

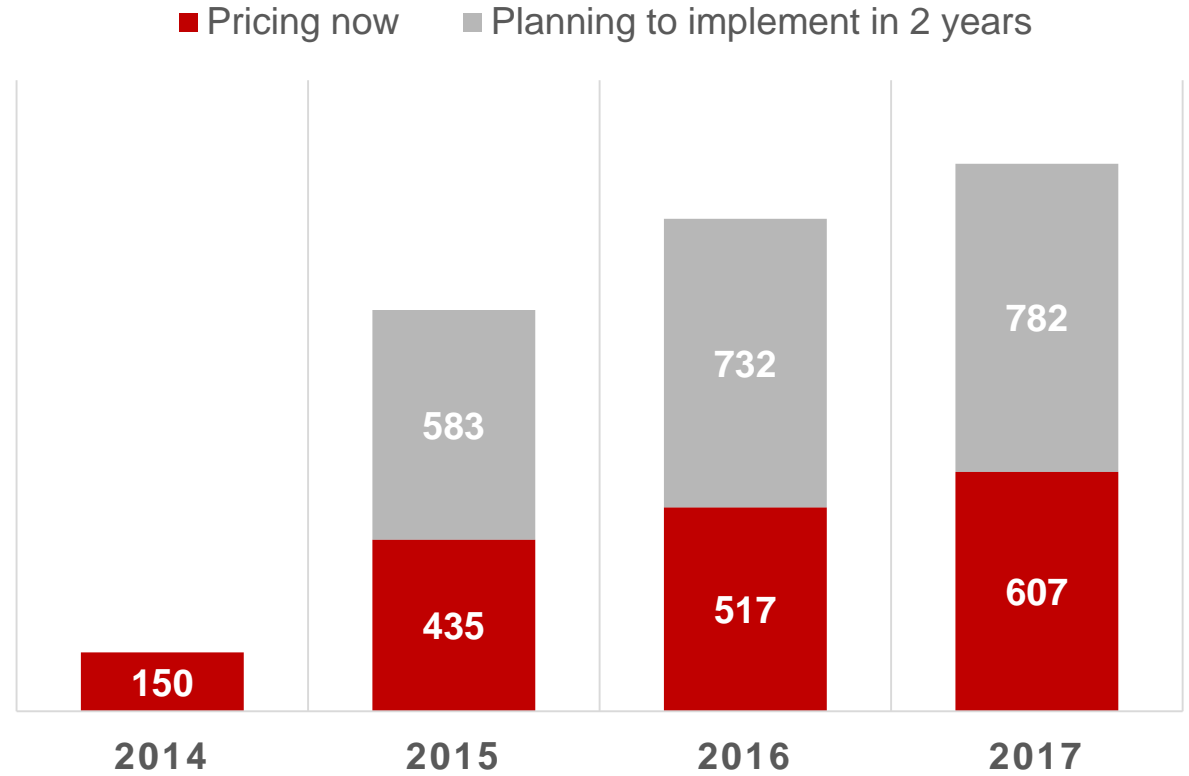
# Integrating climate risk and opportunities – putting a price on carbon

Nicolette Bartlett

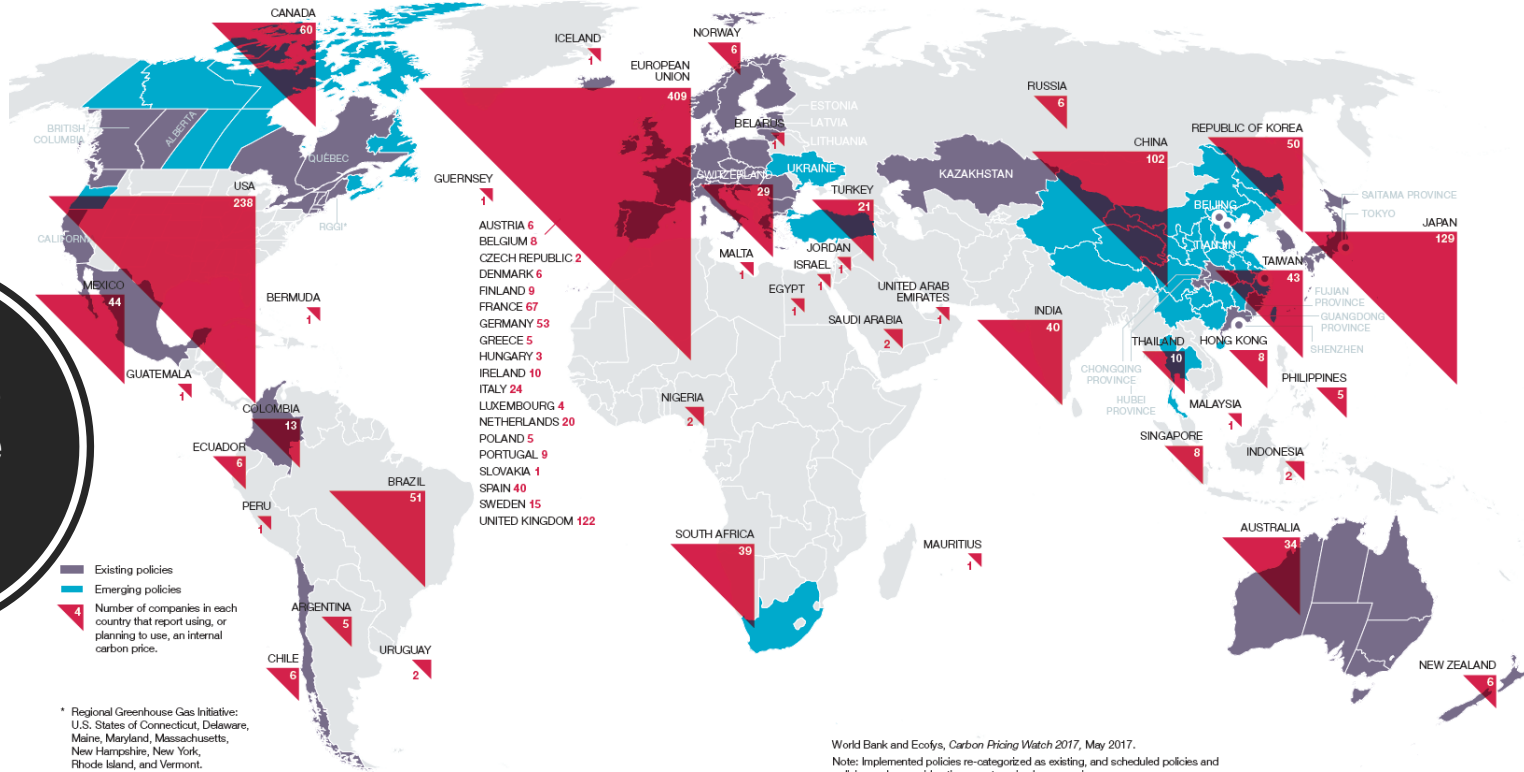
Director of Climate Change, CDP

October 2018

## Annual Growth



# Corporate Response to Policy



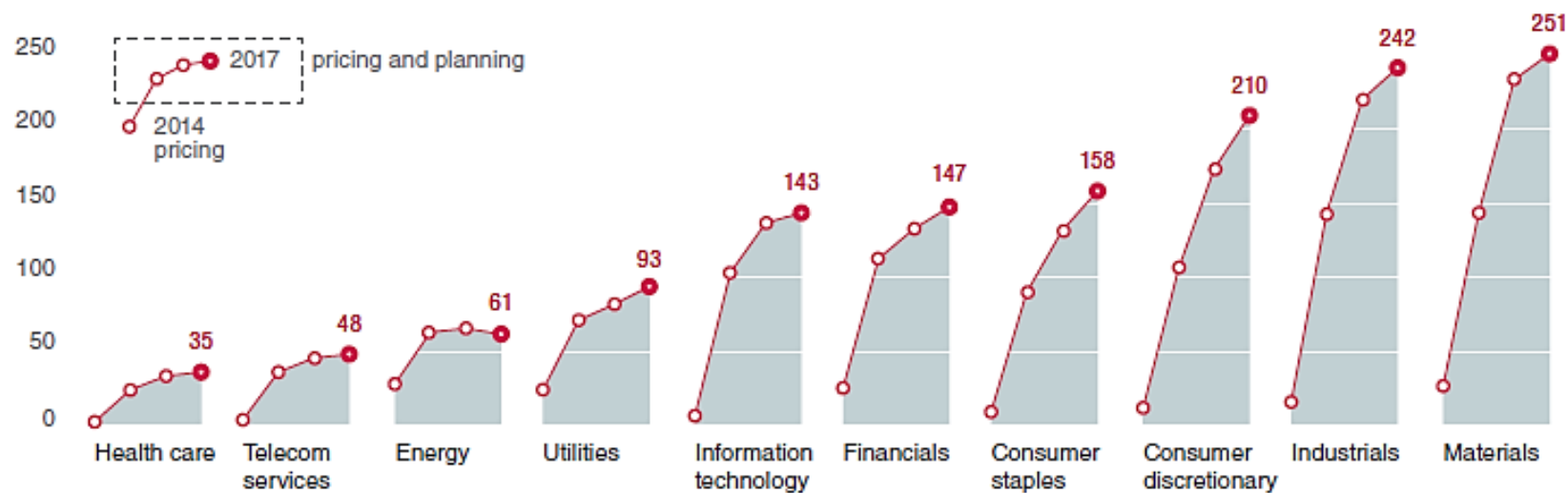
World Bank and Ecofys, *Carbon Pricing Watch 2017*, May 2017.

Note: Implemented policies re-categorized as existing, and scheduled policies and policies under consideration re-categorized as emerging.

The government of Brazil is currently considering carbon pricing policy proposals.

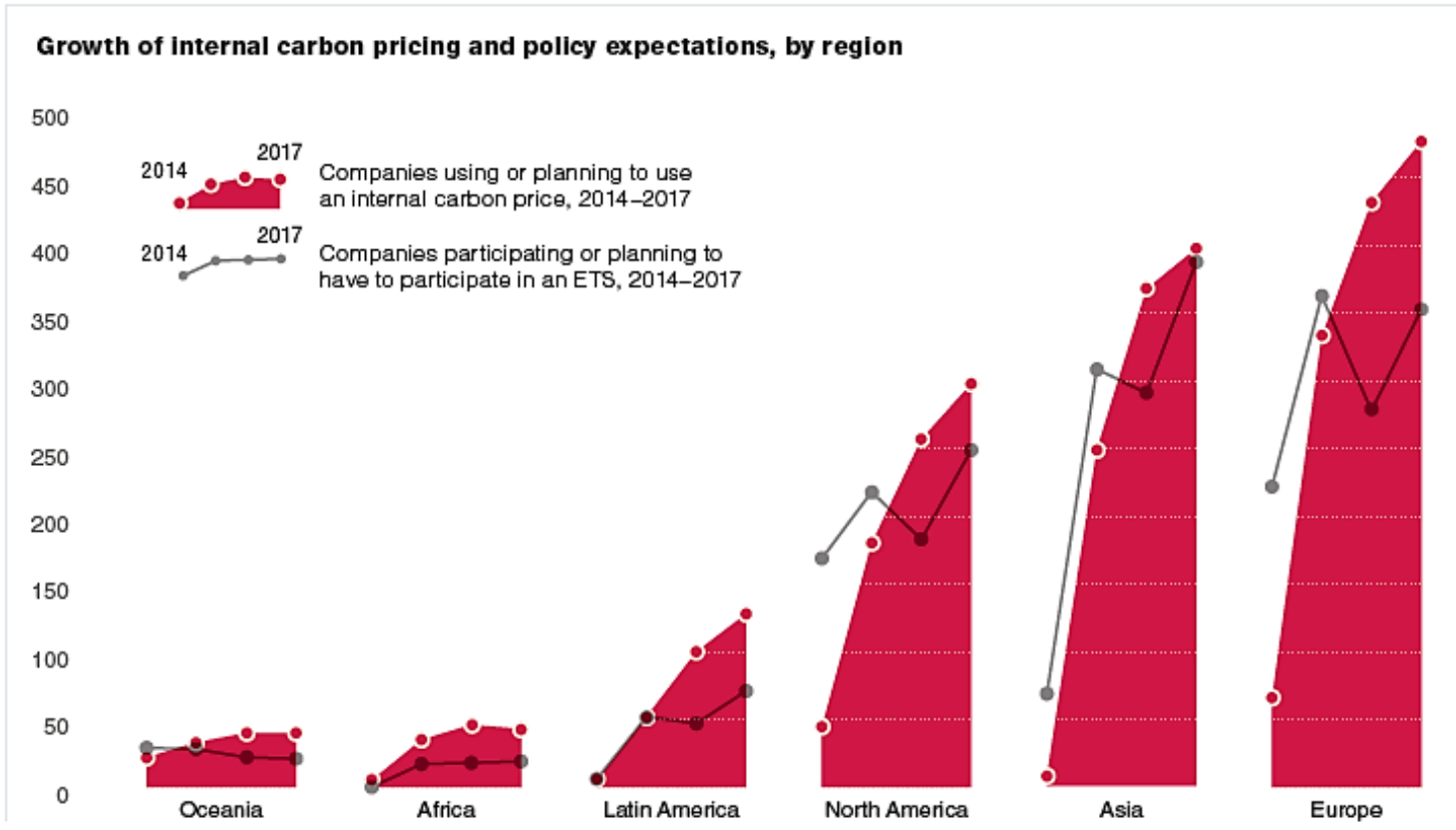
# Sectoral increase

**Growth of Internal carbon pricing, by sector**



2014 numbers only include the number of companies that disclosed "Yes" to using an internal carbon price, whereas 2015–2017 also include companies that disclosed plans to use an internal carbon price within 2 years

# Regional growth





Policy risk

Transition risks

Stakeholder  
expectations

Drivers



Why?

---

Assess and manage risk


---

Identify opportunities

---


Transition tool

---



Stress testing, built off better disclosure and a price corridor, could act as a time machine, shining a light not just on today's risks, but on those that may otherwise lurk in the darkness for years to come.

- Mark Carney, Governor of the Bank of England and Chair of the G20's Financial Stability Board







## TCFD & Carbon Pricing

---

**TCFD** specifically lists internal carbon pricing as a key metric to assess climate and energy transition related risks and opportunities

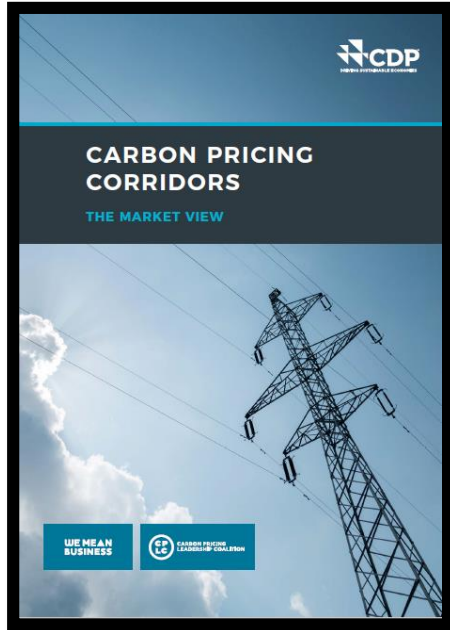
---

**Companies and financial institutions are** starting to use an ICP to analyze the potential impact of climate change on their operations and investment portfolios

---

**Reimagining disclosure** process to implement recommendations.

**Carbon Pricing Corridors** Initiative aims to translate the uncertainty of future carbon prices into scenarios of risk, facilitating the integration of carbon pricing into investment analysis.



**OBJECTIVE:** to provide *investors*, companies and policymakers with an informed view of how **carbon-based price signals** develop to deliver a sub-2°C world as defined by the Paris Agreement

Carbon Pricing Corridors Initiative

---

# Investor focus

---

500+ companies are vulnerable to carbon pricing regulation and NOT using an ICP to manage this risk

---

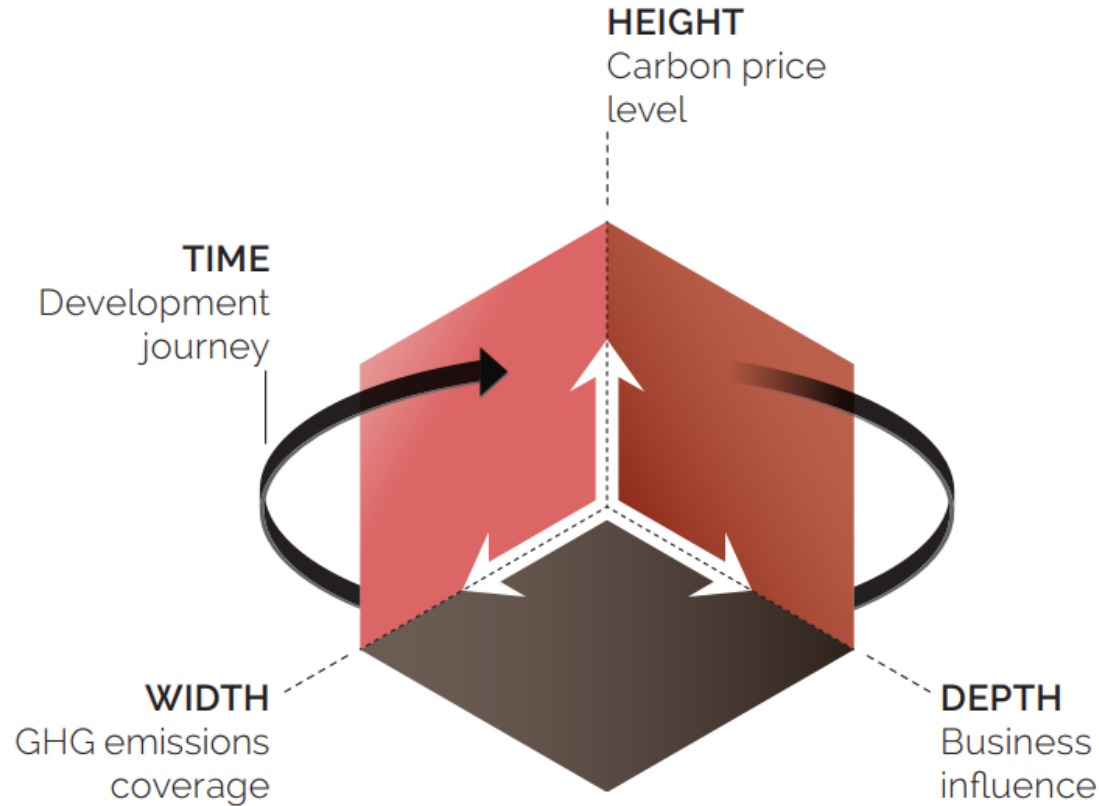
Companies are not prepared for the medium- to long-term (15% assuming evolutionary price, and only ~10 utilities looking past 2025)

---

How does it impact business decisions // what are the implications on your bottom-line? Future value?

---

# Best practice framework



Region ▼

Sector ▼

Internal Carbon Pricing Status

- Pricing now
- Pricing in 2 years

- Not pricing
- Not disclosing practice

Carbon Pricing Policy Status

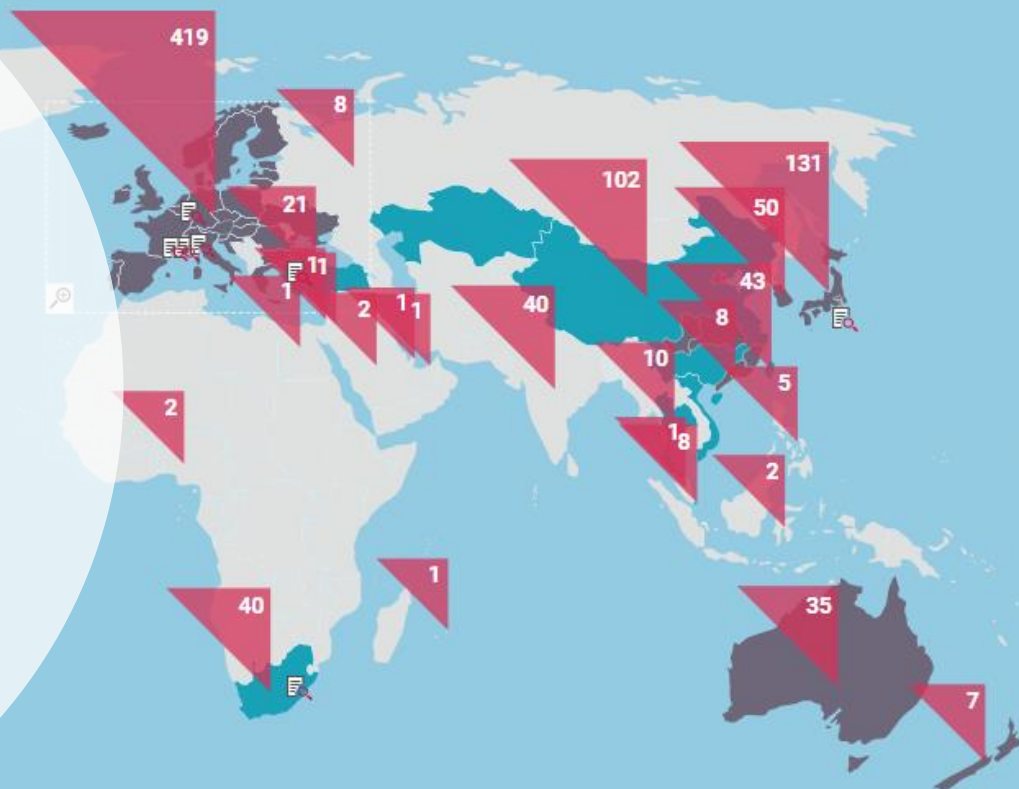
- Existing
- Emerging



# Carbon Pricing Connect

▼ Data visualization tool featuring CDP's extensive data on internal carbon pricing with respect to global regulation.

<https://www.cdp.net/en/climate/carbon-pricing/carbon-pricing-connect>



# Competitiveness

- EU, California, Quebec, British Columbia – no significant leakage
- Sweden, Switzerland, France
- Not the core decision to move; Not yet high enough; invest in innovation

## **KEY MESSAGES**

- Businesses and governments are increasingly using carbon prices to drive the cost-efficient transition to a low-carbon economy.
- A key challenge to the acceptance of carbon pricing is the fear of reduced economic competitiveness—but evidence to date shows little impact.
- As pricing levels rise, competitiveness concerns can be addressed through political engagement and targeted policies and will diminish as the geographical coverage of carbon pricing spreads.

# Competitiveness

- Complementary measures

- EU ETS – free allocation;

Top 10% performers / 100% emissions

- South Africa's carbon tax proposal - tax-free thresholds of up to 90 percent for EITE sectors.
- Phased out in time

Policymakers have a number of tools at their disposal, including:

Tax incentives for low-carbon investments, such as production or investment tax credits; R&D tax credits; accelerated depreciation; feed-in tariffs; and business support services and loans

# Other options?

---



## Executive Briefing

APRIL 2018



How can consumption-based carbon pricing address carbon leakage and competitiveness concerns?



Thank you