



Ecological Realignment

## Extending the role of carbon pricing on a global level

Kiel Institute for the World Economy

### Speakers:

#### Panelists:

- **Elina Bardram**, Head of Unit, International Relations, DG Climate Action, European Commission
- **John Weyant**, Director, Energy Modeling Forum, Stanford University
- **Zhang Xiliang**, Director, Institute of Energy, Environment and Economy, Tsinghua University

#### Moderator:

- **Conny Czymoch**

#### Co-Moderator:

- **Sonja Peterson**

### Session description:

To reach the temperature targets of the Paris-Agreement, the global economy needs to quickly move towards net-zero emissions and major economies including the EU, the US and China have committed themselves to such ambitious targets. There is a large consensus among economics and climate policy experts that carbon pricing should play a central role to reach these targets effectively and efficiently. In the so-called “Economists’ statement on carbon dividends” for example, that was published in the Wallstreet Journal in January 2019, by now more than 3500 US economists, 4 former chairs of the Federal Reserve, 28 Nobel Laureate Economists and 15 Former Chairs of the Council of Economic Affairs state that “A carbon tax offers the most cost-effective lever to reduce carbon emissions at the scale and speed that is necessary. By correcting a well-known market failure, a carbon tax will send a powerful price signal that harnesses the invisible hand of the marketplace to steer economic actors towards a low-carbon future.” The most recent study of the Energy Modeling Forum (EMF) on Carbon Pricing after Paris, that is coordinated by the Kiel Institute and the University of Oldenburg stresses this point. It shows in particular, that coordinated carbon pricing – whether through taxes or emissions trading – can reduce the costs of meeting the Paris targets significantly.



## **THE WORLD POLICY FORUM**

World-wide carbon pricing is on the rise. The latest world bank account lists 61 carbon pricing initiatives that are implemented or scheduled covering 12GtCO<sub>2</sub> or 22% of global greenhouse gas emissions. The latest important step was the start of the national Chinese emissions trading system in February 2021. The aim should now be to quickly further expand the coverage of carbon pricing, to implement prices in line with the Paris targets (which the High Level Commission on Carbon Pricing as well as the EMF study estimates to be between in the order of 80 USD/tCO<sub>2</sub> in 2030) and to harmonize carbon pricing systems world-wide. One step in this direction, that would also bring about large efficiency gains, is a linking of the EU emissions trading system and the Chinese emissions trading system. Even better would be a large “climate-club” including at least also the US that agrees on a joint minimum price for carbon emissions.

This panel intends to bring together climate-economists, politicians and more generally climate policy experts to discuss the way forward in international climate policy and international carbon pricing. Can a linked EU- Chinese ETS be a motor for increased global carbon pricing? Is there the chance of a climate-club including the US? How should other emerging and developing countries be included in carbon pricing systems?