

Managing interactions between carbon pricing and energy policies



Achieving ambition:
Pre-2020 policies and technologies for the energy sector

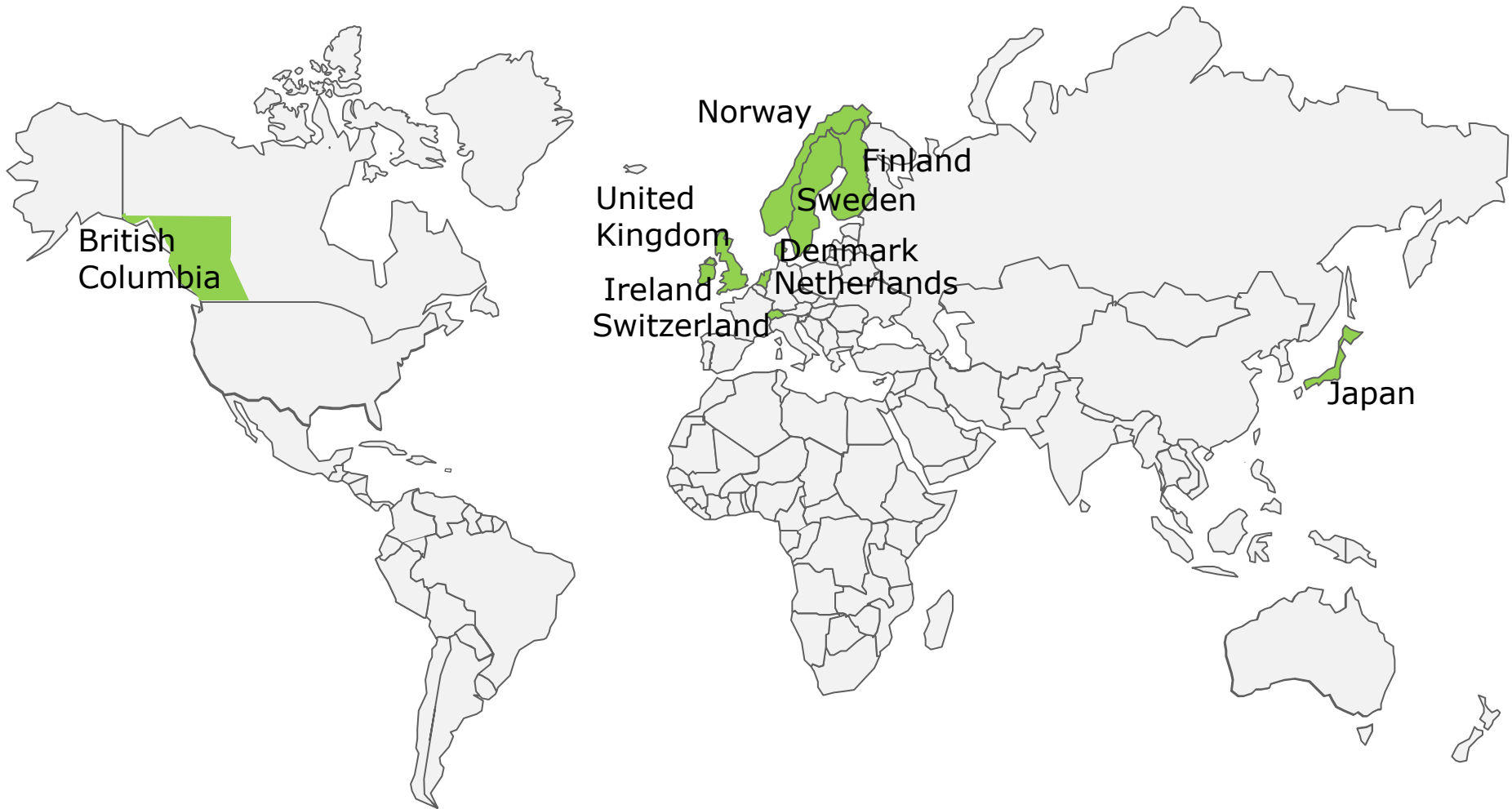
COP19 Side Event
18 November 2013

Takashi Hattori
Head, Environment and Climate Change Unit, IEA

A growing issue worldwide

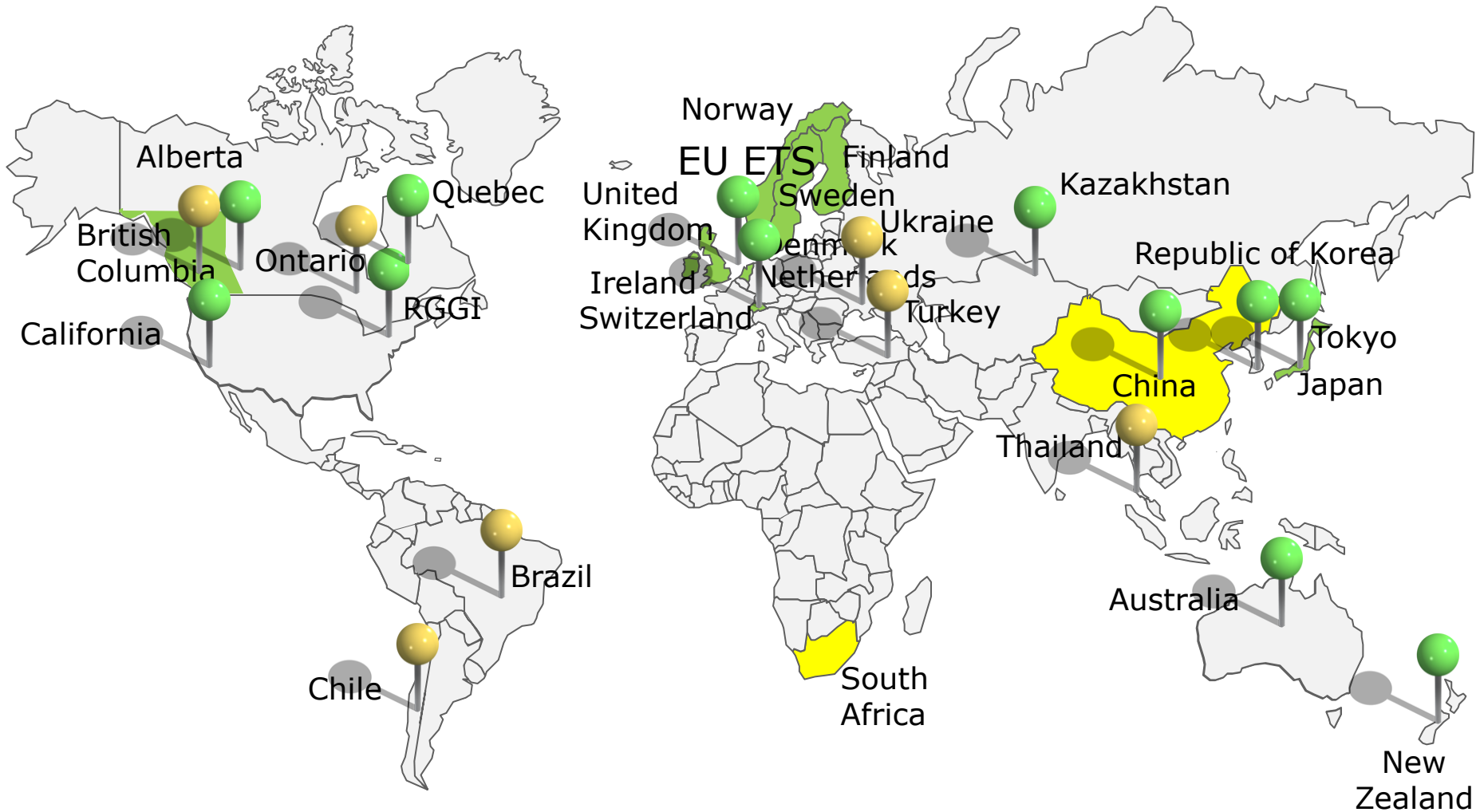


A growing issue worldwide



 Carbon tax operating

A growing issue worldwide



 ETS operating/soon to launch
 Carbon tax operating

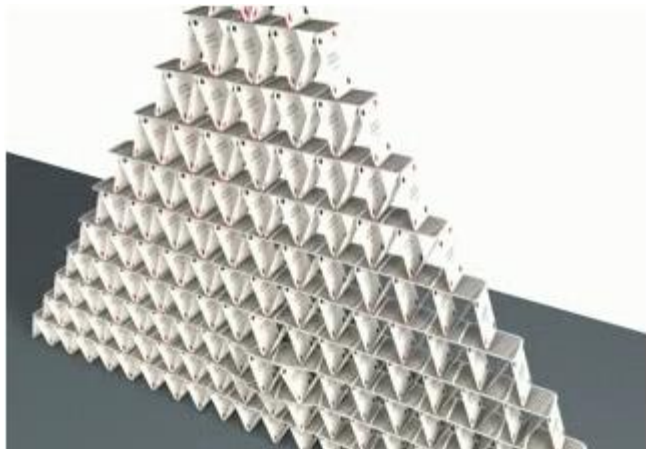
 ETS under consideration
 Carbon tax under consideration

Energy policies

- Energy markets are undermined
- Affects performance of policies

Carbon pricing policies

- Lead to policy uncertainty
- Reduce investment in low-carbon assets

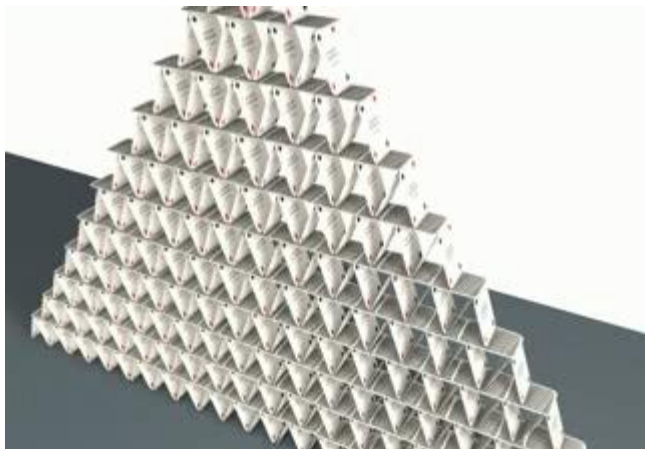


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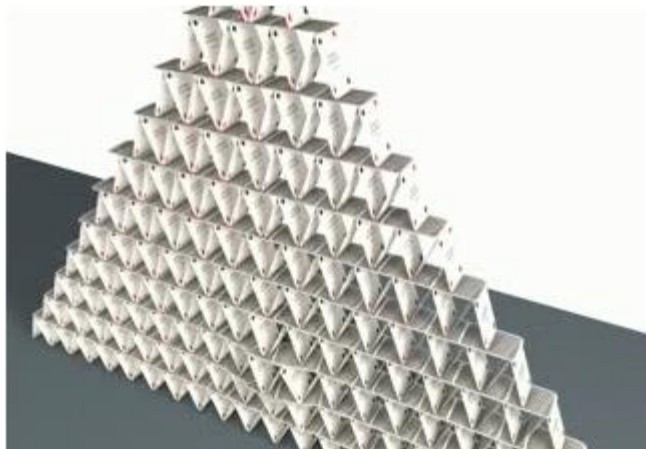


Energy policies

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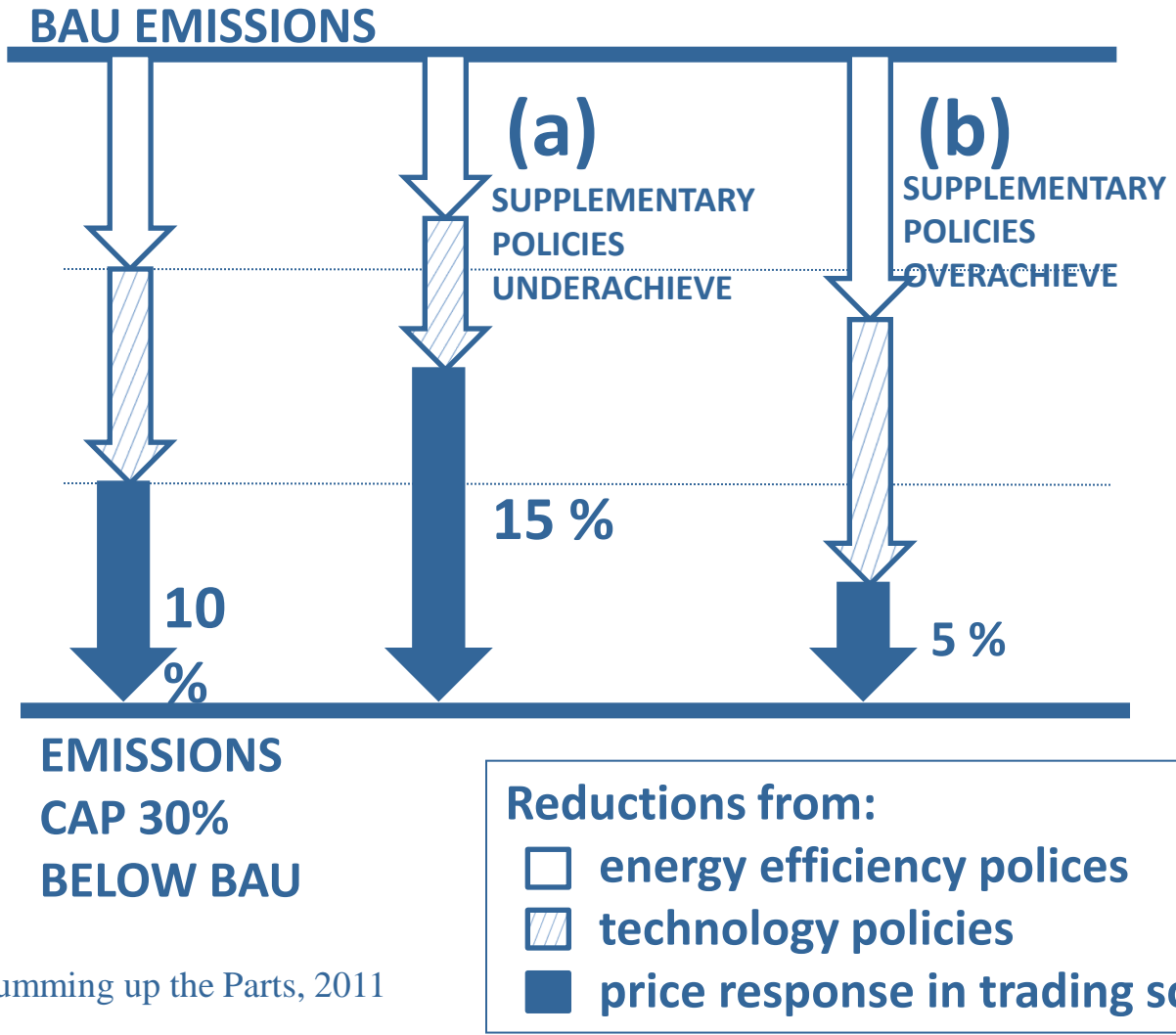
Carbon pricing policies

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Policies interact...

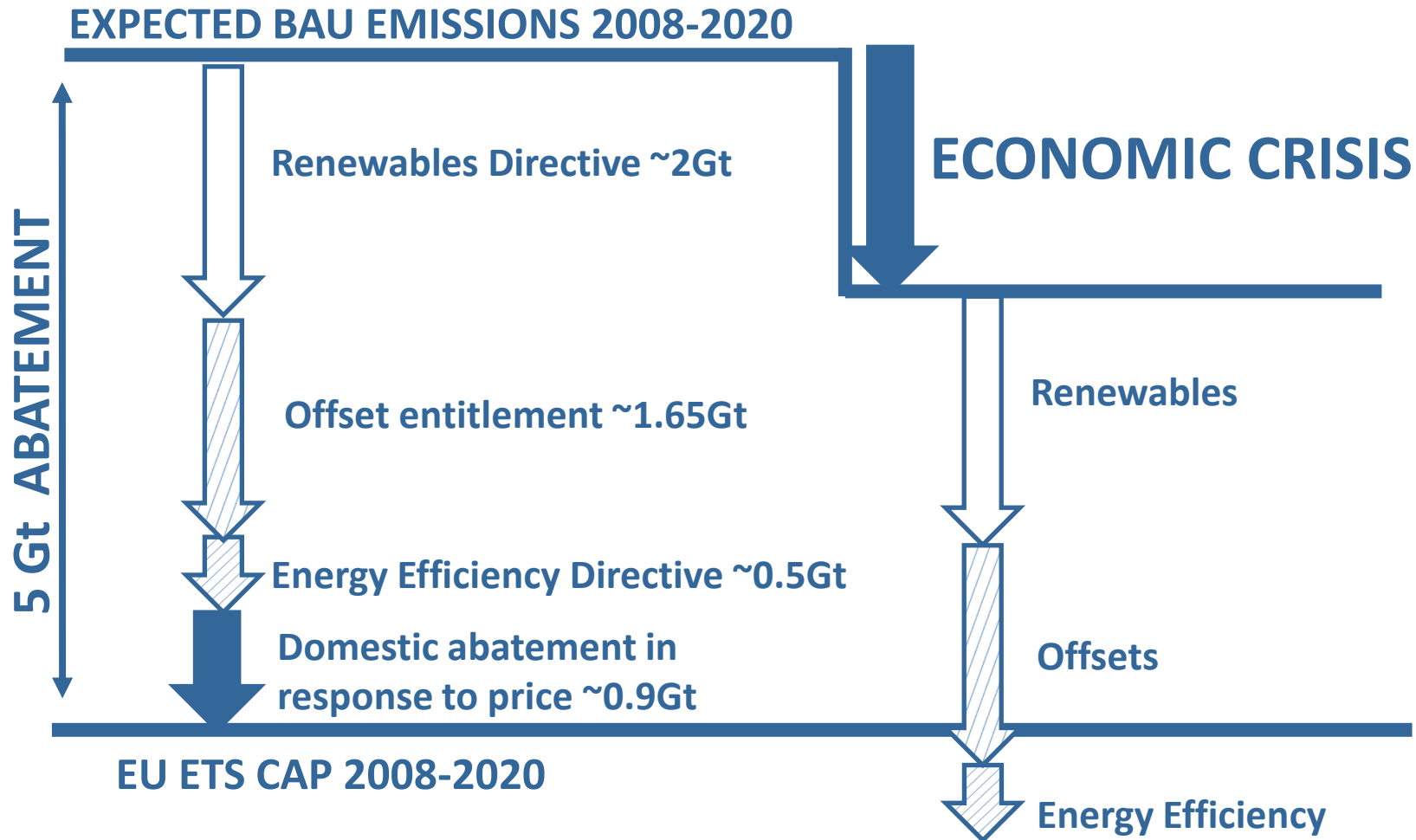
e.g. Carbon price level depends on supplementary policy delivery



Source: Summing up the Parts, 2011

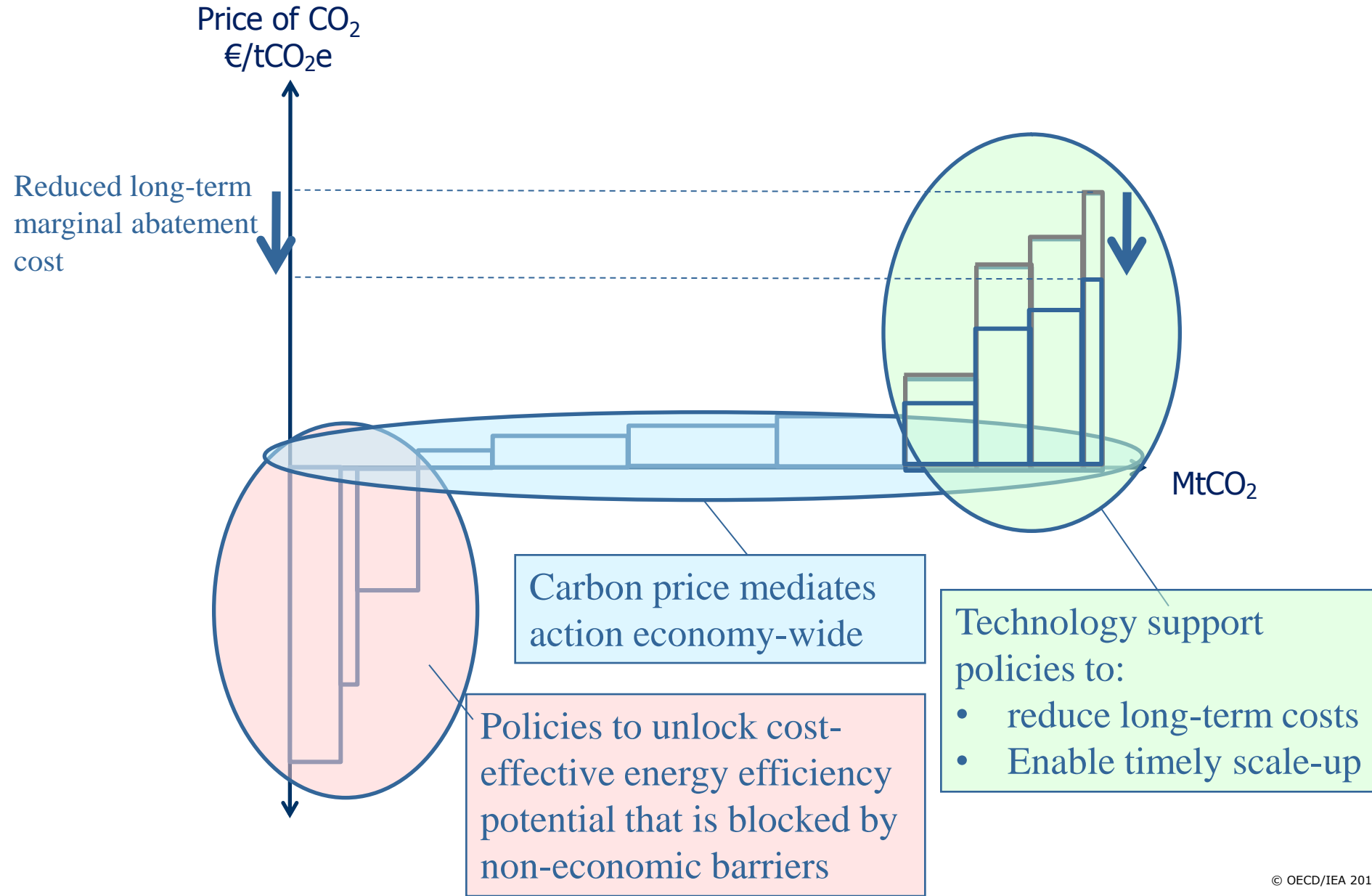
And, variety of factors affect...

Carbon price level more sensitive to economic conditions



Data Source: *Energy Efficiency, renewable energy and CO2 allowances in Europe: a need for coordination*, CDC Climat ClimateBrief No18, Nicolas Berghmans

Policy packages for energy sector decarbonisation



How to deliver better policy integration

Mapping the energy and climate policy landscape

In alignment of energy policy and carbon pricing

- Which agencies?
- What levels of government?
- What structure for co-ordination?

to maintain the

Energy policy and carbon pricing policy reviews

- Energy
- Policy
- Policy
- Underpinned (market finance)

- Carbon price
- Adjust energy
- “Room to move”
- Effect of revenue recycling

-
-
- Energy
- Strengthen
- Flexibility
- Efficiency

- How often ?
- Balancing certainty and flexibility
- What would justify intervention outside scheduled reviews ?

- Be aware that carbon pricing policies are affected by existing energy policies, and vice versa.
- Think **policy packages** for decarbonization in energy sectors.
- Consider each of the **5 Key Steps** to deliver policy coordination carefully.
- Throughout steps, better **coordination among relevant agencies** is crucial.

Thank you

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Managing interactions between carbon pricing and existing energy policies

Guidance for Policymakers

Christina Hood