Looking across the horizon of 2018, it appears that the world of carbon markets will continue to gain strength. The high-level policy drivers of the Paris Agreement aim to keep global warming to well below 2°C, ideally to only 1.5°C. This ambition is prompting new policies to emerge around the world.
THIS YEAR, the international community began a new process to assess how well we are doing on the Paris goals. Under the banner of the “Talanoa Dialogues,” the UNFCCC is encouraging countries and stakeholders to think big about the Paris Agreement’s ambition and how to accelerate action to achieve these ambitions. We are all invited to share ideas and recommendations through a new portal on the UNFCCC website. What would we like to say in responding to that invitation?

We would begin by saying that market-based cooperation can play an important role in delivering ambition.

To reach the high ambitions of Paris, we in the carbon pricing arena know that markets must grow stronger, deeper and wider.

On the “stronger and deeper” front, there are a wide range of market policies taking shape around the world. This issue of IETA Insights explores a few of them – particularly in areas where recent policy developments will strengthen and expand today’s markets. It offers analysis of the new EU ETS reforms adopted in late 2017, an explanation of RGGI’s proposed reforms and a brief primer on China’s plans for a national ETS for its massive power sector.

A recurring theme in the quest for greater climate ambition is the issue of competitiveness. In every carbon pricing initiative, ambition meets the cold, hard realities of how to address concerns about maintaining industrial competitiveness. That’s what has led many programmes to include cost containment mechanisms. The issue offers Adam Whitmore’s comparison of cost containment approaches included in carbon pricing programs to deal the economic stability and competitiveness concerns.

On the “wider” front, we know that carbon pricing systems must emerge in new jurisdictions – and that expansion to new sectors, like aviation, will be important.

The fundamental benefits of cooperation lies at the heart of the Carbon Pricing in the America’s Declaration, announced in Paris in December and taken forward in January in Santiago, Chile. The jurisdictions involved know that a common market approach can bring down costs so that stronger targets can become politically and economically feasible.

We asked Jos Delbeke, the outgoing Director General for Climate Action for the European Commission, to offer his vision for how cooperation across carbon pricing systems can build confidence – and improve economic performance. He describes a new forum in Florence, Italy, where emissions trading policy leaders met to begin sharing insights from programme implementation – looking for opportunities to strengthen their cooperation.

In the end, we at IETA are convinced that market cooperation will deliver greater ambition. This will be our key message for Talanoa.