

# Can carbon pricing solve climate change?

Lessons from climate policy efforts around the world

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MIT Joint Program IAP Lecture Series, February 1, 2017

# Agenda

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- A price on carbon: “the” solution(?)
- How well are carbon prices performing so far?
- But Why?
- Where do we go from here?



# Carbon pricing: economists love it

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## Economists Have A One-Page Solution To Climate Change

June 28, 2013 · 3:46 AM ET

Heard on [Morning Edition](#)



DAVID KESTENBAUM



Gregory Mankiw Dartmouth

CONSERVATIVES AND CLIMATE CHANGE

### **This conservative economist makes the case for a carbon tax**

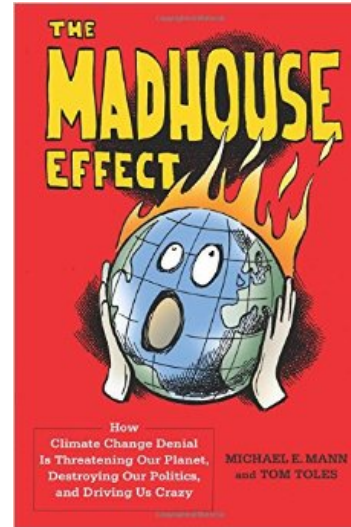
By [Amanda Little](#) on Oct 12, 2015



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# Scientists endorse it

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## Open Letter Supporting Initiative 732 by Leading Climate Scientists

As atmosphere, ocean, and earth scientists we are deeply concerned about the consequences of man-made climate change. Global temperature in 2015 was the highest on record and is likely to



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# ... as do oil companies



Her Excellency  
Ms. Christiana Figueres  
Executive Secretary of the UNFCCC  
UNFCCC secretariat - UN Campus  
Platz der Vereinten Nationen 1  
53113 Bonn  
Germany

His Excellency  
Mr. Laurent Fabius  
President of COP21  
Ministry of Foreign Affairs  
37, Quai d'Orsay  
75007 Paris  
France

Friday, May 29<sup>th</sup> 2015

Dear Excellencies,

Climate change is a critical challenge for our world. As major companies from the oil & gas sector, we recognize both the importance of the climate challenge and the importance of energy to human life and well-being. We acknowledge that the current trend of greenhouse gas emissions is in excess of what the



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# It's now a gauge of climate policy commitment

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**Elon Musk** ✓

@elonmusk

Following

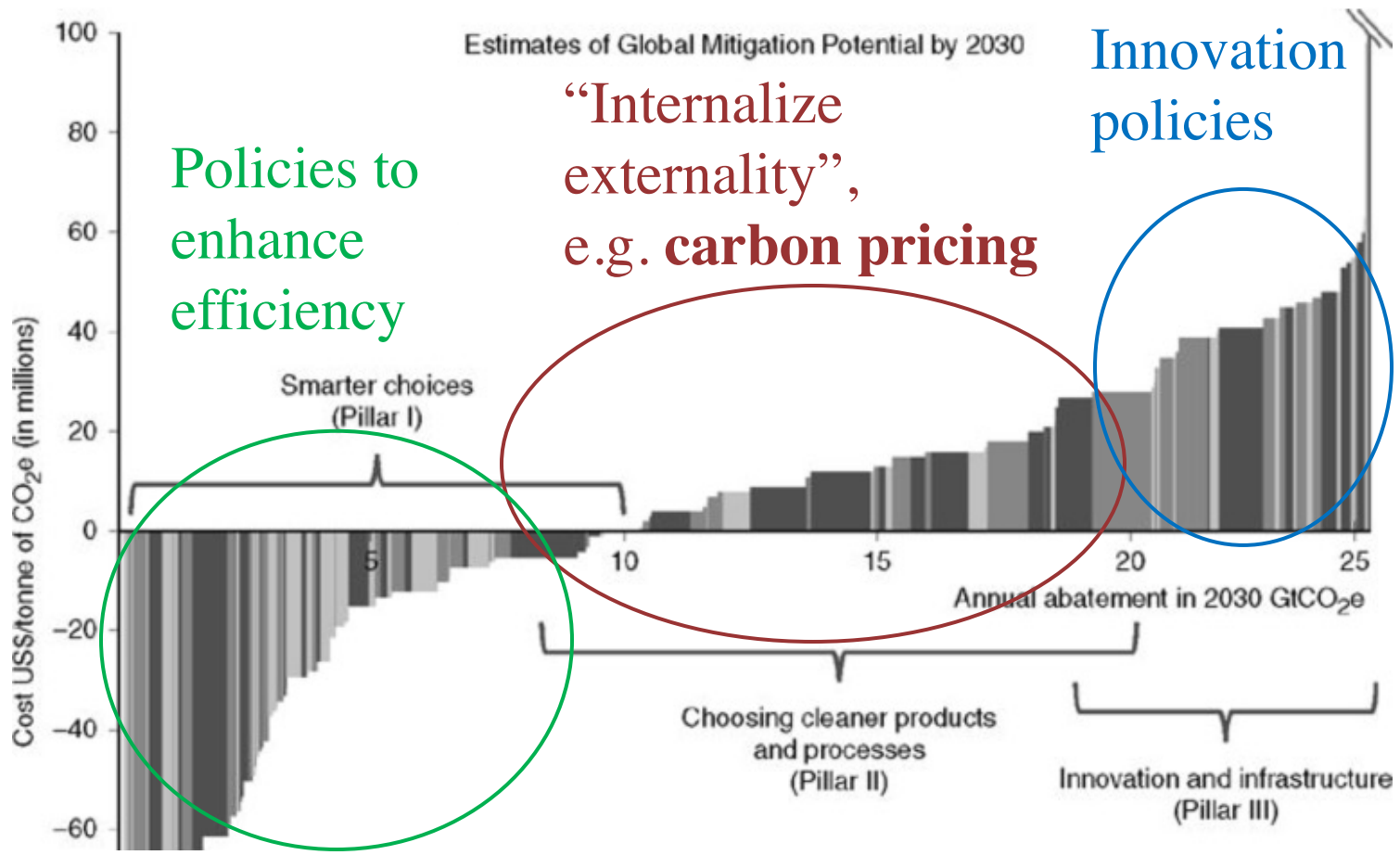


Rex Tillerson supports a carbon tax. This is what is really needed to move the needle.



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# The three realms of climate policy & role of carbon pricing



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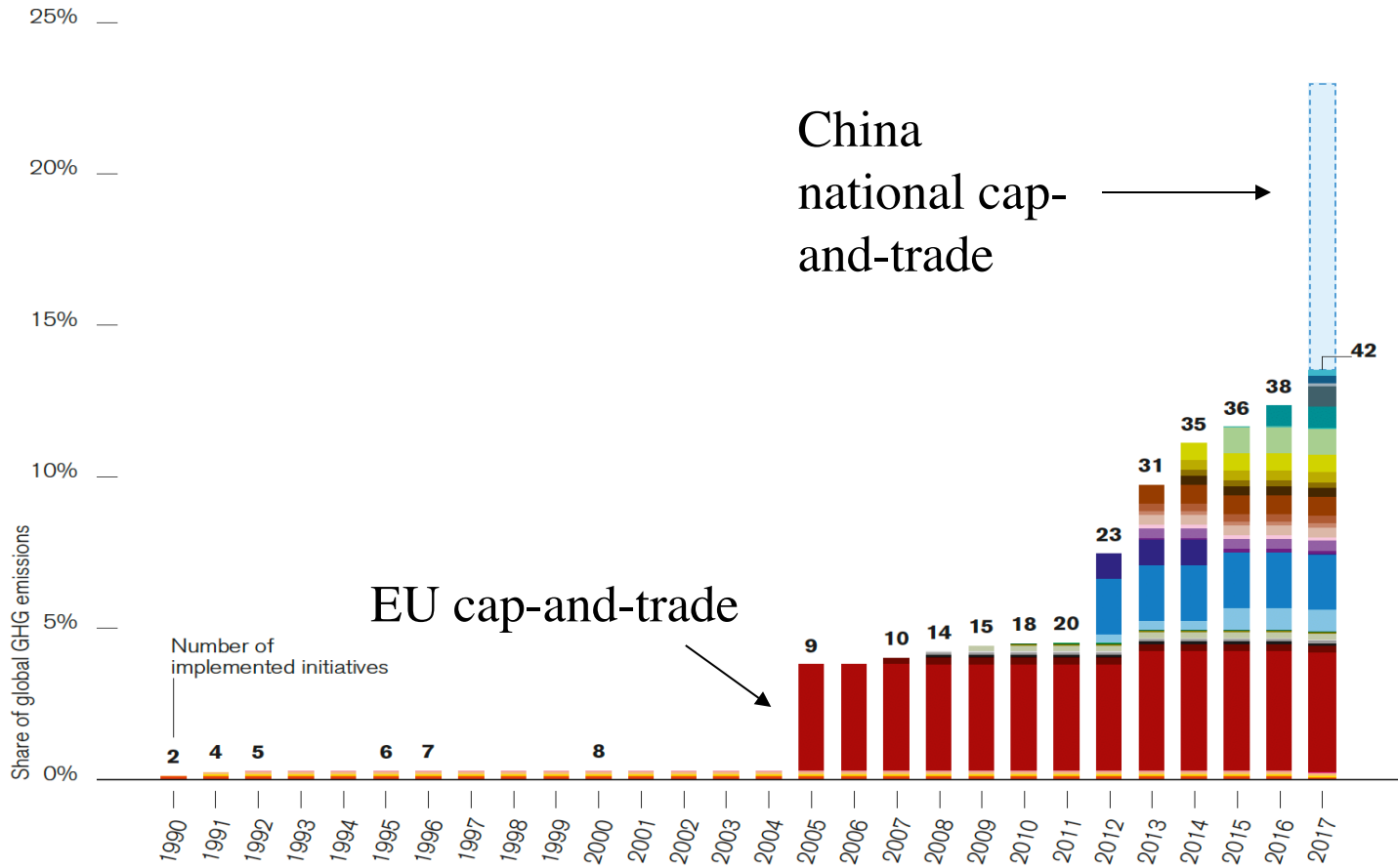
# Carbon pricing around the world



Source: World Bank, State and Trends of Carbon Pricing 2016

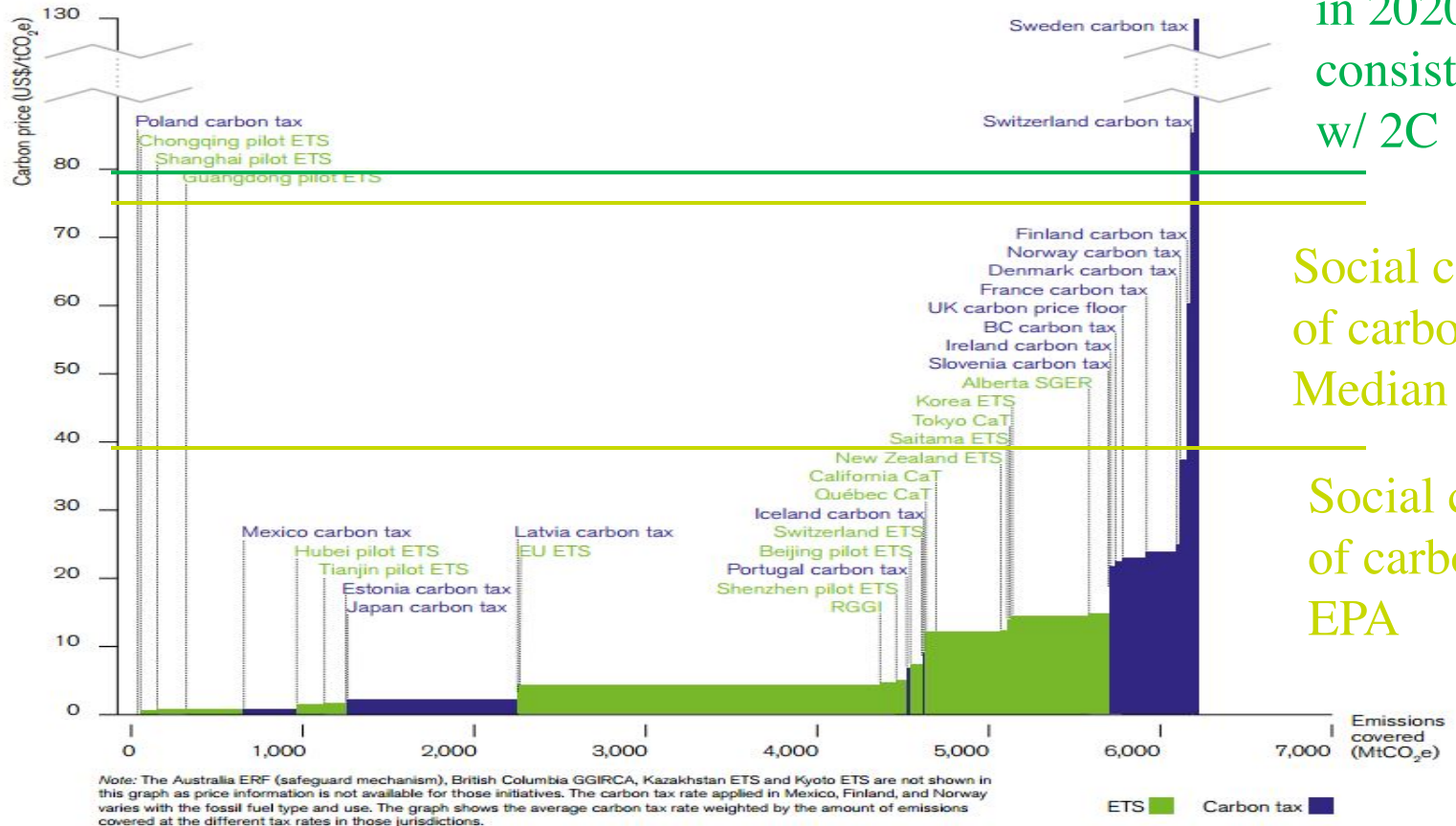
- ETS implemented or scheduled for implementation
- Carbon tax implemented or scheduled for implementation
- ETS or carbon tax under consideration
- ETS and carbon tax implemented or scheduled
- ETS implemented or scheduled, tax under consideration
- Carbon tax implemented or scheduled, ETS under consideration

# Coverage remains limited...



# ...and CO2 prices levels are low

CO2 price in 2020 consistent w/ 2C



Social cost of carbon, Median

Social cost of carbon, EPA



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“Politics is the art of the possible”  
Otto Von Bismarck

# Europe's carbon market reform discussions

Carbon Trading

## MEPs back 'luke warm' carbon market reform plan



James Murray

[@James\\_BG](#)

24 February 2015



## Polish PM says no case for early reform of EU carbon market-letter

Wed Feb 25, 2015 5:09pm GMT

[Print](#) | [Single Page](#)

[\[-\] Text \[+\]](#)

- \* Poland says also represents seven other nations
- \* Britain, Germany want early reform

BRUSSELS Feb 25 (Reuters) - Poland's prime minister has asked the European Commission to stick to the original start date for reforms to the

# Carbon pricing a defining political issue in Australia

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**Kevin Rudd**



**Julia Gillard**

AC



**Tony Abbott**

MP



## A Carbon Tax's Ignoble End


Why Tony Abbott Axed Australia's Carbon Tax



**Julia Baird** JULY 24, 2014



# The Hillary Campaign

 ELECTION 2016

## *Hillary Clinton's Ambitious Climate Change Plan Avoids Carbon Tax*

By CORAL DAVENPORT JULY 2, 2016

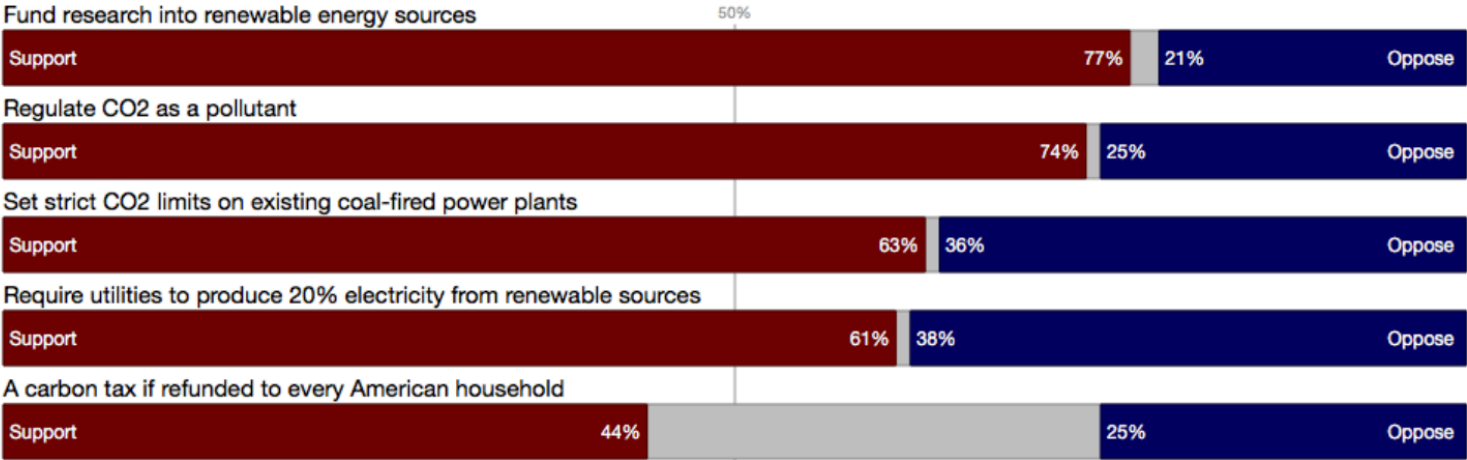


“We have done extensive polling on a carbon tax. It all sucks.” – John Podesta according to emails leaked by Wikileaks

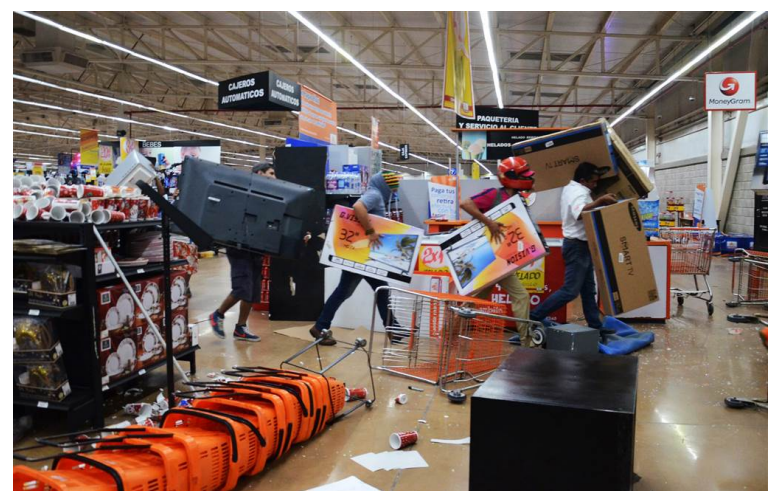
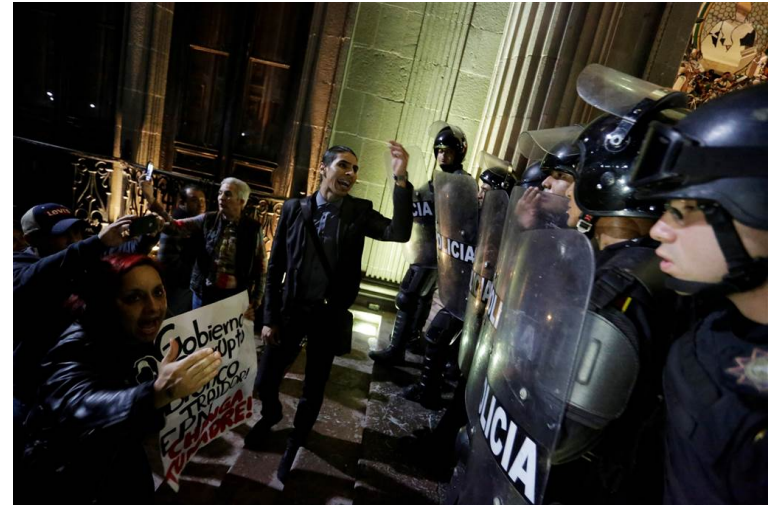


# Polls on climate policies

## POLICY SUPPORT



# Mexico's gas crisis, January 2017



Source: NBC News, the Guardian



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"One of the penalties for refusing to participate in politics is that you end up being governed by your inferiors." Plato



# Paris Agreement



# Kigali Agreement



**ICAO deal on  
aviation  
emissions**



# Takeaways for climate policy

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- “Second-best” is not worse (devote attention to “green industrial policy”, subsidies, renewable standards, power sector regulations)
- Carbon pricing is a journey “the strong and slow boring of hard boards” (Max Weber)
- Be open to concessions at first (carbon pricing will be weak initially) – do not make the perfect the enemy of the good



# Thank you for your attention!

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