



IETA

INTERNATIONAL EMISSIONS
TRADING ASSOCIATION

Global Developments in International Carbon Markets

EPRI-IETA Symposium on Impacts of Complementary Policies

San Francisco

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Agenda

1. The Big Picture - International Market Developments

2. Linking arrangements & complementary policies

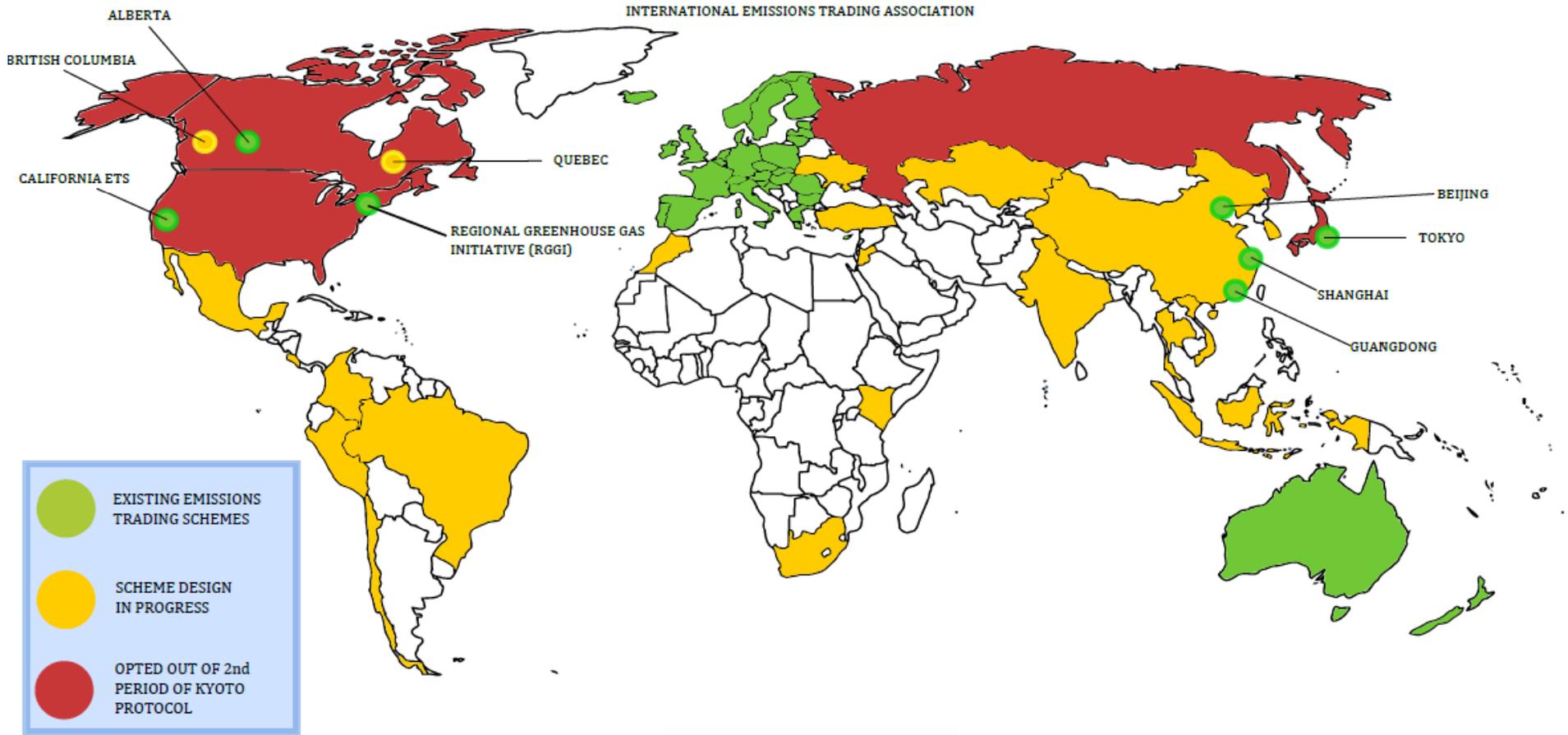
3. Shell Overview of EU ETS Experience

4. Quest for a pure carbon price

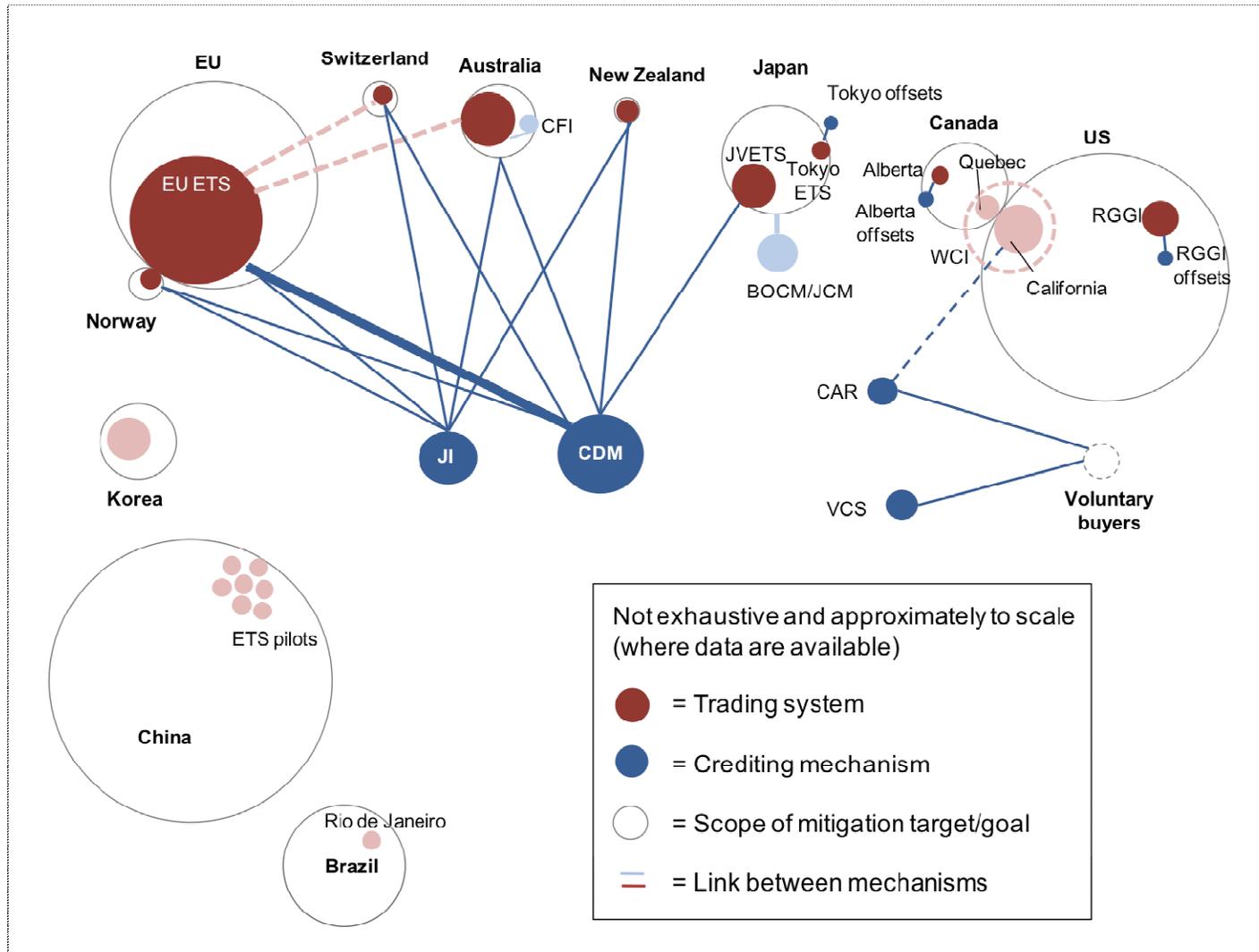
5. Conclusion



International carbon markets in 2012



Market linkages – wave of the future?



4 Source: Andrew Prag, OECD (2012)

Linkages & complementary policies

- ▶ Australia & EU announced in August 2012 - currently awaiting treaty
 - ▶ Broadens the base of emissions reduction / technology deployment opportunities – lowering costs for both jurisdictions over time
 - ▶ Systems not identical, but both include complementary measures
- ▶ CA and Quebec – Gov Brown’s findings open path to linking in 2014
 - ▶ Systems include complementary measures
- ▶ Linkages have important international policy / market dimensions
 - ▶ Systems similar due to Kyoto or WCI pedigree – but not identical
 - ▶ All contain complementary measures – obscuring the carbon price
 - ▶ Potential for blocks to link over time?
 - ▶ Or remain separate, with different pricing dynamics?
- ▶ Could be the “new model” of international climate policy
 - ▶ How will complementary policies impact these linkages?

Both the Commission and Member States have contributed to the weakening impact of the ETS



Source: Shell, 2013



Quest for a pure carbon price

- ▶ **Carbon pricing is the centerpiece** of climate policy in many places
- ▶ Typically, it is implemented with **complementary measures**
 - ▶ energy efficiency, renewable energy or other policies
- ▶ Complementary policies appear in linked systems – but it **obscures carbon prices** to some degree
- ▶ As such, a **pure carbon price is hard to discern**
- ▶ **Much more work** is needed to better integrate carbon pricing with other policy drivers

Ripe topic for research and discussion

- ▶ Proper price discovery is paramount to functioning of ETS
- ▶ Complementary policies (efficiency, renewables) have multiple drivers and pricing structures
- ▶ Questions
 - ▶ How can these policies be designed to operate better together?
 - ▶ Should carbon emerge as the true “centerpiece” of policy, or should other policies take the primary role?

Policy Drivers

- Climate
- Security
- Local pollution
- Jobs
- Economic development

Thank you

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