

Carbon pricing

Paris agreement supports scale up of carbon pricing

CLIMATE CHANGE GLOBAL

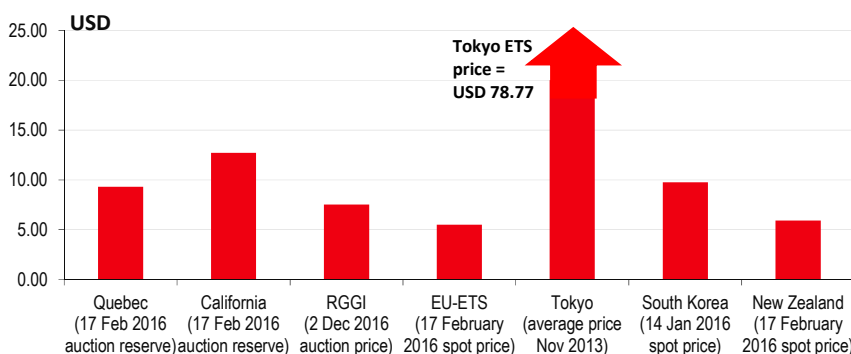
- ▶ We think support for global carbon pricing is strengthening
- ▶ We expect more cap-and-trade schemes on a national and regional basis, as well as the linking of existing schemes
- ▶ Investors and companies want the consistency that a global pricing mechanism would provide

Demand for pricing: The *Paris Agreement* ([COP 21: Paris Agreement](#), 14 December 2015) noted that carbon pricing provides an important role of incentivising emission reduction activities. The main mechanisms to do this are taxes and cap-and-trade (see [‘Moving towards global carbon pricing’](#), September 2015). We estimate that countries covering 51.4% of 2012 greenhouse gases (GHGs) have carbon taxes in place, while 15.2% of 2012 GHGs were covered by an emissions trading scheme.

Support for emissions trading: Several countries, such as China and Switzerland expressed support for carbon trading as part of their pre-Paris pledges (known as INDCs). We think this is positive, since countries that already have low-carbon intensity economies can fulfil their emission reduction obligations and create demand for carbon credits at the same time, thereby supporting a global mechanism (see [Switzerland: a good opener](#), 4 March 2015). We expect more regional schemes, such as Ontario’s plan for cap and trade from 2017, to spring up, as well as more scheme linkages, for instance this year the EU should finalise its link to the Swiss emissions trading scheme.

Companies and investors want consistency: At an International Emissions Trading Association (IETA) seminar last week we saw clear support for global pricing, especially trading, as a means to deliver mitigation. In our view, companies and investors want the consistency a global regime would provide – Chart 1 shows current discrepancy in prices - and protection against ‘unpriced’ competition. We see these as important steps towards global carbon pricing and to decarbonising the energy system.

Chart 1: Global emissions cap-and-trade schemes



Sources: Regional GHG Initiative, Quebec Govt, California Govt, Thomson Reuters, Carbonpulse, commtrade. At exchange rates on 17 Feb 2016.

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Table 1: The global climate calendar: upcoming events

Year	Location	Event
25 February	Belgrade, Serbia	EU: Public participation and transparency in the implementation of energy policies
March	China	China to release 13th Five Year Plan
March	UK/Germany	G20 – 2 nd Green finance study group meeting
03 March	Brussels	EU Council :Transport, Telecommunications and Energy Council
04 March	Brussels	EU Council : Environment Council
15 March	Brussels	EU Council :Transport, Telecommunications and Energy Council
10 March	Washington D.C.	US and Canada to discuss energy and climate change
8-11 March	New York, US	47th Session of UN Statistical Commission
7-11 March	Incheon, South Korea	12th Meeting of the Board of the Green Climate Fund (GCF)(tentative)
14-18 March	Peru	14th Session of the UN Conference on Trade and Development (UNCTAD XIV)
18 March	Frankfurt, Germany	EU:9th International conference for improving energy efficiency in commercial buildings and smart communities
April	Washington D.C., US	G20 – 2 nd Climate Finance Study Group Meeting
01 April	UNFCCC	UN delivers new GHG analysis based on all national climate plans submitted in 2015
04-08 April	Geneva, Switzerland	37th Meeting of the OEWG of the Parties to the Montreal Protocol
11-13 April	Nairobi, Kenya	43rd Session of the IPCC
11-12 April	New York, US	UNGA High-level Thematic Debate: Implementing Commitments on Sustainable Development, Climate Change and Financing
12-14 April	Shenzhen, China	G20 – 2 nd Energy sustainability working group meeting
22 April	New York, US	High-Level Signing Ceremony for Paris Agreement
25 April - 07 May	Montreal, Canada	20th meeting of the SBSTTA and the first meeting of the Convention on Biological Diversity (CBD)
02 May	UNFCCC	2 nd INDC Synthesis Report
05-06 May	Washington D.C., US	Climate Action 2016
16-26 May	Bonn, Germany	42 nd Sessions of the UNFCCC Subsidiary Bodies
23-27 May	Nairobi, Kenya	2 nd Meeting of the UN Environment Assembly
26-27 May	Kashiko Island, Japan	42 nd G7 summit
30 May - 02 June	Nairobi, Kenya	10th Meeting of Open-ended Working Group of Basel Convention (OEWG 10)
June	Xiamen, China	G20 – 3 rd Green finance study group meeting
01 June	TBA	22 nd Annual Conference of the European Association of Environmental and Resource Economists
01 June	Vienna	OPEC annual meeting
01-02 June	San Francisco, US	Seventh Clean Energy Ministerial (CEM7)
06-07 June	Luxembourg	EU Council : Transport, Telecommunications and Energy Council
06-09 June	Washington D.C., US	50th Meeting of the Global Environment Facility (GEF) Council
13 June	Luxembourg	EU Council : Transport, Telecommunications and Energy Council
20 June	Luxembourg	EU Council : Environment Council
28 June	Beijing, China	G20 – 3 rd Energy sustainability working group meeting
29-30 June	Beijing, China	G 20 Energy Ministers Meeting
July	TBA	G20 – 3 rd Climate Finance Study Group Meeting
10-14 October	Kigali, Rwanda	28th Meeting of the Parties to the Montreal Protocol
04-05 September	Hangzhou, China	G20 Leaders Summit
13-26 September	UN HQ, New York, US	71st Session of the UN General Assembly (UNGA 71)
24-27 October	Washington D.C., US	51st Meeting of the GEF Council
November	Lima, Peru	28th annual gathering of APEC leaders
08 November	US	58th quadrennial U.S. presidential election
07-18 November	Marrakech, Morocco	22 nd session of the Conference of the Parties (COP22)

Source: HSBC

Disclosure appendix

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