



Internal Carbon Pricing – A Key Element of Climate Strategy

Webcast, 15 February 2021



Discussants



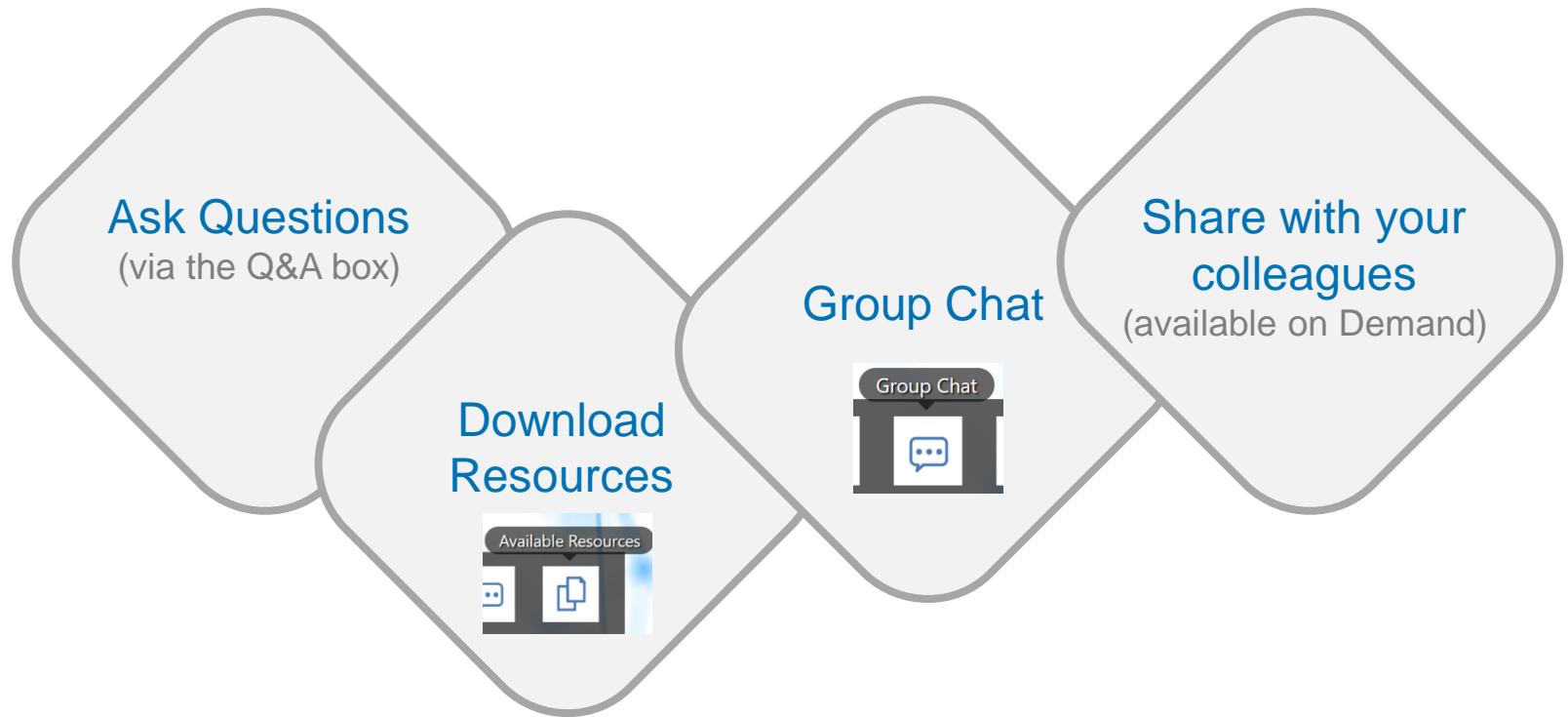
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Climate action is need of the hour

Poll Question

Do you have Net Zero commitments or Science-based emissions reduction targets? [Yes, No, Considering]

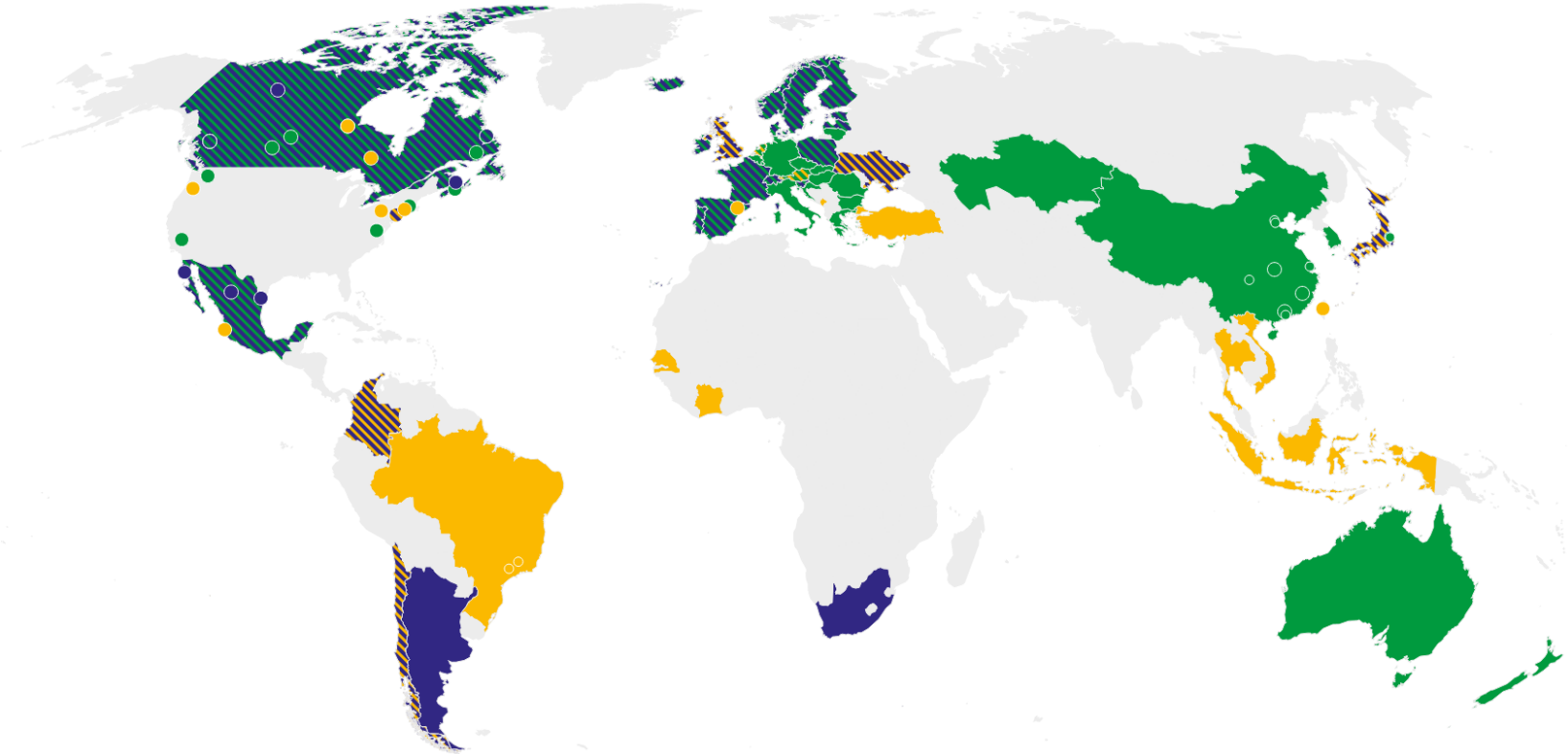
Carbon Pricing

Carbon pricing is a market-based instrument that seeks to reduce emissions by creating financial incentives...

...can take the form of a carbon **tax** or a fee, or a **cap-and-trade system**



There are 64 carbon pricing instruments implemented or scheduled for implementation



In 2020, these initiatives would cover 12 GtCO₂e, representing **22.3% of global GHG emissions**

- ETS implemented or scheduled for implementation
- Carbon tax implemented or scheduled for implementation
- ETS or carbon tax under consideration
- ETS and carbon tax implemented or scheduled
- ETS implemented or scheduled, ETS or carbon tax under con...
- Carbon tax implemented or scheduled, ETS under considera...

Source: Carbon Pricing Dashboard, World Bank



More ambitious climate policy will significantly boost carbon prices

Carbon prices are expected to increase in the future, reaching up to **US\$ 120/tCO₂** by **2030**

About **three quarters** of covered emissions remain priced at less than **US\$10/tCO₂e**



Internal Carbon Pricing

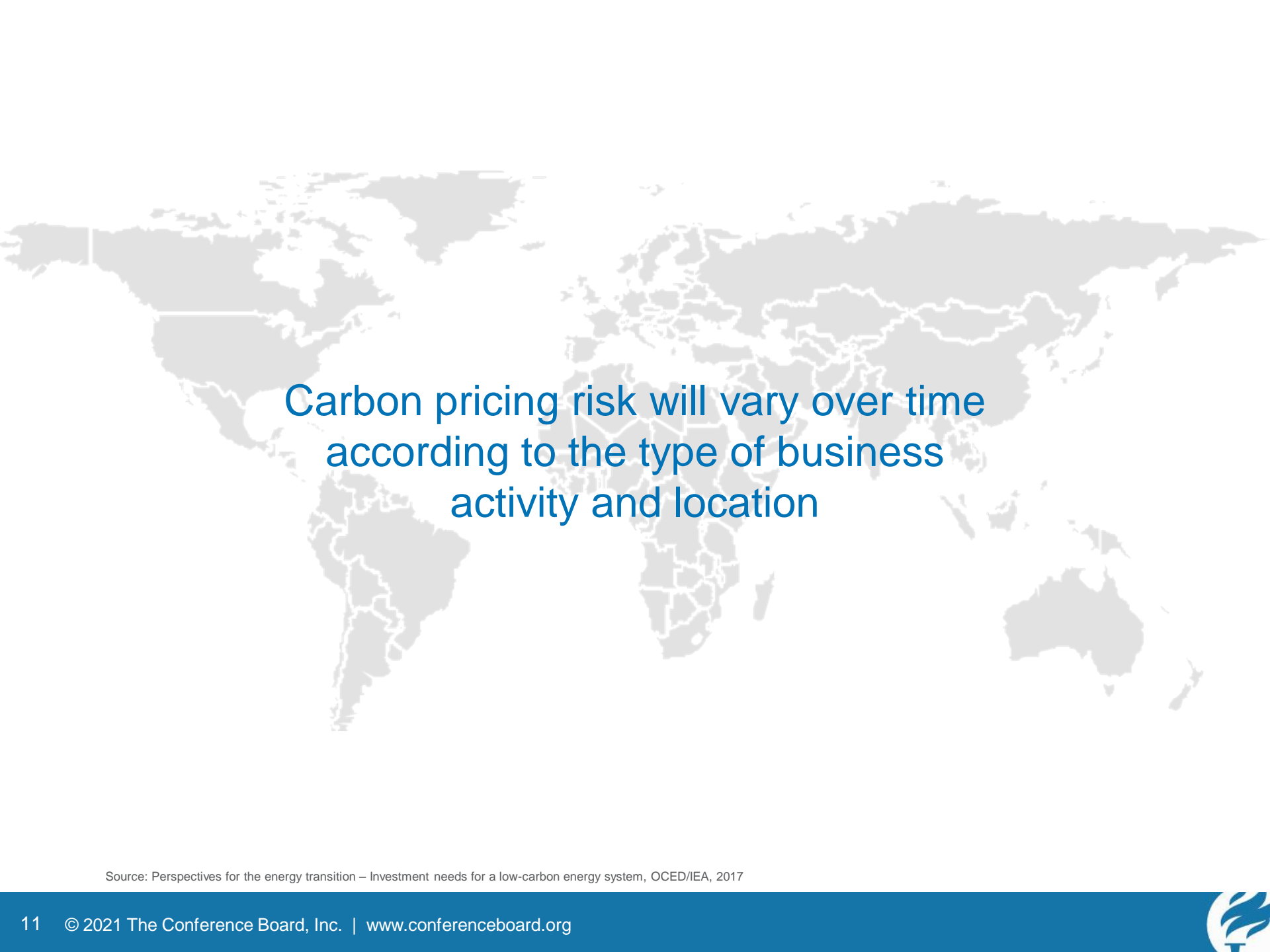
Poll Question

Have you undertaken any work to understand the future carbon pricing risk exposure? [Yes, No]

Internal carbon pricing is an **internally developed estimated cost of carbon** that can be used to understand **exposure to external carbon pricing schemes** and **inform decision-making** processes...

...can take the form of a carbon **shadow price** or internal carbon **fees**. There is **no one right way to implement an internal carbon price** and companies can adopt an approach that is most suitable for them





Carbon pricing risk will vary over time
according to the type of business
activity and location

Source: Perspectives for the energy transition – Investment needs for a low-carbon energy system, OECD/IEA, 2017



Companies need to adopt a multipronged approach to reduce their emissions and become more resilient

**Net Zero ~
Science
Based Targets**

**Internal Price
on Carbon**

TCFD | TASK FORCE ON
CLIMATE-RELATED
FINANCIAL
DISCLOSURES



Upcoming webcasts

Thursday, 18th March
03:00 PM CET (Brussels) | 09:00 AM ET (New York)

Thursday, 15th April
03:00 PM CET (Brussels) | 09:00 AM ET (New York)

Special Earth Day Webcast, Thursday, 22nd April
03:00 PM CET (Brussels) | 09:00 AM ET (New York)

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