21st IEA-IETA-EPRI GHG
Emissions Trading Workshop
14 October 2021

THE ROLE OF CARBON PRICING IN THE SUSTAINABLE RECOVERY FROM COVID-19

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BETTER POLICIES FOR BETTER LIVES

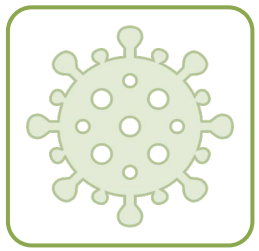
Outline

- Context
- Carbon pricing in the economic recovery: State of play and observed trends
- Carbon pricing revenue potential and use
- Key takeaways

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Context



Impacts of COVID-19

- Economic impact
- Social impact



Goals of a sustainable recovery

- Increase or restore well-being
- Mitigate climate change
- Increase resilience



This paper

- Tracks policy changes in carbon pricing since the start of COVID-19 (01/20 – 08/21)
- Identifies additional challenges to and rationale for carbon pricing related to COVID-19
- Discuss policy design options to overcome challenges

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- **Carbon pricing in the economic recovery: State of play and observed trends**
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Carbon pricing in the economic recovery

State of Play

Purpose: Tracking policy changes in carbon pricing since the start of COVID-19

How?



Desk research & country interviews

Which countries?



47 OECD & G20 Countries

When?



January 2020 – August 2021

Which instruments?



ETS, energy, carbon and aviation taxes, reforms to FFS

What?



Number of policy changes

What not?



Expected impact on GHG emissions

Carbon pricing in the economic recovery

State of Play

CATEGORISATION

Permanent measure with climate positive effect	Temporary measure with climate positive effect	Temporary measure with negative climate effect	Permanent measure with negative climate effect	No Change

Country	AUS	AUT	ARG	BEL	BRA	CAN	CHL	CHN	COL	CRI	CZE	DNK	EU	EST	FIN	FRA	DEU	GRC	HUN	ISL	IND	IDN	IRL	ISR	ITA	JPN	LVA	LTU	LUX	MEX	NLD	NZL	NOR	POL	PRT	RUS	SAU	SVK	SVN	ZAF	KOR	ESP	SWE	CHE	TUR	GBR	USA
Carbon tax						2						1										1*	2	1			1		1		1										1				1			
ETS						1*		1					2*				1					1								1		2									1				1		1	
Energy Tax										1		1			1						1																			1							
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FFS																																															

Carbon pricing in the economic recovery

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Carbon tax						2						1										1*	2	1			1		1		1											1				1			
ETS						1*		1					2*				1					1								1		2									1			1		1	
Energy Tax										1		1			1						1																			1							
Aviation tax		2		2	2				1						1	1 1	2			1			1								1 1		2		1 2	1								1	1		1
FFS			2		2	1			1		1			1		2 1					1 1	4 2	2		1 1		1 2			1	2		5			1						2	1 2		1	1 1	1 1

Sub-national carbon pricing trends during COVID-19

C A T E G O R I S A T I O N

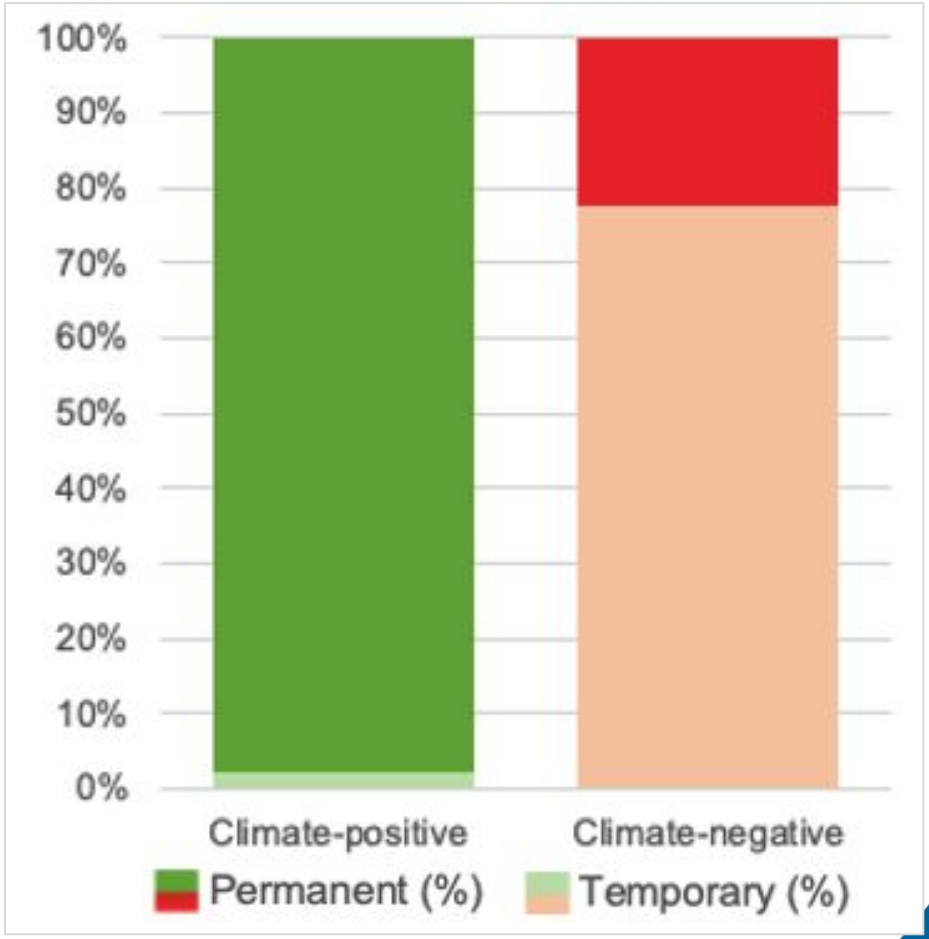
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Country	Canada		Japan	Mexico		Russia	USA	
Subnational jurisdiction	British Columbia	Québec	Tokyo	Baja California	Tamaulipas	Sakhalin	California,	Transport & Climate Initiative Program (TCI-P)
Carbon tax	1			1	1			
ETS		1	1			1	1	1
Aviation tax	2	1					1	
FFS	3	4						

Patterns of climate-positive and negative changes

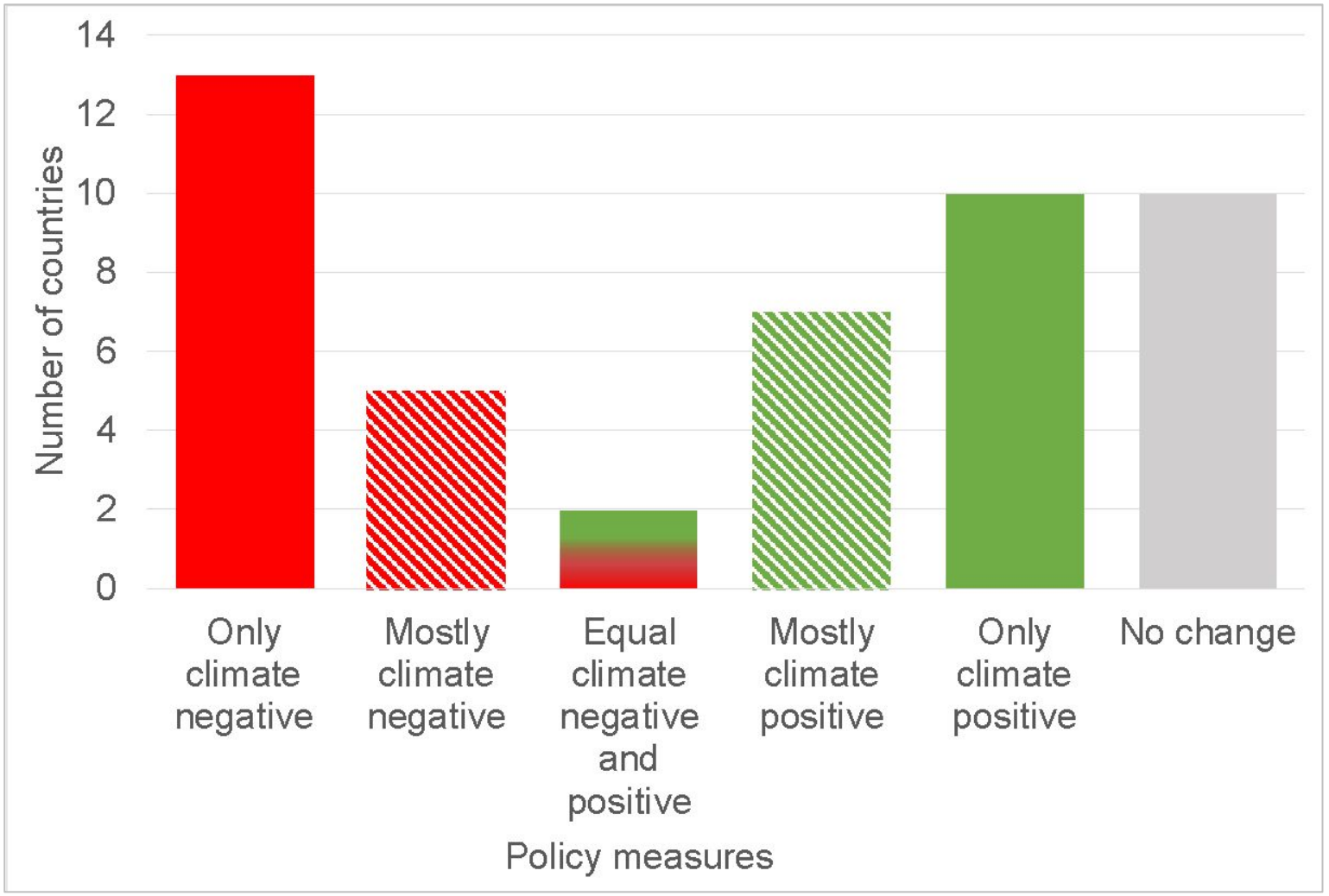
Climate positive	Climate negative
41 (+7) changes	58 (+12) changes
Permanent	Time-limited
Planned pre-COVID	Planned during COVID
Broad scope	Narrow scope

Share of temporary and permanent policy changes by expected climate effect



Carbon pricing in the economic recovery

State of Play

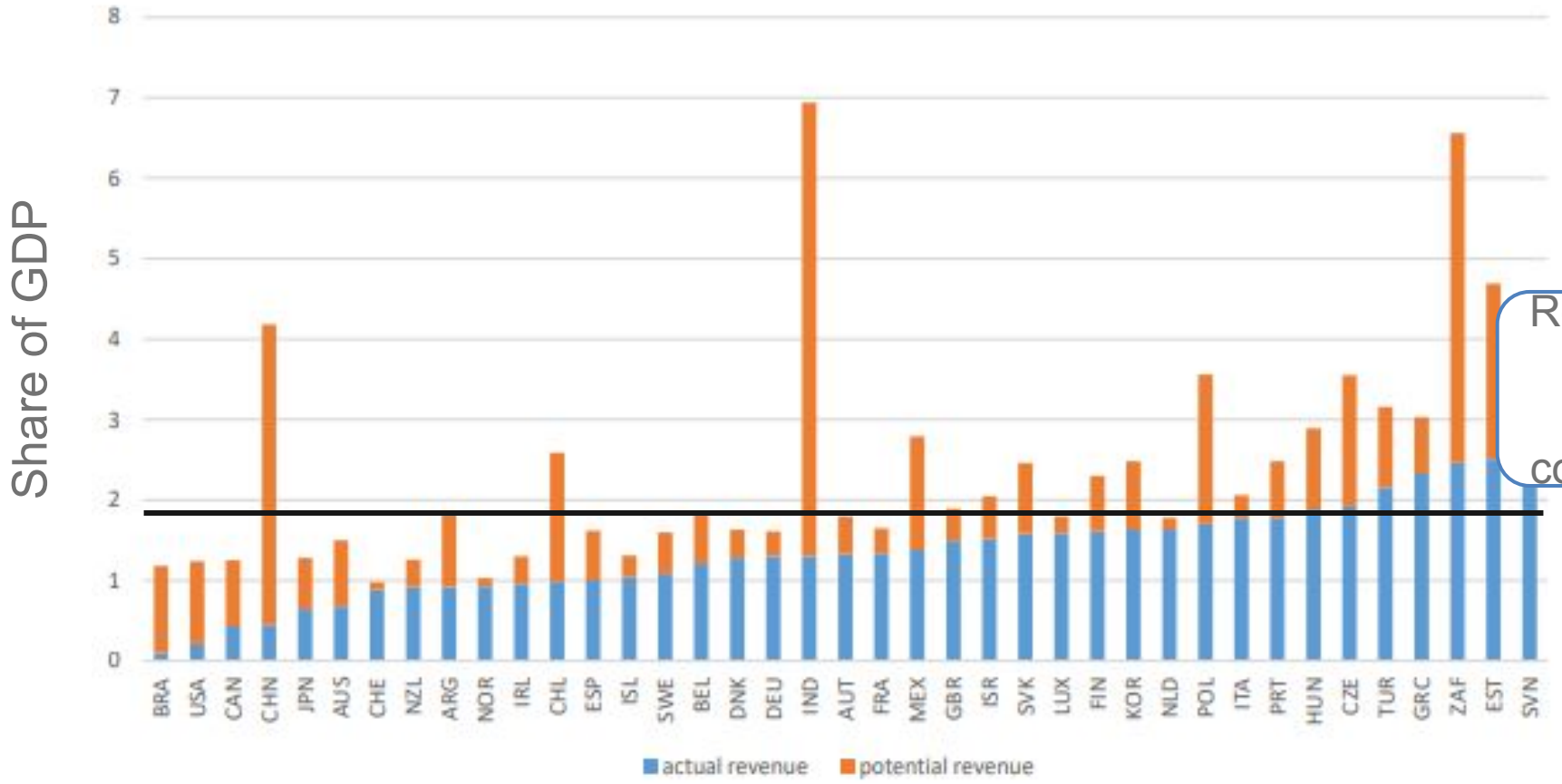


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Actual and potential revenues from carbon pricing

Revenues from pricing energy-related CO_2 emissions in 2018
EUR 30/tCO_2 benchmark

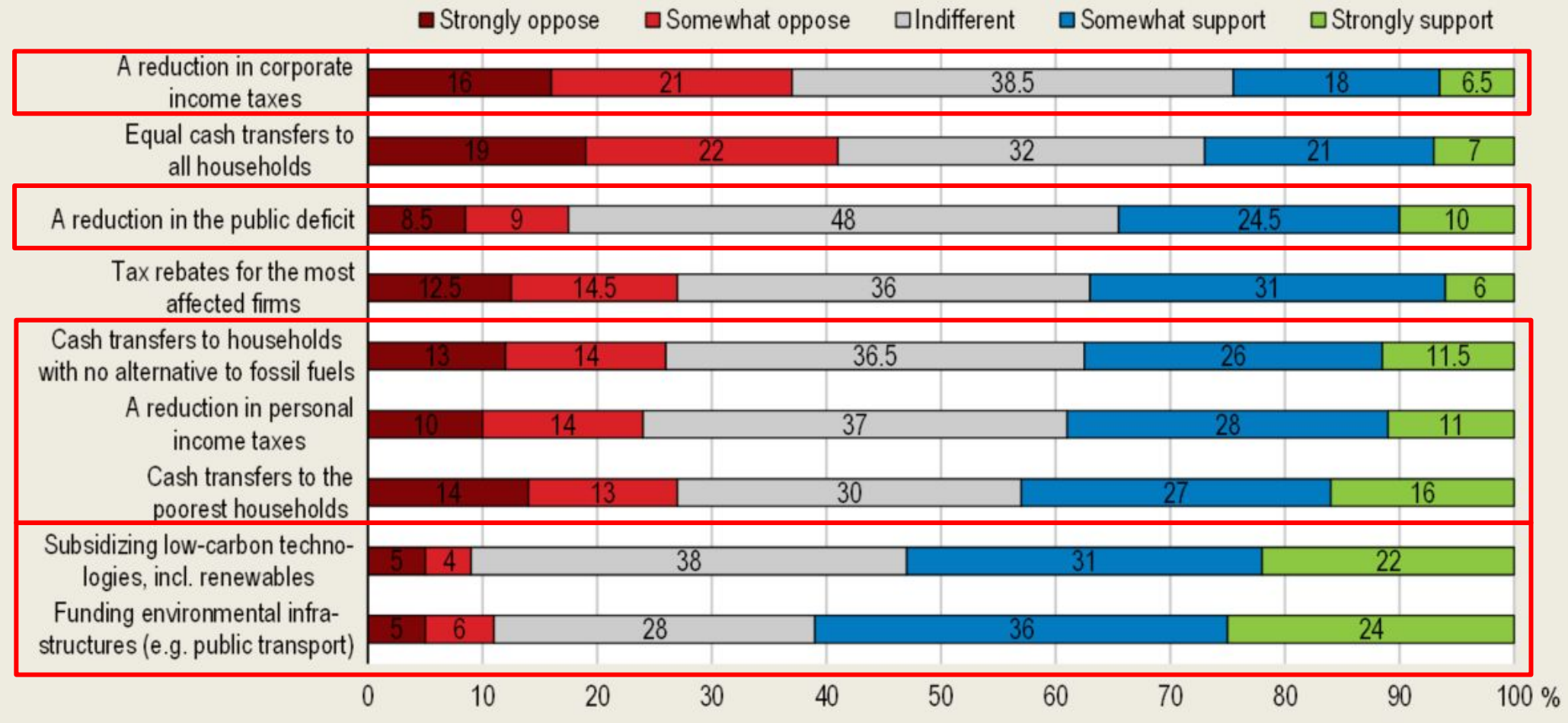


Revenue potential across all OECD+G20 countries = **1.88%**

Source: Marten and van Dender (2019)

Design options: Revenue recycling

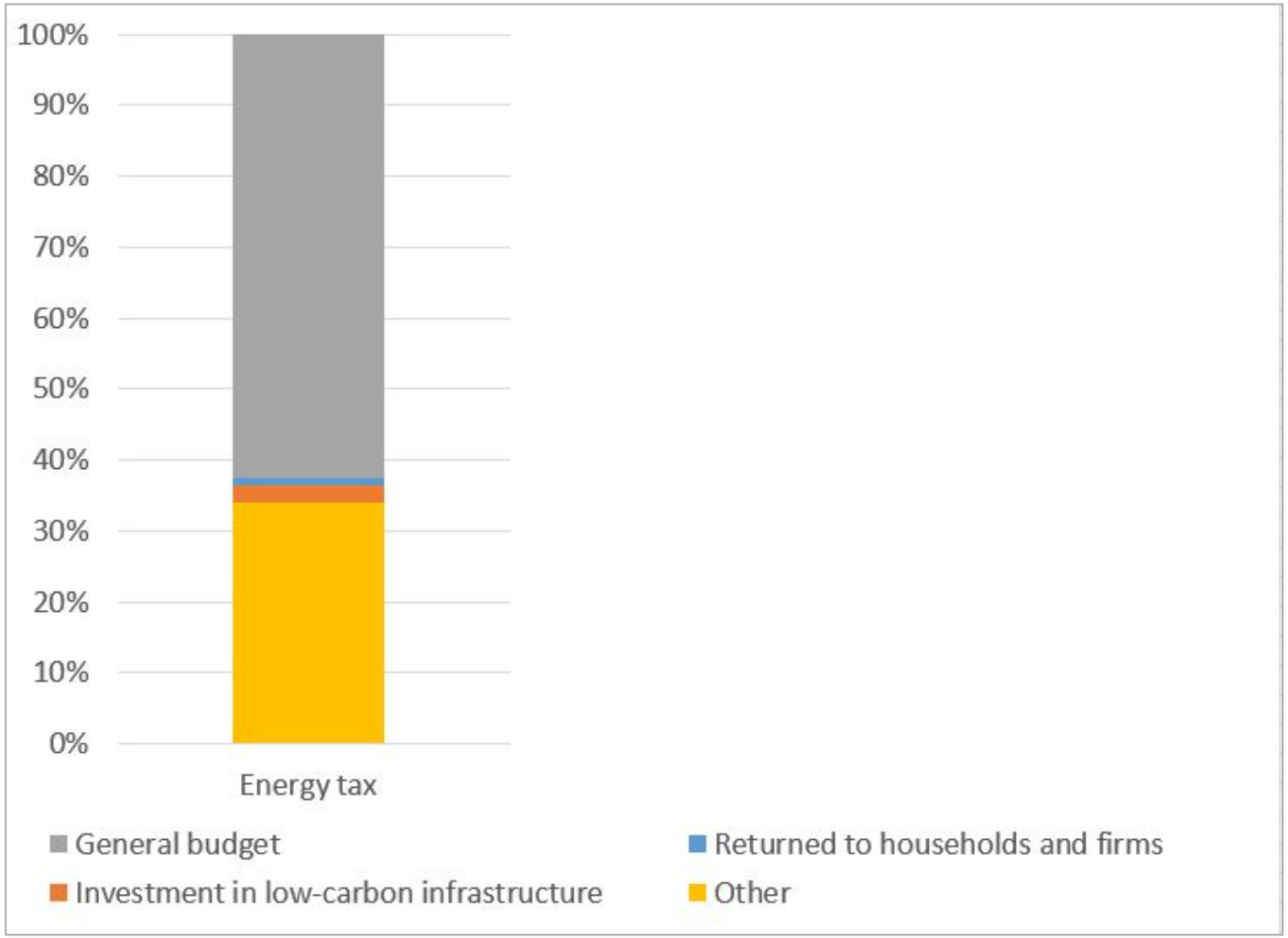
Public support for carbon pricing depending on recycle mechanisms



Source: OECD (forthcoming): OECD Economic Surveys: Denmark 2021

Actual revenue use of carbon pricing instruments

Use of revenue from carbon pricing by policy instrument



Source: based on Marten and van Dender (2019)

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Key takeaways

Carbon pricing landscape changed substantially between Jan 20 - Aug 21

- Climate-positive changes were mostly permanent, planned before COVID-19, broader in scope
- Climate-negative changes were mostly time-limited measures, due to COVID-19, narrower in scope
- Sub-national changes in carbon pricing shows similar pattern

Progress on carbon pricing has been mixed

- COVID-19 did not derail planned implementation or increase of CP
- Some countries announced new or strengthened CP to date
- Few countries have explicitly integrated CP into recovery packages

Potential revenue from carbon pricing is substantial

- EUR 30/tCO_2 carbon price would raise revenue worth >1.75% of GDP in OECD+G20
- Revenue recycling mechanisms crucially influence political acceptability of carbon pricing
- Actual revenue use differs substantially across instruments

Contact details

Thank you for your attention

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