# CARBON PRICING IN A NUTSHELL

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## What Carbon Pricing is & Why it matters in climate policy?

External carbon pricing is a pivotal strategy in public policy aimed at addressing climate change. By assigning a monetary value to the negative externality of greenhouse gas emissions, this approach incentivizes businesses to adopt cleaner technologies and practices. This policy is crucial for integrating environmental costs into market activities, encouraging sustainable economic behavior.

## Putting a Price on Emissions


**Carbon pricing** acts as a catalyst for change by attaching a cost to greenhouse gases (GHGs) emissions. This approach creates an economic incentive for industries to reduce their carbon footprint, contributing to a sustainable and low-carbon future. Carbon Pricing actually covers Carbon Dioxide, Methane, Nitrous Oxide, Hydrofluorocarbons, Perfluorocarbons, Sulfur Hexafluoride, and Nitrogen Trifluoride.

## The Perks of Carbon Pricing

**Encourages Emissions Reduction**: By assigning a cost to carbon emissions, businesses are incentivized to cut down on their greenhouse gas output. Studies show that carbon pricing can reduce emissions by up to 10-15% over a decade.

**Drives Economic Efficiency**: Carbon pricing leverages market mechanisms to find the most cost-effective ways to reduce emissions. It ensures that those who can reduce emissions at the lowest cost do so, potentially saving the global economy $2 trillion annually by 2030.

**Stimulates Innovation in Clean Technologies**: A higher carbon price increases investment in research and development of low-carbon technologies. In regions with carbon pricing, patents for clean technologies have risen by 15% compared to those without such measures.

## The Toolbox of Carbon Pricing


### Carbon Tax

Directly sets a price on carbon by defining a tax rate on greenhouse gas emissions or the carbon content of fossil fuels.


### Emission Trading System

Cap-and-trade system where a limit (cap) is set on emissions and companies can buy or sell allowances as needed.

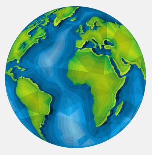

### Carbon Credits

Tradable certificates representing the right to emit one ton of CO2eq. Can be either Compliance or Voluntary market

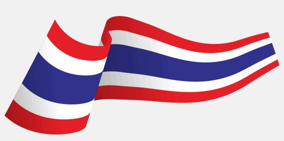
## Carbon Pricing Around the World

**The EU ETS** is the world's largest carbon market, successfully reducing emissions by capping and trading allowances. It covers over 11,000 power stations and industrial plants in 31 countries.

**The Japan Carbon tax** charges approximately $2.65 per ton of CO2 on oil, natural gas, and coal. The revenue funds energy-saving and renewable energy projects to reduce the country's greenhouse gas emission



**Voluntary Carbon Markets** allow companies to offset their emissions through projects like reforestation and renewable energy. These markets encourage innovation and investment in sustainable projects.



**Thailand**: Implementing a Carbon Pricing Scheme, including ETS, Carbon Tax, and Carbon Credits, is under consideration by the Ministry of Natural Resources and Environment and Ministry of Finance.

**FPO KM**

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