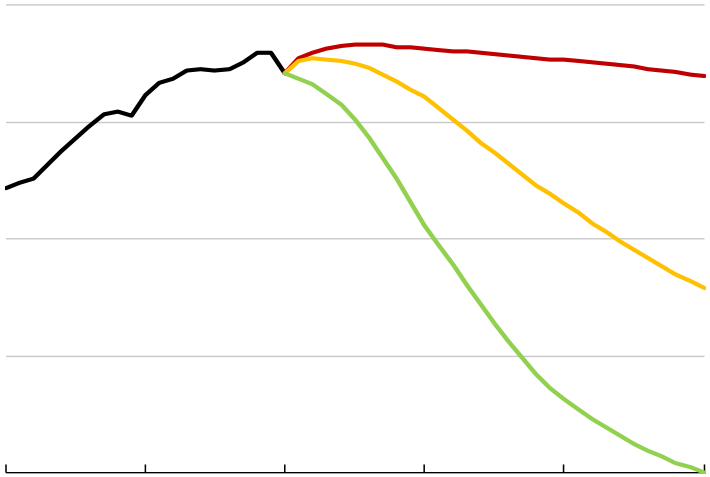
# More ambitious actions are needed to be on track to net-zero

**The climate challenge**

*Global $CO_2$ emissions, gigatonnes*

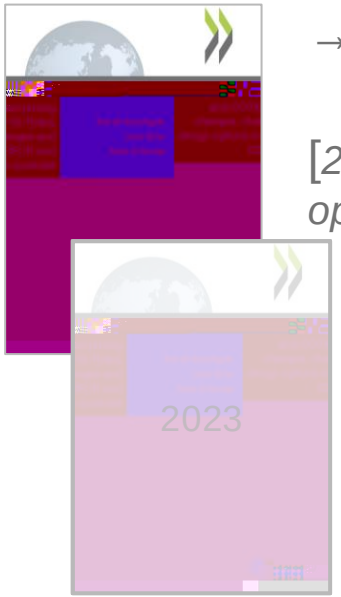


Source: IEA, 2021
Note: Limiting warming to 1.5ºC requires -45% GHG emissions by compared to 2010.

- A price floor of 60 EUR would clearly help but would still leave considerable distance to target
- In the transition to net zero countries will proceed at different speed and using different policies
- The diversity of mitigation policy approaches makes it difficult to compare their effectiveness and incidence
- Concerns over competitiveness and carbon leakage remain
- How to ensure that the level of ambitions in individual jurisdictions can be lifted

# Carbon market platform - Strengthening the response

The Carbon Market Platform




→ More climate-negative carbon pricing policy changes occurred during COVID-19, however most of these were time-limited measures.

[*2022: Carbon pricing and COVID-19 - Policy changes, challenges and design options in OECD and G20 countries]*

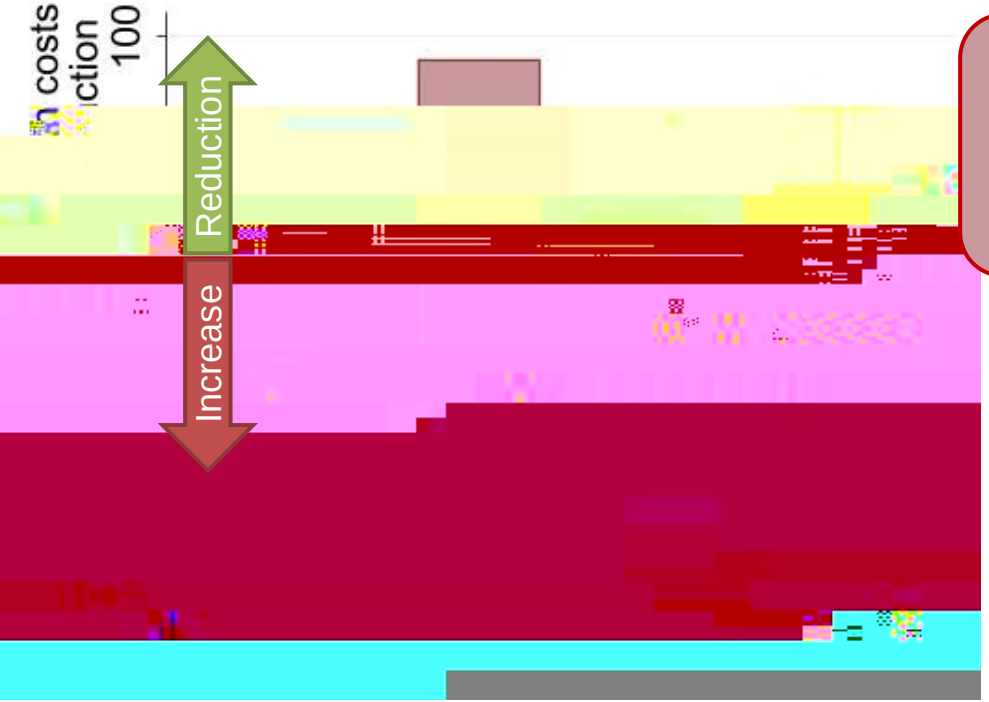
→ Ongoing work: investigates the role of carbon pricing in transforming pathways to reach net-zero emissions and carbon pricing in food systems.

*[Expected in 2023: The role of carbon pricing in transforming pathways to reach net-zero emissions: Outlining potential issues and options in food systems]*

# Economic effects of carbon pricing:

# Benefits from (sub-)global carbon markets

Global co-operation would reduce mitigation costs by 58 ï  63%: USD 249 ï  320 billion/year



# (NET) EFFECTIVE CARBON RATES

# The average effective carbon rate (ECR) has risen modestly but remains relatively low

Average effective carbon price by instrument, G20 countries, 2018-2021

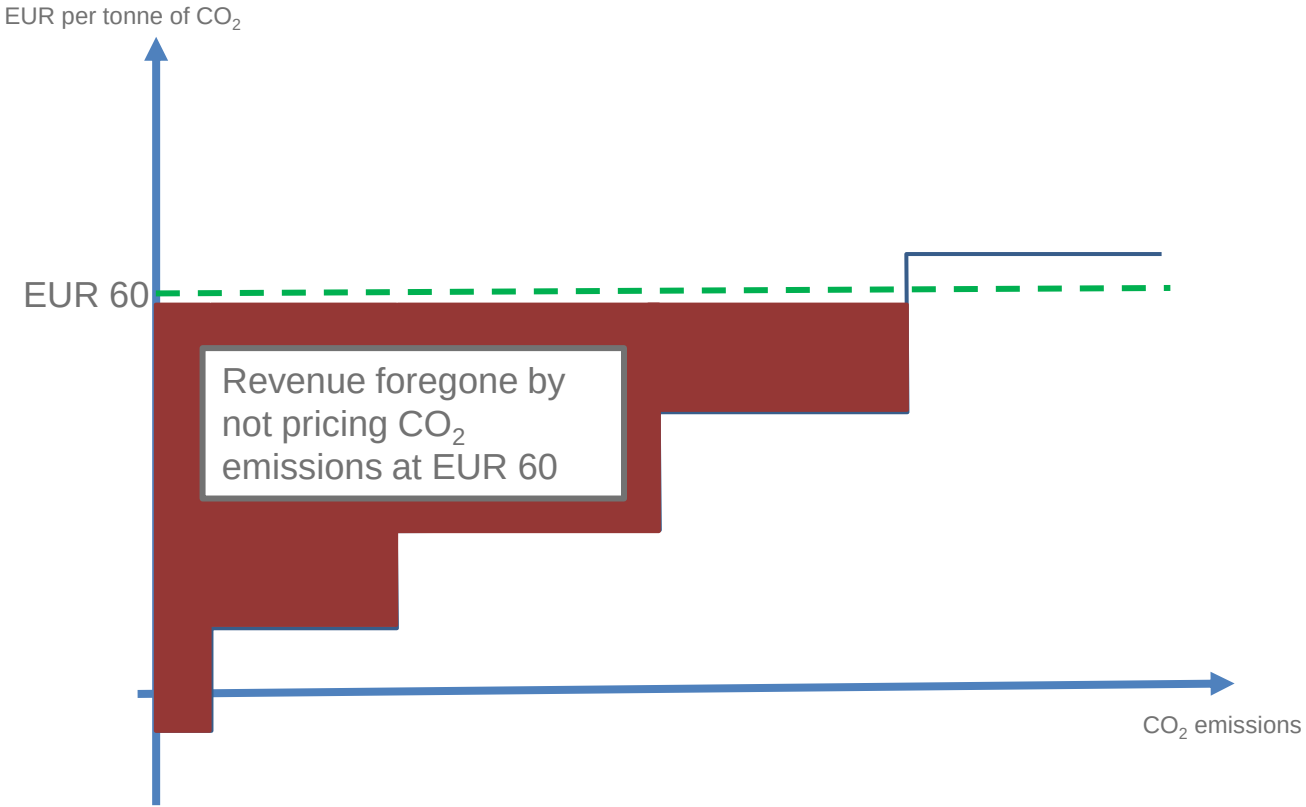
http://oe.cd/carbonpricing-g20

The distribution of effective carbon prices across $CO_2$ emissions from energy use, G20 countries, 2021

http://oe.cd/carbonpricing-g20

# Net effective carbon rates on fossil fuels

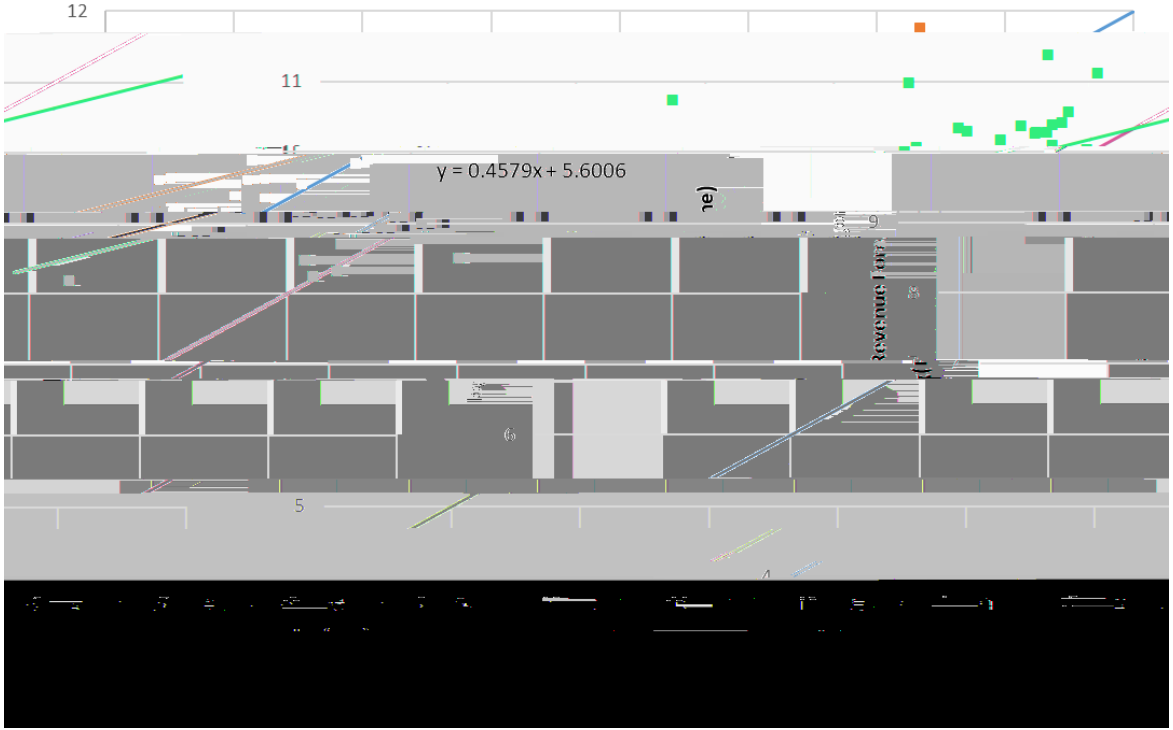
# Revenue foregone against an external benchmark



# Towards an new indicator of FFS

- **Calculating FFS through this approach allows for the construction of new indicators that are:**
  - Comparable across countries and over time.
  - Straightforward to interpret.
  - Useful to compare amount of FFS reported by countries.

# Net ECR vs CSE in the OECD Inventory



# THANKS!

More information:

www.oecd.org/climate-change
www.oecd.org/environment/cc/carbon-market-platform/
https://www.oecd.org/tax/tax-policy/tax-and-environment.htm
https://oe.cd/carbonpricing-g20
www.oecd.org/fossil-fuels/