

Finance Ministers Coalition for Climate Action From Helsinki to Santiago

Sherpa Meeting
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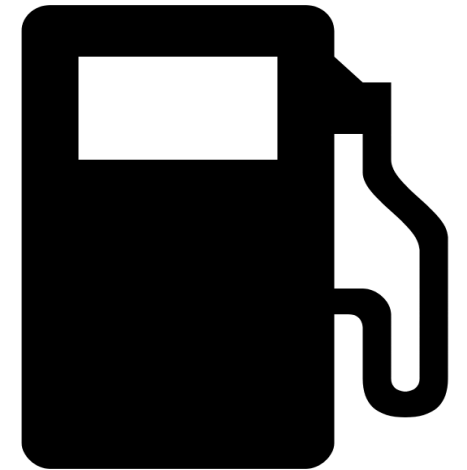
Introduction by Miria A. Pigato, Climate Lead, World Bank



Principle 3: Working towards measures that result in effective carbon pricing

What does 'putting a price on carbon' mean?

Putting a price on carbon means to include in the price of fossil fuels the costs of the damage they produce (pollution, environmental degradation, climate disruption).



Principle 3: Work towards measures that result in effective carbon pricing

The Helsinki's definition:

- Carbon pricing' refers to measures which put a price on the emissions of carbon dioxide or other greenhouse gases.
- **Effective carbon pricing means that countries adopt measures to achieve carbon price levels that are sufficient to incentivize the emission reductions needed to meet their own emission reduction targets, subject to their national circumstances, and with a view to reaching carbon price levels consistent with the Paris Agreement's long-term objectives.**

Pricing carbon includes:

- Reducing or eliminating fossil fuel subsidies;
- Taxes and tax-like measures, in particular carbon taxes but also including fuel taxes, environmental duties, levies, and charges which are scaled in accordance with carbon emissions;
- Emissions trading systems (ETSs) and similar permit-based or crediting mechanisms; and
- Regulatory policies which result in an implicit marginal price on carbon, such as tradeable performance standards.

Many ways to reach a positive price on carbon

- **Explicitly:** putting a price directly on carbon emissions (carbon taxes or ETS)
- **Implicitly:** by using (i) policies or instruments that effectively price carbon, such as gasoline taxes; (ii) regulations, command and control measures
- **Reducing or eliminating negative pricing** (i.e. subsidies, tax expenditures and other support for fossil fuel production or use).

How do you choose? Political acceptability is key

Many ways to move towards an effective price on carbon

Common commitments, consistent with different levels of ambition

Commitment	Ambition levels		
	Basic	Good	Advanced
Each Finance Minister commits to take actions to get to a positive price on carbon.	No negative carbon prices. Phase-out of pre-tax fossil fuel subsidies.	Previous practice plus: actions to reach a carbon price consistent with the emission reduction targets set in the country's NDC.	Previous practice plus: actions to reach a carbon price consistent with limiting the average global surface temperature increase to the Paris goal of well-below 2°C.

Carbon Pricing discussion

- Miria Pigato: Introduction
- Rodrigo Pizarro: Carbon Taxes
- Paula Suarez : Ecuador's experience with fossil fuel subsidies reform
- Kristina Akesson: Ideas for moving forward

Thank You

