embraced at the political level.

Tine Sundtoft, Minister for Climate and Environment of Norway, highlighted that carbon pricing, against the background of a flexible international agreement, is essential to reducing emissions in a cost-effective manner. She stressed that the current low carbon price in the EU is not a result of poor system design and that global trends suggest that ETS as an instrument is on the rise. Sundtoft also discussed Norway's experiences with the carbon tax. Although the subject of much controversy at the adoption stage, it has resulted in significant GHG reductions.

Yoon Seong-Kyu, Minister of the Environment of the Republic of Korea, confirmed that in January 2015 Korea will launch its ETS, having overcome the resistance from Korean industry. The Korean ETS will cover 66% of the country's total GHG emissions and is essential to the economy and fighting climate change, setting a model for emerging economies and developing countries. Mr. Seoung-Kyu expressed the hope to link the Korean scheme to the Chinese carbon market in the long-term.

Joe Martens, Commissioner of the Department of Environmental Conservation of New York State, illustrated the economic benefits of carbon pricing for the partner states of the Regional Greenhouse Gas Initiative (RGGI), such as domestic job creation and economic growth. Emissions from covered entities in RGGI states have shrunk by 45% since 2005, with carbon pricing revenues also being recycled into clean energy programs.



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Rachel Kyte, Vice President and Special Envoy for Climate Change at the World Bank, reiterated the proliferation of carbon pricing, with more and more countries interested in policy instruments to this effect and talked about the World Bank-coordinated Statement on Putting a Price on Carbon, which was supported by 73 countries and more than 1000 companies. However, she stressed that carbon pricing design needs to address competitiveness concerns and should stimulate job growth. Finally, she emphasized the World Bank's commitment to support countries in their mitigation efforts.

Panel Discussion I: Carbon Pricing Mosaic & Lessons Learned

Policy-makers on this panel shared experiences gained with carbon pricing in existing ETS. **Jo Tyndall, Climate Change Ambassador of New-Zealand**, emphasized that carbon pricing mechanisms must reflect national circumstances. The NZ ETS for instance, covers the forestry sector, making up a significant part of New Zealand's emissions profile. She also highlighted the role the UNFCCC can play in providing the framework to facilitate ETS linkages. **Jacob Werksman, Principal Adviser to DG-CLIMA Director General of the European Commission**, focused on the importance of regulatory and compliance provisions in order to generate a strong and predictable carbon price. He stressed the necessity of a predictable, binding long-term regime and the vital role of the cap and of complementary policies such as carbon taxes. Finally, although the EU is pursuing linking, he highlighted that it is often a complicated process.

Aimee Barnes, Deputy Secretary for Border and Intergovernmental Relations, California EPA, discussed California's ETS, which was designed with other Western Climate Initiative (WCI) members, enabling a successful link with the Quebec ETS. She reiterated that climate change policies can be consistent with economic growth and argued for a greater role for subnational entities in the international climate negotiations. **David Cadman, President of ICLEI**, spoke about the role of cities in carbon pricing. ICLEI has been working on lowering GHG in cities for 25 years, with cities like Tokyo implementing their own ETS. ICLEI hopes that carbon pricing on the local level will give national governments more confidence to go farther in their commitments.

Panel Discussion II: Carbon Pricing & Low-Carbon Innovation

The second panel discussed the potential of carbon pricing to stimulate innovation, and the role of business in carbon pricing schemes. **Jorma Ollila, Chairman of Shell**, stated that the public sector should create incentives for climate action, whilst the private sector's role is to innovate and drive change. He spoke of Shell's internal carbon price (\$40/tonne), which has helped change the corporate mindset, but argued for greater engagement with the public sector to show businesses are also part of the solution. **Amy Ericson, President of Alstom US**, spoke about the role of carbon pricing in promoting the development and dissemination of low-carbon technology. However, she stressed that recycling revenues into infrastructure resiliency is equally important. She also pointed out the private sector can provide policy makers with the resources and expertise necessary to achieve ambitious climate goals.

Nathanial Keohane, Vice President, International Climate, Environmental Defense Fund, argued that the issue of revenue recycling is crucial but must be determined by each jurisdiction based on its needs. **Paul Dickinson, Executive Chairman of CDP**, insisted that raising public awareness of climate change and transparency of carbon pricing mechanisms is absolutely essential. Finally, **David Cash, Commissioner of the Department of Environmental Protection of the Commonwealth of Massachusetts**, pointed out that it is essential to show people the value and price savings of low-carbon technology.



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High Level Closing Remarks: On the Road to Paris & Beyond

Christiana Figueres, Executive Secretary of the UNFCCC, remarked on the new momentum to the climate movement through the New York Climate Summit. Still, there are many challenges around carbon pricing. In particular, the current decentralized approach to carbon pricing makes it difficult to link systems and to arrive at one single system with one global carbon price in the longer term. Finally, Figueres stressed that climate change markets are only a means to an end, which is carbon neutrality.

Laurence Tubiana, Special Representative of the French Minister of Foreign Affairs for the 2015 Paris Climate Conference, noted that the climate conference in Paris needs to account for the diversity of policies working towards the joint ultimate objective of decarbonizing the global economy. She emphasized the need for a long-lasting agreement which should provide a robust framework for all actors, from governments and subnational entities to cities and companies.