In Bonn, we celebrated two of these successes. IETA was proud to join forces with CMIA once again to present Carbon Pricing Champion awards to two of this year’s superstars:

• First, we honoured the government of New Zealand for reforming its carbon trading system to help meet its Paris Agreement ambitions – and for leading the “Carbon Market Declaration” countries in advancing a vision of international cooperative approaches as established in Article 6 of the 2015 framework.

• In week two of the talks, we honoured the Pacific Alliance countries, Chile, Colombia, Mexico and Peru, for the Cali Declaration that pledged joint work on a common carbon market for the region. For the countries involved, this will mean a work programme that begins with efforts to harmonise their policies for measurement, reporting and verification (MRV) as a building block for a future carbon market linkage. Chile, Colombia and Mexico have established carbon taxes as a first step. But they recognise that, to achieve more ambitious emissions reduction goals in the future, they would benefit from a linked regional market.

These awards came at the end of a year of progress in many other places.

In January, two new jurisdictions came on line with carbon pricing programmes.

• Colombia implemented its aforementioned new carbon tax-and-offset system this year. It created a burst of activity in the Clean Development Mechanism (CDM) market, since the credits could be used to offset the cost-burden of the tax. The future use of offsets in this market is still under discussion, with restrictions from 2018 on credits from CDM projects outside the country. But it has offered yet another model of how economic instruments can deliver benefits at low cost.

• Ontario launched its cap-and-trade programme, operating alongside the California-Québec market.

As the year progressed, California passed legislation to extend its cap-and-trade market through to 2030, with a number of strengthening measures signed into law in the summer. In September, Ontario signed an agreement to join the California-Québec market – making it the largest market in North America. Other states (Washington, Oregon, Virginia, New Jersey) are working on carbon pricing approaches, as are their Canadian siblings (Alberta, British Columbia, Nova Scotia, New Brunswick).

In November, European leaders reached a final compromise on measures to strengthen the EU ETS for the coming decade. After the final votes, set for February 2018, these measures will become law – and the regulatory process to implement the reforms will begin. The package will enable Europe to meet its Paris contributions, buttressed by a number of complementary policies.

China’s launch plans are still expected before the end of the year. In Bonn, we learned that China is “ready for launch” sometime soon. The exact contours of the programme are still unknown. But it is still expected to be the world’s largest carbon trading system in terms of emissions coverage.

In November, international negotiators gathered in Bonn for the annual COP. The deliberations on Article 6 produced an informal note, containing subject headers with a request to the chair of the negotiating stream it falls under to develop a negotiating text ahead of the May meetings. This may
sound like meager progress, but it gave us the necessary starting point for a hard year of talks to produce a “Paris Rulebook” for Article 6 in 2018.

**HIGH-LEVEL TAKEAWAYS FROM 2017**

Looking across these and other developments, I’m taken by a few key “takeaway” observations on carbon market development in 2017.

1. There is a strong trend in favor of carbon pricing, and we shouldn’t lose sight of it during any particular tweetstorm. This trend has been steady for a number of years, and the Paris ambitions – coming to the fore during the 2018 Talanoa Dialogue – will fuel it further.

2. Article 6 will provide a basic accounting infrastructure and crediting mechanism, but much of the action will remain rooted in national systems – with sights trained on implementation of each country’s Nationally Determined Contribution. While smaller jurisdictions seem to prefer carbon taxes as a starting point, it is clear that emissions trading markets are the preferred approach for larger countries (EU, China, Korea, states and provinces in North America).

3. The world of market linkages built on Article 6 is just beginning to develop. Europe made its first formal linkage by treaty with Switzerland, and Ontario is poised to join the California-Québec system. I expect others will see benefit in joining forces in the coming years, creating more vibrant emissions markets to drive cost-effectiveness.

4. The Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) offers a large new market – but it is likely to evolve in stages. The first set of volunteer countries will set the stage for others to follow. The market standards and practices will develop in the first CORSIA phase, so those who gain experience will be well positioned to serve the market for the long haul.

The coming year will bring more clarity to these and other areas of market development.

WE HOPE IETA INSIGHTS CAN CONTINUE TO CONTRIBUTE TO THE THOUGHT LEADERSHIP NEEDED TO BRING ABOUT REAL CHANGE FOR THE BENEFIT OF THE PLANET, DRIVEN BY THE POWER OF MARKETS.

DIRK FORRISTER
President and CEO, IETA