IEA’s work on carbon pricing in the energy sector

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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 CO$_2$ 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

Policies to unlock cost-effective energy efficiency potential that is blocked by non-economic barriers

Carbon price mediates action economy-wide

Technology support policies to:
• reduce long-term costs
• Enable timely scale-up

Price of CO$_2$
€/tCO$_2$e

Reduced long-term marginal abatement cost

Infrastructure, Financing

MtCO$_2$
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