CARBON PRICING ASSESSMENT AND DECISION-MAKING: A GUIDE TO ADOPTING A CARBON PRICE

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Role of the guide

Aim: Develop guidance to inform policy deliberations before decisions on carbon price adoption

- Capture lessons learned from PMR
- Provide a framework to guide policymakers
- Provide templates, tools, and examples
- Complement existing guidance documents
A complement to the PMR’s other guides

Technical documents available at: www.thepmr.org/content/technical-notes-and-guidance-documents
A carbon price can play different roles to meet a jurisdiction’s objectives.
Policy objectives influence instrument choice

ETS advantages
- Emission outcome certainty
- Regional/international cooperation
- Cost-effective mitigation
- Local benefits

Carbon tax advantages
- Promotes business investment certainty
- Raises predictable revenue
Local context and capacity is important

- Economic impacts differ by sector and across society
- Market characteristics determine market operation
- Emissions profile helps identify emissions to cover
- Emissions targets define the mitigation required
- Institutions influence oversight and MRV processes
- Legal considerations can limit implementation options
- Political considerations determine feasible options set
- Stakeholder interests and public opinion need to be considered

- Questionnaire on jurisdiction context
- Data tip sheet
Interactions with other policies affects how a carbon price functions

<table>
<thead>
<tr>
<th>Type</th>
<th>Description</th>
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<tbody>
<tr>
<td>Complementary</td>
<td>improve functioning of carbon markets</td>
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<tr>
<td></td>
<td>• energy market reform (e.g. facilitating cost pass-through)</td>
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<td>• infrastructure upgrades</td>
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<td>• energy efficiency labeling</td>
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<td>• pollution/emissions measurement</td>
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<td>Overlapping</td>
<td>duplicate incentives in carbon markets</td>
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<td>• feed in tariffs</td>
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<td>• green certificate programs, such as renewable energy targets</td>
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<td>Countervailing</td>
<td>oppose incentives in carbon markets</td>
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<td>• fossil fuel subsidies</td>
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<td>• industry tax breaks and special treatment</td>
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</tbody>
</table>

• Policy interaction attachment
Assess impacts using multiple sources

Impact assessment options

**Business**
- Modeling
- Trade metrics
- Stakeholder engagement

**Households**
- Modeling
- Market analysis
- Household surveys

- Modeling technical summary
- Example terms of reference
Making recommendations

- Recommendation paper best practice

Justify the need for intervention
Respond to stakeholder impacts
Use broad evidence for support
Summary of tools and other guides

Summary of tools

1. Policy interaction attachment
2. Jurisdiction context questionnaire
3. Data tip sheet
4. Capacity assessment tool
5. Modeling technical summary
6. Example terms of reference
7. Recommendation paper structure

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