



# *Carbon Pricing Instruments (CPI) and their role in powering business opportunities and building a more sustainable society and liveable planet*

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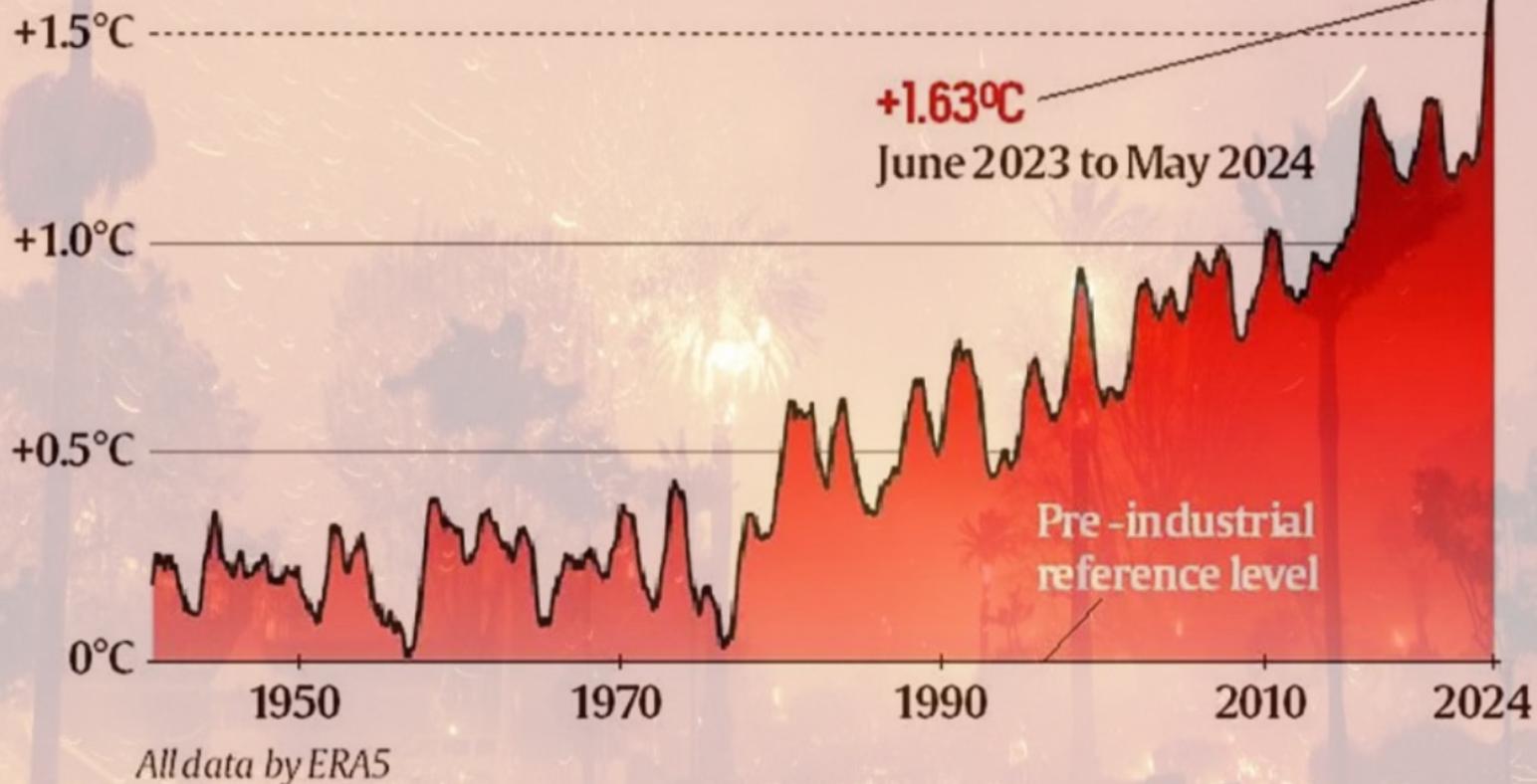


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# GLOBAL SURFACE TEMPERATURE INCREASE ABOVE PRE-INDUSTRIAL

12-month running mean anomalies relative to the 1850-1900 average



Source:  
[MIT; The Indian Express](#)

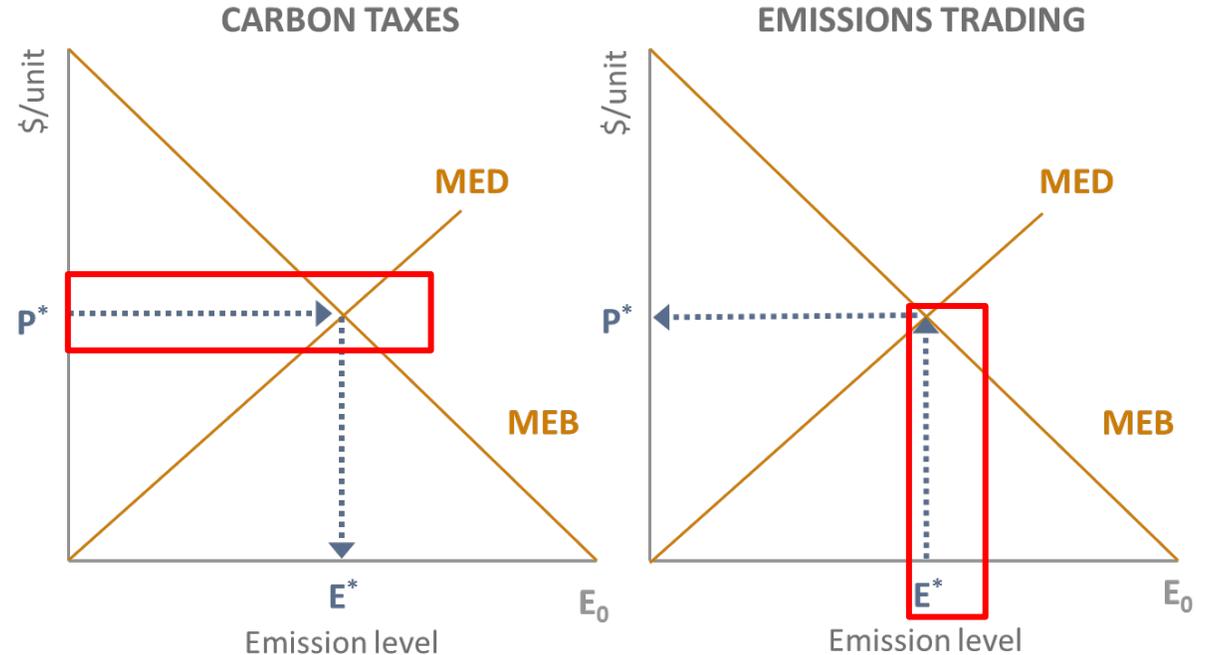
## Carbon pricing mechanisms

# There are two basic mechanisms for pricing carbon: *Carbon Tax & Emission Trading*

- The two main options for carbon pricing are **emissions trading** and **carbon taxes**.
  - Both put a price on carbon, providing direct economic incentive to mitigate emissions within a sector or multiple sectors of the economy.
  - Both require emitters to pay for the cost of reducing emissions
- The key difference is that taxes specify a *price* on emissions and allow the market to determine the quantity of emissions; ETS sets the *quantity* and allows the market to determine price
- There are also possible combinations of these mechanisms

Apply a fixed carbon price to energy use (either on fuels or on emissions)

Apply a cap on emissions, with a penalty for exceeding this, and allow participants to trade emissions allowances within this cap



Note:  $P$  = price; MED = Marginal Emissions Damage to the environment; MEB = Marginal Emissions Benefit (i.e. the economic value to polluters of being allowed to emit). The MEB is simply the mirror image of the Marginal Abatement Cost Curve (MACC).

# How can carbon pricing instruments enable sustainable businesses, prosperous societies, and a livable planet?

## 5 Key Pathways and Benefits



**Encouraging Green Innovation**



**Internalizing Environmental Costs**



**Reducing CO<sub>2</sub>/GHG Emissions at Scale**



**Stimulating a Circular Economy**



**Equity and Social Justice**



**Thank You**

**Salamat**

**ありがとう**

