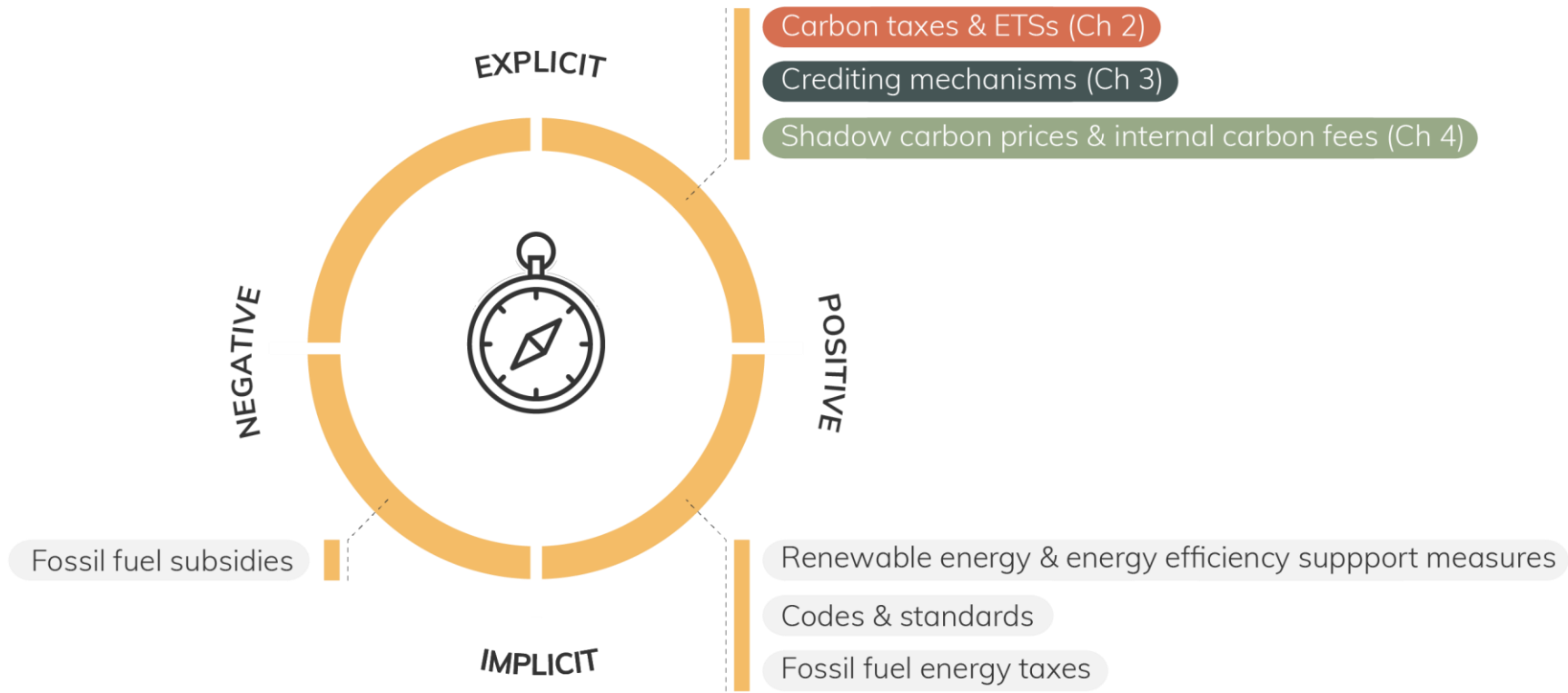


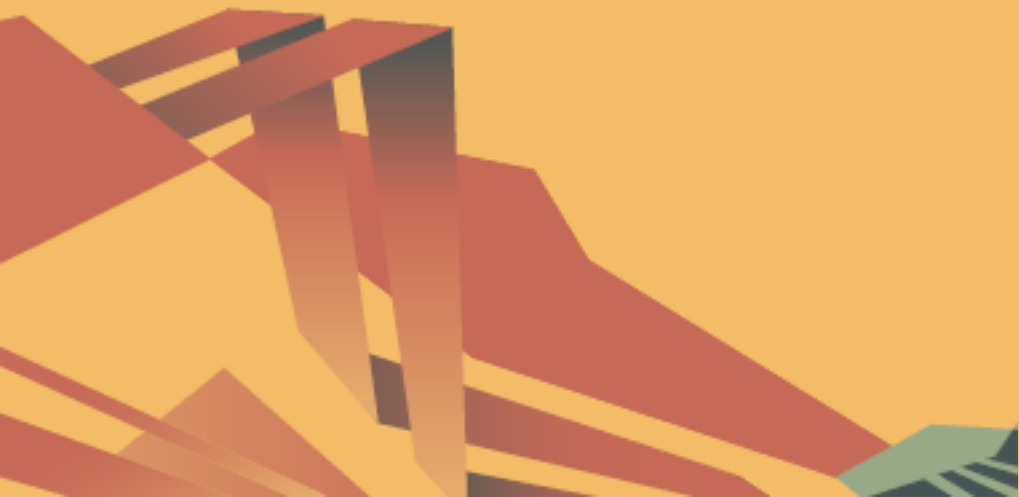
State and Trends of Carbon Pricing





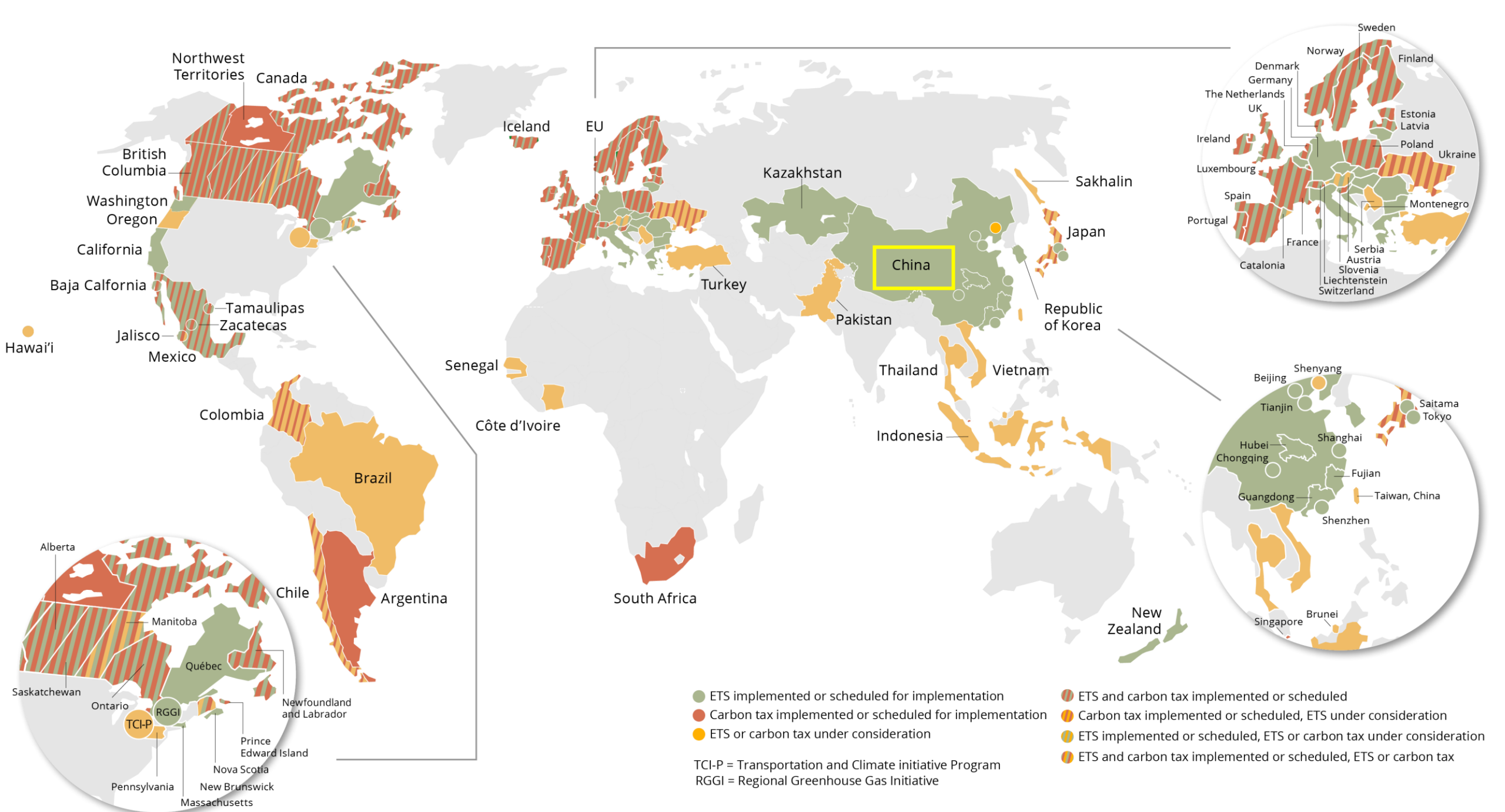
NET ZERO & CARBON PRICING

- Despite the economic and social upheaval of COVID-19, there was a proliferation of net zero commitments over the past year.
- But what do these net zero commitments mean for how governments and companies use carbon pricing?
- How will carbon pricing instruments look like under a net zero framework?



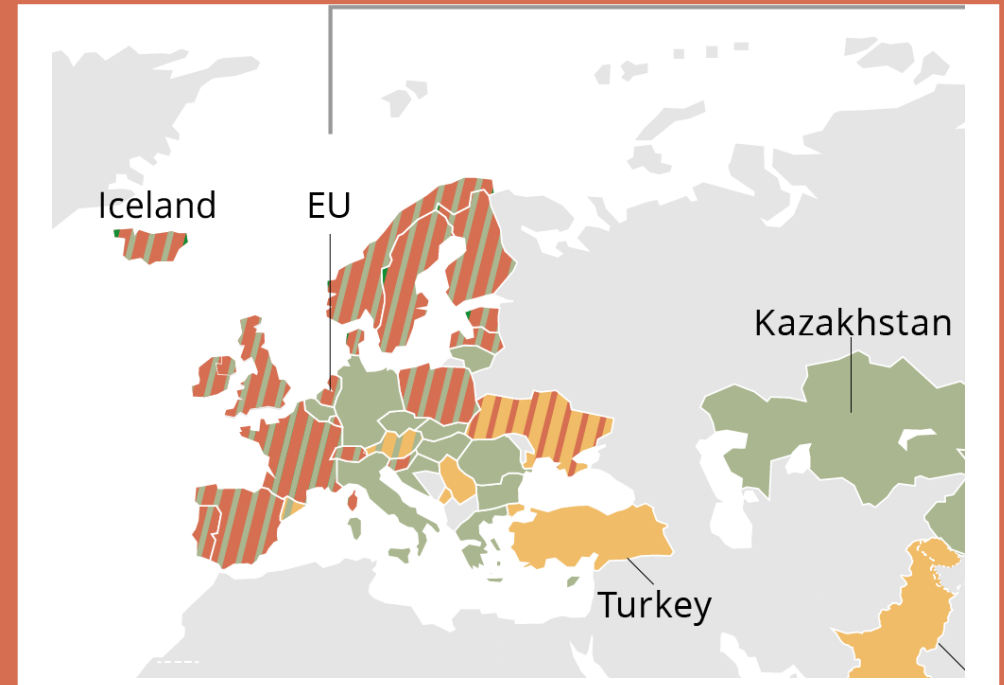
CARBON TAXES AND EMISSIONS TRADING SYSTEMS

- More governments are adopting net zero targets and we are beginning to see **more ambitious carbon pricing instruments: the EU, Canada, Germany, Ireland and New Zealand.**
- Conversations on **carbon border adjustments** may also spur more ambitious climate policies (Fit for 55 package; July 14)
- This past year has also seen **new carbon pricing instruments come online...**



CARBON PRICING: CESEE REGION


- Many EU Member States operate additional carbon pricing instruments to complement the EU ETS
- Latvia's carbon tax increase
- Kazakhstan's ETS: benchmarking
- Ukraine: ETS in 2025?



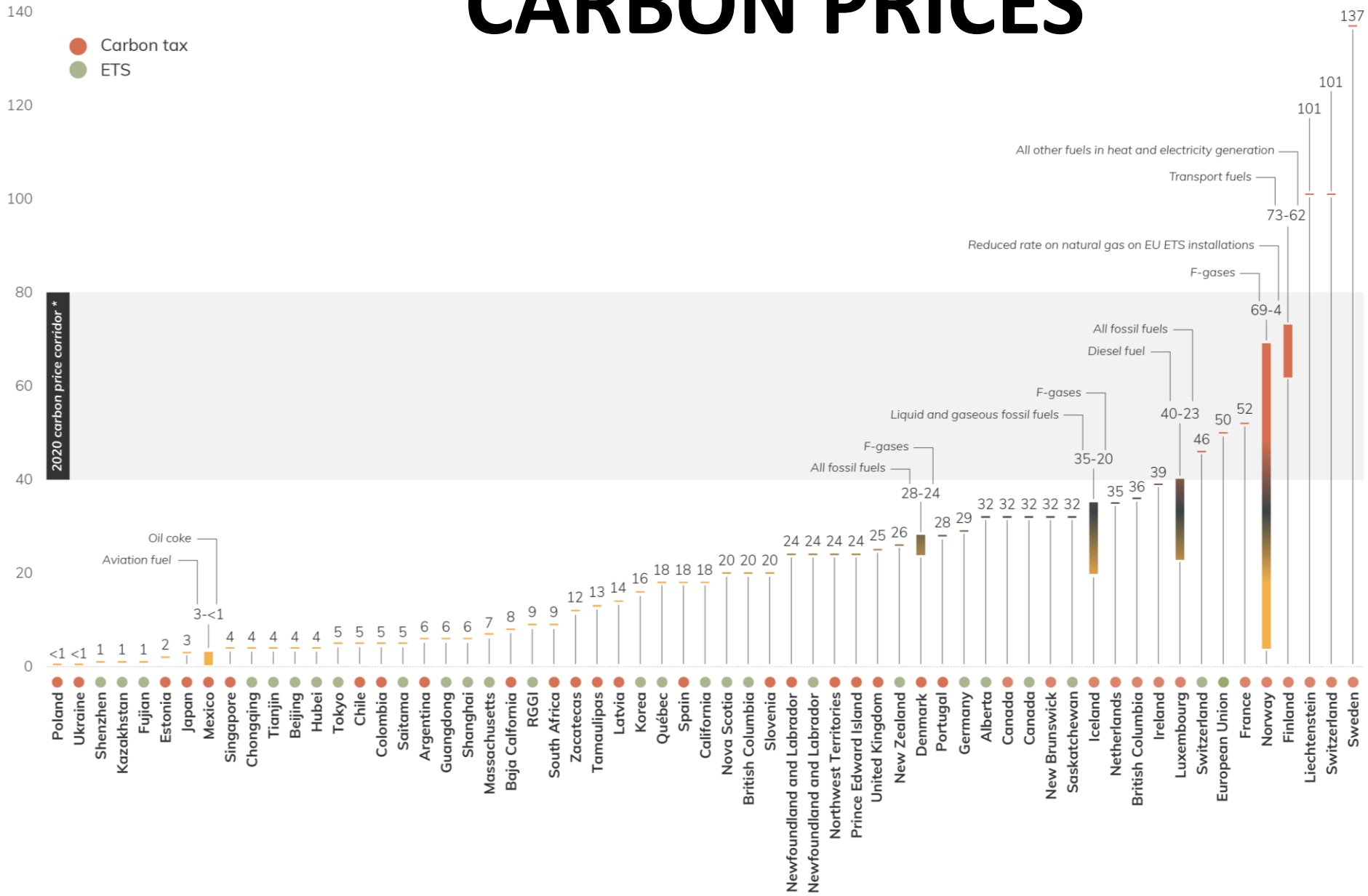
CARBON PRICING: WESTERN BALKANS

- Many jurisdictions in the Western Balkans are considering carbon pricing and are building carbon pricing capacity based on the design of the EU ETS and potential CBAM impact
 - Serbia: Law on Climate Change & MRV System based on EU ETS
 - Montenegro: adopted ETS legislation
 - North Macedonia, Kosovo: World Bank support to understand impacts of carbon pricing
- EU alignment is an important driving factor – what does this mean for ambition, esp with increasing EUA price levels?
- Regional approach given the interconnectivity of the power market?

BUT THERE IS STILL SIGNIFICANT UNTAPPED POTENTIAL...

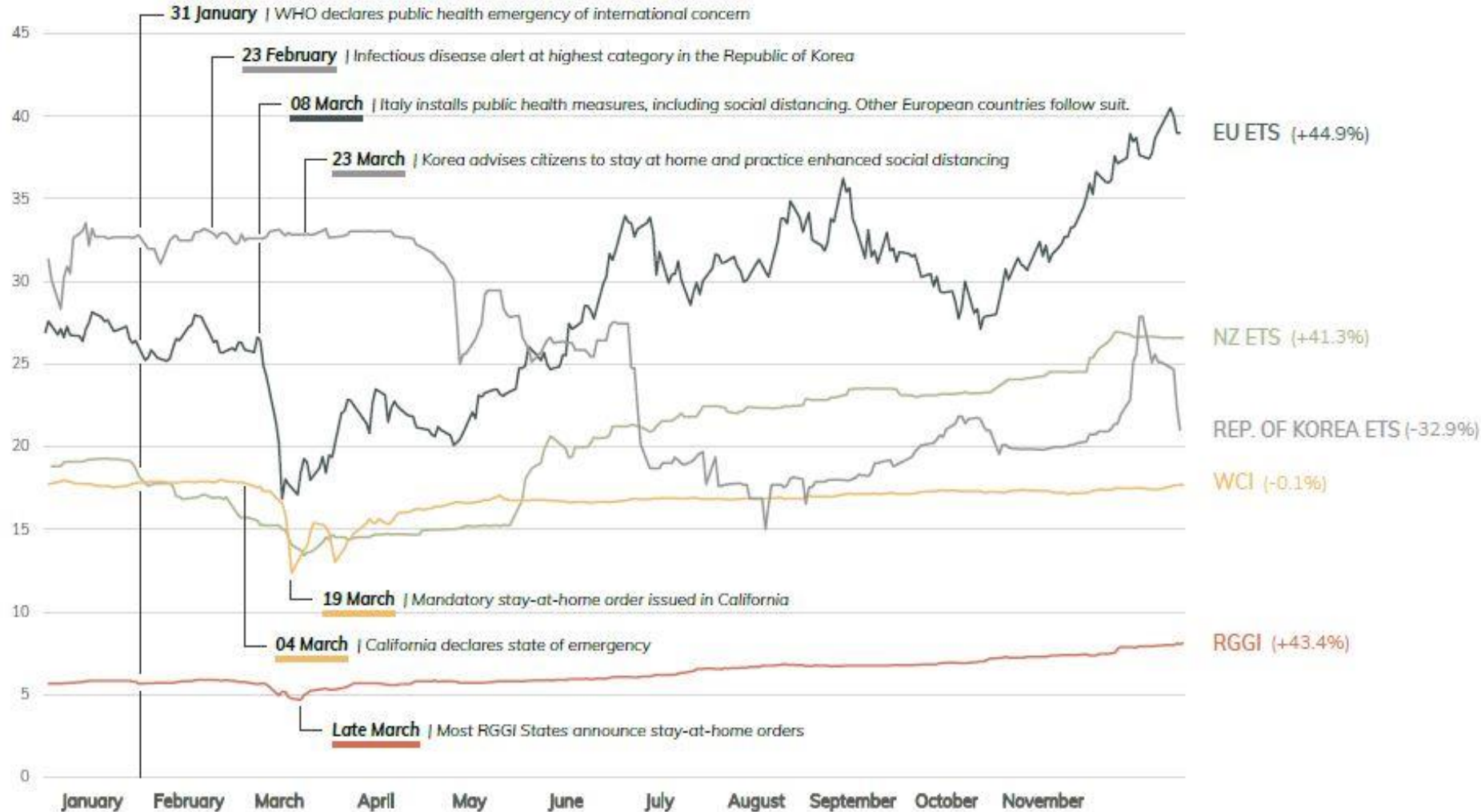
- Despite the increasing number of carbon pricing instruments, short- and medium-term ambition needs to be strengthened.
 - Countries' climate plans continue to **fall short** and carbon pricing instruments are no exception.
- 

CARBON PRICES



3.76% of global GHG emissions are covered by a carbon price at or above USD 40-80

ALLOWANCE PRICES (2020)



Allowance prices were largely stable in 2020, likely aided by PSAMs

CONCLUSIONS

- Carbon pricing is a cost-effective mitigation tool. But it works best **within a broader climate framework**. Other complementary measures are also needed to tackle nonprice barriers and reduce emissions in sectors not covered by carbon pricing.
- Countries' climate plans continue to **fall short** and carbon pricing instruments are no exception. While **net zero targets are ambitious, current policies need to be aligned to these goals**.
- Despite the COVID-19 pandemic, **carbon pricing plans continue to roll out** and ETSs have proven to be **resilient** despite the economic downturn



Thank you

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