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IETA 2021 GHG Market Sentiment Survey: The Americas
Welcome Remarks

Dirk Forrister
President & CEO
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IETA 2021 GHG Market Sentiment Survey: The Americas

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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.

Why do you think that compliance market carbon prices have remained resilient to the impacts of COVID-19 over the past 12 months?
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

<table>
<thead>
<tr>
<th>Year</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 2015</td>
<td>€18.40</td>
</tr>
<tr>
<td>May 2016</td>
<td>€17.83</td>
</tr>
<tr>
<td>May 2017</td>
<td>€16.28</td>
</tr>
<tr>
<td>May 2018</td>
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<td>€36.05</td>
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<td>May 2020</td>
<td>€31.71</td>
</tr>
<tr>
<td>May 2021</td>
<td>€47.25</td>
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</table>
Participants identified 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)

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.

All respondents stated they expect the EU to implement a CBAM mechanism.
Opinions differ on China’s ETS expansion

- China has now launched the **world’s largest ETS**
- **29%** of respondents think regional ETSs will be integrated in the Chinese national ETS by 2024
- **Petrochemicals** is seen as the next most likely **industry** to be covered by the Chinese ETS

*The Chinese ETS is set to become operational in 2021. When do you expect the following industries to be covered by the Chinese ETS (if at all)?*
Japan is considered the most likely country to implement a carbon market by 2022.

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

43% of respondents support the introduction of an explicit carbon price as the most effective policy option to reduce emissions in Australia.
● **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 “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.

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 Border Carbon Adjustment (BCA) mechanism.

Which US states are most likely to launch a new cap-and-trade system or link to existing systems (WCI and RGGI) over the next 2-3 years?
Changing drivers behind private sector action

- **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.

- **52%** of respondents think that Canada will require international markets to meet its updated NDC.

- Respondents see corporate voluntary initiatives as the main drivers of private sector action on carbon in the US and Canada.

Which do you believe to be the most important options in driving private sector action on climate in the US and Canada?
● 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.

**Can the voluntary market supply enough carbon credits to match the growth in demand from corporates?**
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?

<table>
<thead>
<tr>
<th>Year</th>
<th>Median</th>
<th>Mean</th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<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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<tr>
<td>2019</td>
<td>€50.00</td>
<td>€56.37</td>
<td>€20.00</td>
<td>€150.00</td>
</tr>
</tbody>
</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>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>€100.00</td>
<td>€108.72</td>
<td>€10.00</td>
<td>€459.00</td>
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<td>2020</td>
<td>€80.00</td>
<td>€96.84</td>
<td>€30.00</td>
<td>€250.00</td>
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</tbody>
</table>
Conclusion

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

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

### 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.

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Report available at: [https://www.ieta.org/Annual-GHG-Market-Sentiment-Survey](https://www.ieta.org/Annual-GHG-Market-Sentiment-Survey)
Thank you
IETA 2021 GHG Market Sentiment Survey: The Americas

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