

A price on carbon emissions

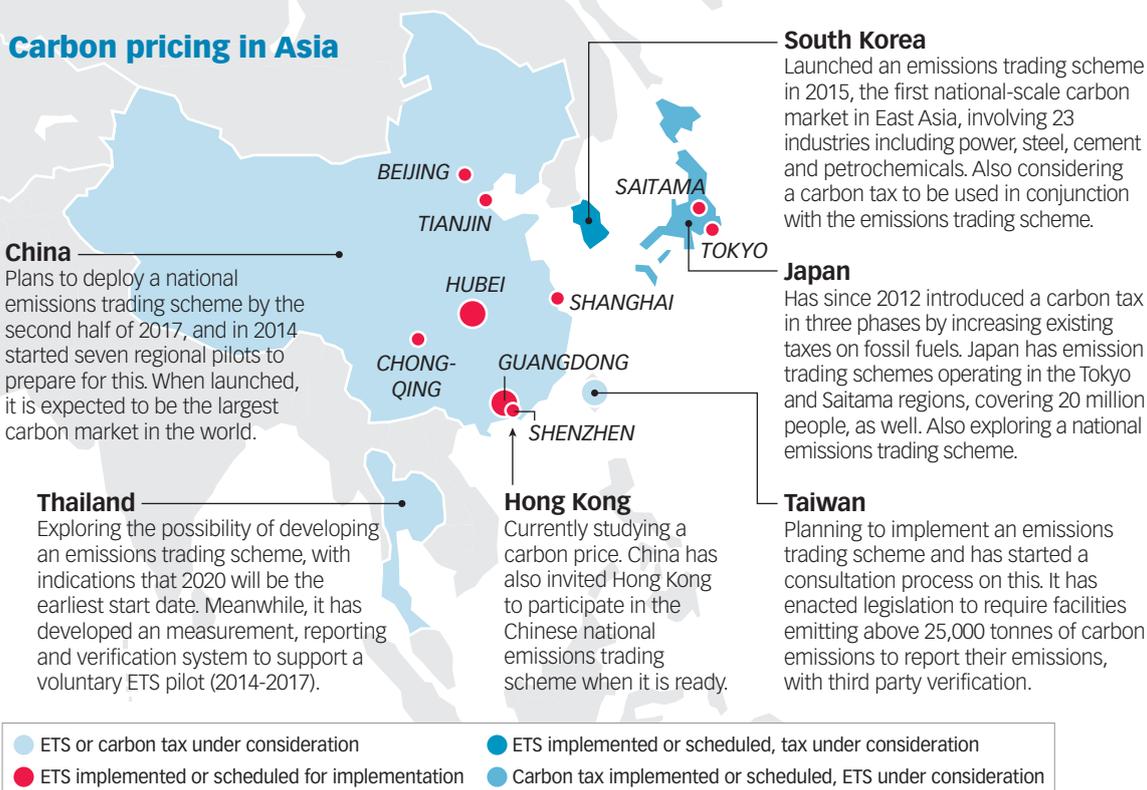
The idea of a carbon price is increasingly gaining favour with governments as countries around the world look for ways to cut greenhouse gas emissions. **BY ANDREA SOH**



Two main forms of carbon pricing

	CARBON TAX	EMISSIONS TRADING SCHEME (ETS)
Description	A tax on CO2 emissions. Levies fees on emissions from fossil fuel production, distribution and use.	A market system established to set a price for the right to emit CO2 above a set level. Caps emissions overall and/or by industry.
Price	The set price level provides certainty. This is desirable because investment in low-carbon technology requires confidence insufficiently high, long-term carbon prices.	Prices are set by trading in the market – and, therefore, can be volatile. Prices swing with economic cycles and restrictions on the quantity of emissions allowances.
Emissions reductions	The tax is not directly tied to an emissions reduction target because it is derived by modeling the cost of cutting emissions.	An ETS delivers emissions reductions by limiting allowances.
Flexibility	Tax rates can be altered to reflect progress in emissions cuts. They can also target specific groups such as car users.	The supply of emissions allowances can be modified to influence prices.
Administration	Can build upon existing tax infrastructure, but raises administrative burden. Requires measuring, reporting and verification (MRV).	Complicated to implement. Requires creation of emissions allowances, their allocation, and a market for trading them. Needs MRV as well.
Examples	Mexico, Japan, Denmark, Finland, France, Norway, Portugal, Sweden, Canada (to be decided), S. Africa (2017), Chile (2018).	EU, California, Regional Greenhouse Gas Initiative, in the US, China (merging seven regional pilots into a national ETS in 2017).

Carbon pricing in Asia



The circles represent subnational jurisdictions: subnational regions are shown in large circles and cities are shown in small circles. The circles are not representative of the size of the carbon pricing initiative.