

IEA's work on carbon pricing in the energy sector

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**International
Energy Agency**

The IEA's work:

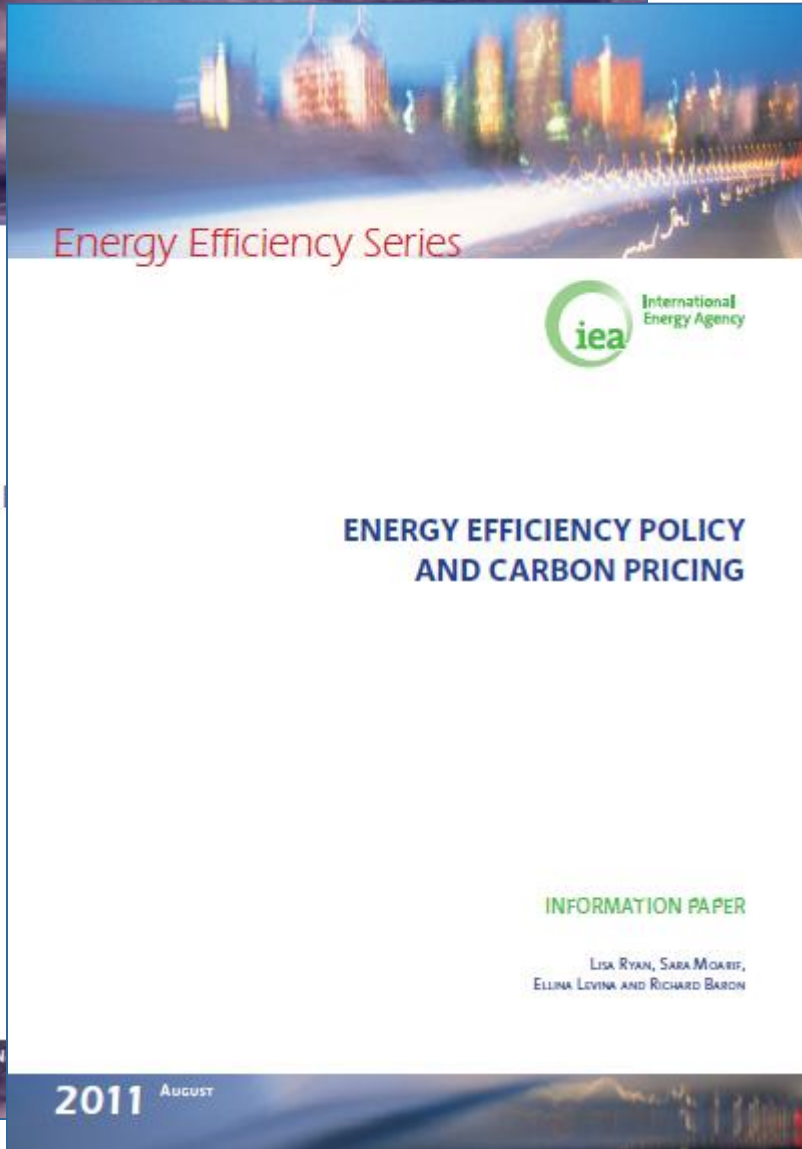
- Emergency Preparedness and Response
- Energy Data and Statistics
- Market Analysis: oil, gas, renewables, energy efficiency
- Economic Analysis (including *World Energy Outlook*)
- Energy Technology (including *Energy Technology Perspectives*)
- Low-carbon solutions: renewables, energy efficiency, climate policy
- Global co-operation

The IEA's policy work on carbon pricing:

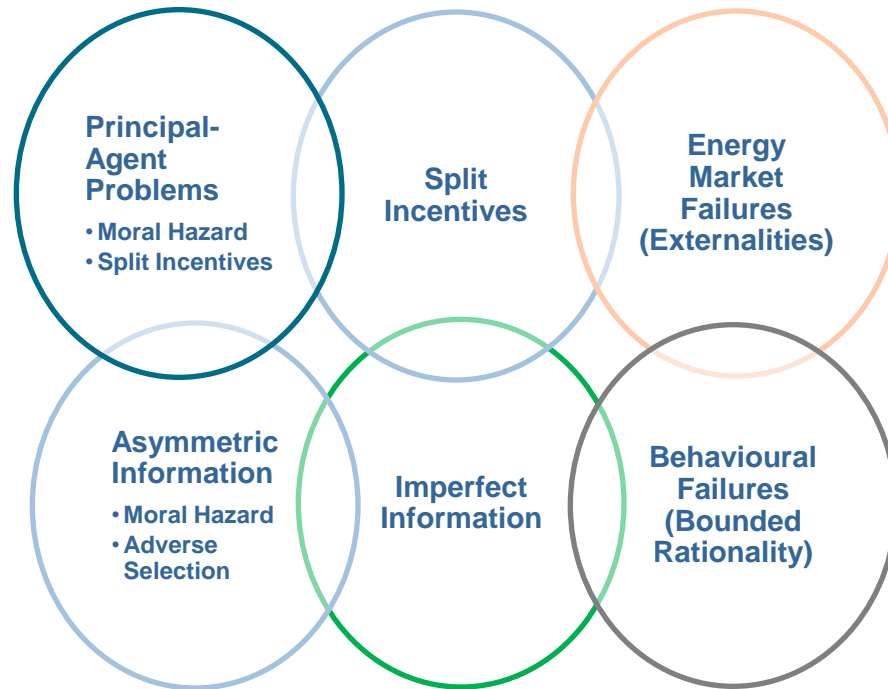
- Market mechanism design (Kyoto Protocol architecture, linking, competitiveness impacts, sectoral crediting and trading, investment under uncertainty)

- Issues of practical implementation
 - Impact of EU ETS on electricity pricing
 - Sectoral mechanisms in emerging economies
 - Review of real-world ETS design choices
 - A realistic ETS design for China's power sector
 - **Issues of combining carbon pricing with other policies**
 - ◆ energy efficiency
 - ◆ technology deployment policies
 - ◆ electricity markets

IEA work on policy combinations and policy interactions:

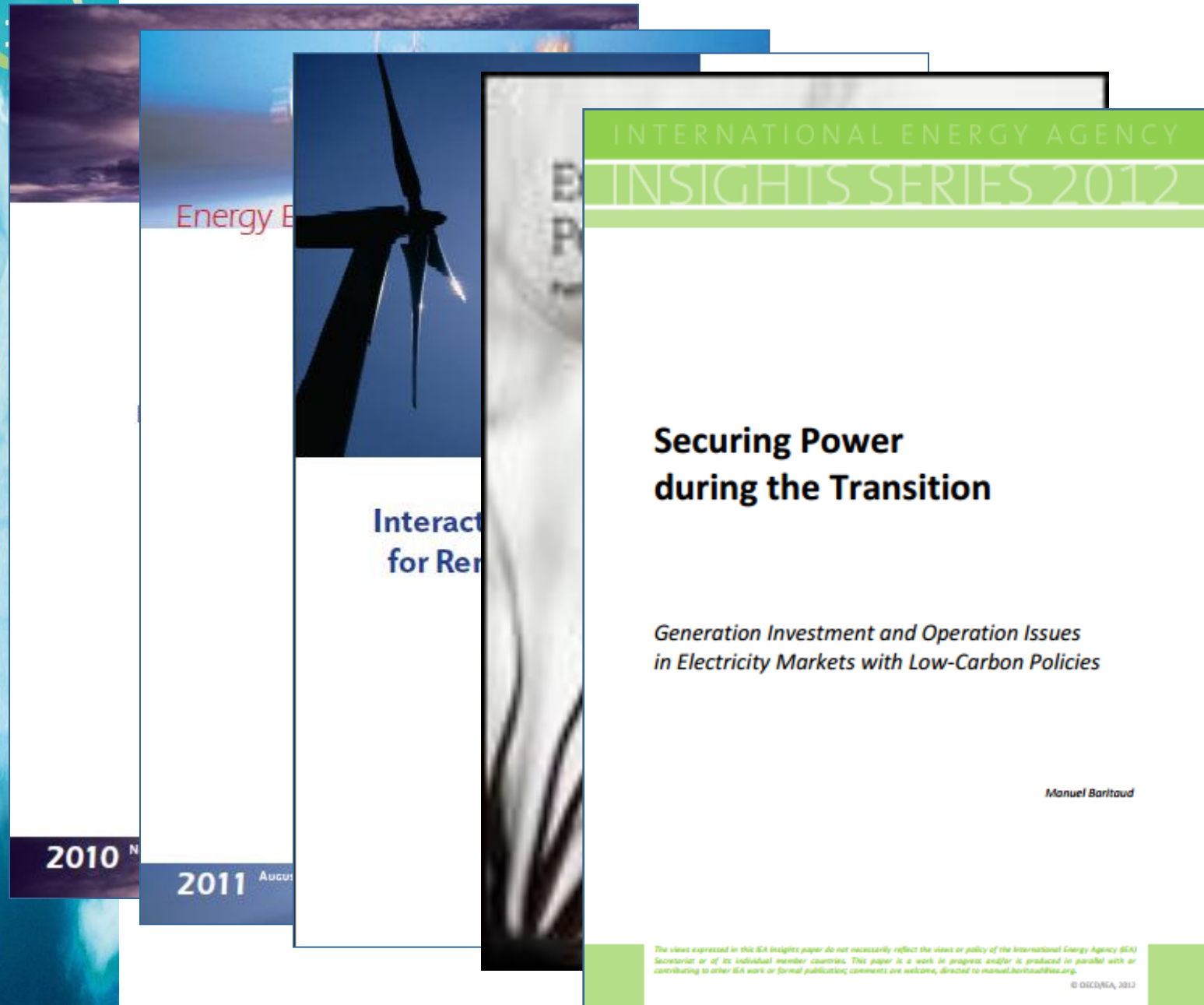


Is the CO₂ price signal coming through? Market failures in energy efficiency

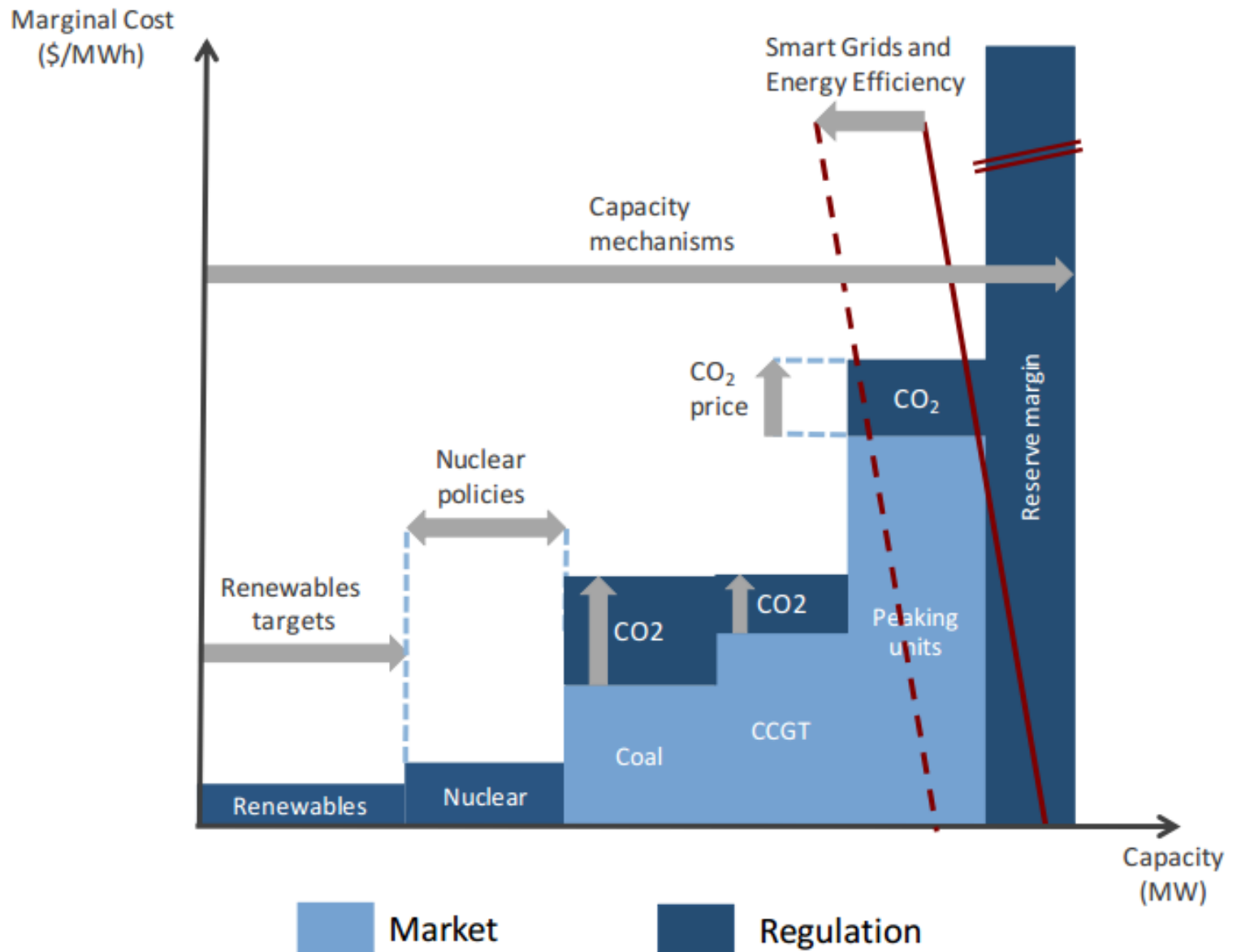


- Price important for removing certain barriers, e.g. negative externalities
- However, informational failures and principal-agent problems can prevent price signal from reaching consumers

IEA work on policy combinations and policy interactions:



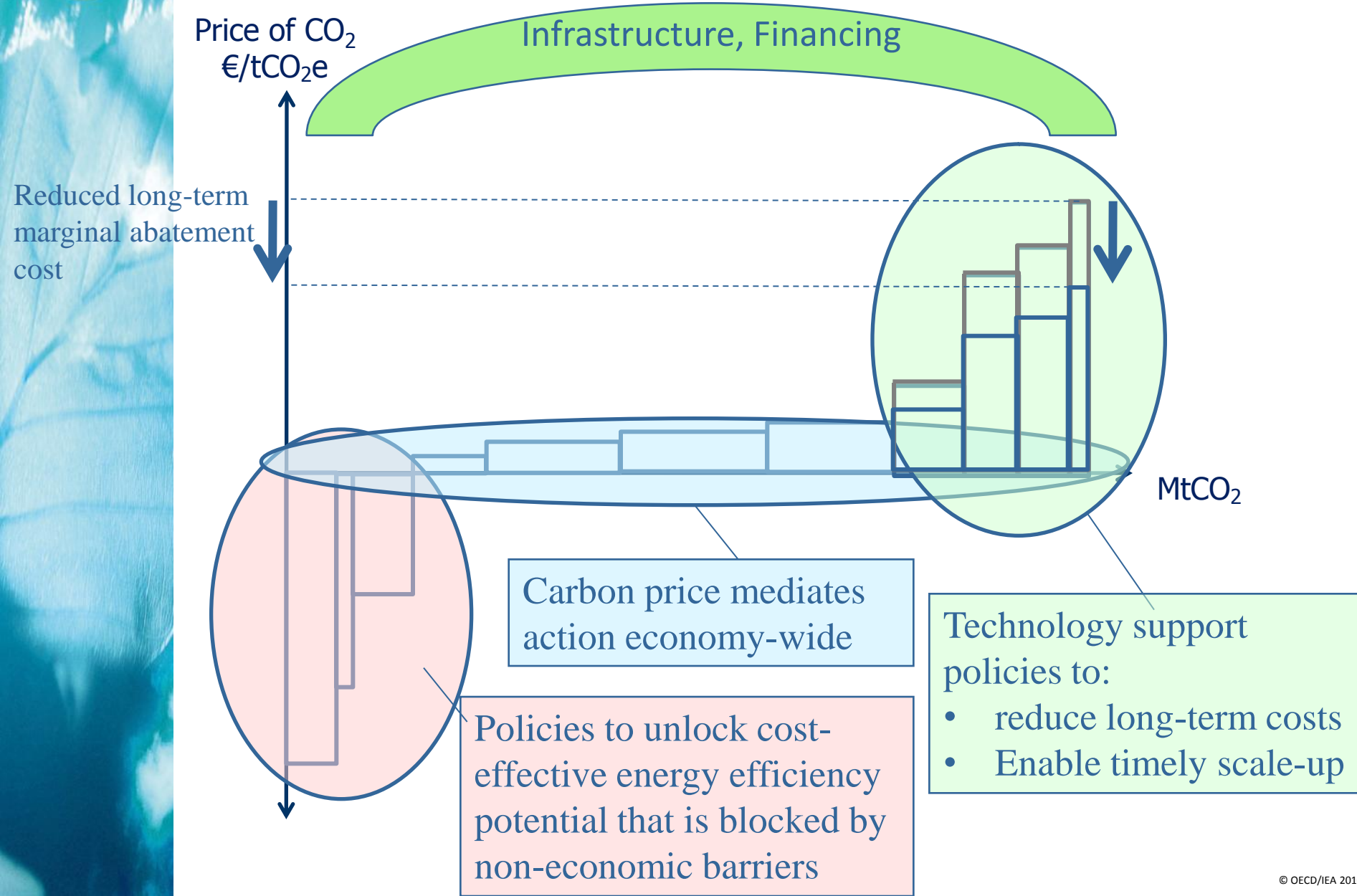
Carbon pricing and investment in electricity markets



IEA work on policy combinations and policy interactions:



"Summing up the Parts" 2011



Today's workshop:

- Moving from the theoretical (*Summing up the Parts*) to real-world policy implementation. Objective to learn from countries' experiences.
- Part of a project working with Chile and South Africa, funded by UK FCO.
- Objective to develop a “Guidelines Document” on key issues of policy interaction to consider when introducing a carbon price.

Thank You



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