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Welcome Remarks

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IETA 2021 GHG Market Sentiment Survey: APAC & Europe

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IETA Live: 2021 GHG Market Sentiment Survey Launch

14 June 2021
IETA’s 16th GHG Market Sentiment Survey

- **158 responses** from IETA members
- Responses collected from **19 April - 5 May**
- Sample covers many types of carbon market players and geographies
This year’s highlights

1. Increased optimism on carbon price expectations as climate ambitions ramp up.

2. Carbon markets have been resilient to COVID-19 and the economic recovery from the pandemic will likely provide a boost.

3. Article 6 is seen as key to achieving the Paris Agreement goals, but participants are uncertain as to whether Parties will reach a consensus at COP26.
Price expectations increased across markets, compared to last year’s survey.

What do you expect the average carbon price to be for each of the following ETSs in the periods 2021-25 and 2026-2030?
Bullish sentiment for the EU ETS

Average carbon price expectations for the EU ETS over successive surveys

- Predicted average Phase 4 price (2026-2030)
- Predicted average Phase 4 price (2021-2025)
- Predicted average Phase 4 price (2021-2030)
- Estimated average global carbon price needed to meet the Paris objectives by 2030
- Estimated average global carbon price needed to meet the Paris objectives by 2050
The European Commission (EC) will present new proposals for policies to meet the EU’s climate target in July. Participants identified the key policy priorities for the EU to meet the updated climate target:

- Expanding the EU ETS and introducing emissions trading to road transport and buildings
- Strengthening the linear reduction factor from its current level of 2.2%,
- Implementing a Carbon Border Adjustment Mechanism (CBAM).

UK ETS came into force earlier this year. 89% respondent expect a link to be created between the EU and the UK ETS.
71% of respondents support the proposal to introduce the CBAM as an alternative to free allocation in some sectors at risk of carbon leakage.

This is an increase from last year’s survey, where 55% respondents agreed.

0% of respondents stated that they do not expect the EU to implement a CBAM mechanism.

By when do you think the EU is likely to implement a Carbon Border Adjustment Mechanism (CBAM)?
The Chinese national ETS, launched in February 2021, is now the world’s largest ETS, covering approximately 40% of national carbon emissions.

The existing Chinese regional ETS pilots will continue to operate in parallel, but they are expected to be integrated into the national ETS over time. Respondents are divided as to when regional ETS pilots will be integrated into the national ETS.

Petrochemicals is seen as the next most likely industry to be covered by the Chinese ETS (compared to steel in last year’s survey).
Japan considered the most likely country to implement carbon pricing by 2022, although only 24% of respondents thought this is realistic.

71% of participants stated that the inclusion of third parties will enhance liquidity in Korea’s ETS.

There is still strong support for a cap-and-trade system in Australia. 43% of respondents support the introduction of an explicit carbon price as the most effective policy option to reduce emissions in Australia.
Emerging ETSs in Latin America

- Mexico, Colombia, Peru and Chile are expected to be the most likely to introduce an ETS between 2022 - 2026.

- 77% of respondents identified private sector support and engagement as being the main condition for the success of the country-wide “Colombia Carbono Neutral” programme.
Washington State and Oregon are seen as most likely to either launch a new cap-and-trade system or link with existing systems over the next two to three years. Since the survey closed, Washington State passed legislation to establish an economy-wide cap-and-invest system in 2023.

47% believe President Biden is likely to introduce a federal carbon price in the US, with 28% considering it unlikely and 23% unsure.

67% of survey respondents believe President Biden will implement a BCA mechanism to help cut GHG emissions.
Following US election, respondents see corporate voluntary initiatives as the main drivers of private sector action on carbon in the US and Canada. Last year state regulation identified as most important.

Canada updated its NDC, however 52% of respondents think that Canada will require international markets to meet it.

60% of respondents expect that either the majority or all future provincial ETS systems will achieve equivalency with the federal carbon pricing benchmark by 2030.
● 62% of respondents have long-term GHG emissions reduction targets, with three-quarters of these being net zero commitments.

● Among survey respondents with a long-term net zero target, 80% also have a short-term neutrality goal.

● 78% of respondents prefer carbon neutrality and offsetting claims over alternative contribution claims. Carbon neutrality important in the transition to net zero, particularly for the hard-to-abate sectors.
Challenges expected for voluntary markets over the next year

- **49%** of respondents are optimistic that the voluntary market can supply enough carbon credits to match the growth in demand.

- One-third of all respondents are exploring the use of Natural Climate Solutions and reforestation/afforestation schemes respectively, as part of their net zero and market growth strategy.

- Only **9%** of respondents are exploring the use of technology-based carbon removal options such as Direct Air Capture systems.

- **44%** of respondents think that corresponding adjustments are not needed in voluntary markets.
Uncertainty over agreement on Article 6

- 89% believe that Article 6 is essential or will play an important role in achieving the goals of the Paris Agreement. However, only 39% believe that Parties will reach an agreement on Article 6 at COP26.

- Average global carbon price needed by 2030 to put the world on track to meet the long-term goals of the Paris Agreement is €63.20/tCO2, a significant increase from last year’s result of €55.97/tCO2.

- Opinions divided on the price of carbon credits generated under Article 6. By 2025, the majority believe they will cost somewhere between €6 and €20.

- One third believe that carbon credits in voluntary markets will cost between €6-10 by 2025, indicating there could be a price premium for carbon credits with corresponding adjustments transacted under Article 6.

By 2030, what global carbon price do you believe is needed to meet the 2°C goal?

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<th>Median</th>
<th>Mean</th>
<th>Min</th>
<th>Max</th>
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<tr>
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<td>€50.00</td>
<td>€63.20</td>
<td>€10.00</td>
<td>€180.00</td>
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<tr>
<td>2020</td>
<td>€50.00</td>
<td>€55.97</td>
<td>€12.00</td>
<td>€180.00</td>
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<td>2019</td>
<td>€50.00</td>
<td>€56.37</td>
<td>€20.00</td>
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</table>

By 2050, what global carbon price do you believe is needed to meet the 2°C goal?

<table>
<thead>
<tr>
<th>Year</th>
<th>Median</th>
<th>Mean</th>
<th>Min</th>
<th>Max</th>
</tr>
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<tbody>
<tr>
<td>2021</td>
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<td>2020</td>
<td>€80.00</td>
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<td>€30.00</td>
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</table>
Conclusion

1. Increased optimism on carbon price expectations as climate ambitions ramp up.

2. Carbon markets have been resilient to COVID-19 and the economic recovery from the pandemic will likely provide a boost.

3. Article 6 is seen as key to achieving the Paris Agreement goals, but participants are uncertain as to whether Parties will reach a consensus at COP26.

Report available at: https://www.ieta.org/Annual-GHG-Market-Sentiment-Survey
Thank you
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