



International
Climate Dividend
Alliance

CPLC Online Technical Workshop
(18/05/2020, 14:30 CET, Nick Beglinger)

Background, Cleantech21 Foundation (C21)

(Zurich-based, not-for-profit/independent, radical on climate/nature)

Cleantech21

2009-2016

Policy/Advocacy
(50%)

...Disruptive Innovation

Market/Technology
(50%)


**SWISS
CLEANTECH**

cpx

thecpx.org



ClimateDividend.org

CLIMATE | **LEDGER**
INITIATIVE

ClimateLedger.org



Hack4Climate.org

Today's Lessons & Reminders on Distributional Impacts of CPIs (not all CPI's are created equal)

CP LC CARBON PRICING LEADERSHIP COALITION

Executive Brief

Distributional impacts of carbon pricing on households

KEY MESSAGES

- Carbon Pricing Instruments (CPIs) can have *positive and negative socio-economic impacts* on societies.
- The *nature of impacts varies* across households, sections of societies and regions. It also depends on the level of policy ambition, design of the CPI, and local context. Well designed and carefully implemented climate change mitigation policies (including CPIs) have the potential to *reduce poverty* and provide opportunities to *address gender, health and economic inequalities*.
- CPIs are *more progressive in developing countries*, where *lower income groups have limited access to fossil fuels, compared to developed countries*.
- In countries where lower income groups use fossil fuel-based energies, the *risk of negative impacts is greater when there are high levels of existing poverty and inequalities* and when no action is taken to mitigate potentially adverse side-effects.
- Possible negative distributional impacts of carbon pricing can be mitigated by *adapting the design of the policy and using a portion of the carbon revenues* to offset detrimental effects.
- Efforts to minimize distributional impacts *should not undermine the ultimate objective of reducing emissions*.

1. INTRODUCTION

Carbon pricing policies that are aligned with the Paris Agreement objectives will have positive and negative socio-economic impacts on society.

Impacts of unabated climate change are expected to disrupt economic development and disproportionately affect the poorest parts of the population, especially in lower-income countries.¹ In response, through the Paris Agreement, the international community pledged to limit global warming to well below 2 degrees Celsius above pre-industrial levels.²

Carbon pricing has been highlighted as a crucial prerequisite for effective climate change mitigation.³ Carbon pricing is essentially a payment required to emit one ton of CO₂ into the atmosphere. This makes production or consumption of carbon-intensive goods and services more expensive. While carbon pricing policies aim to shift behavior towards low-carbon alternatives, they can also result in unintended distributional effects for households, especially when lower-cost alternatives are not available. The negative distributional impacts can be offset through specific policy design choices, but efforts to do so should not undermine the goal of incentivizing emissions reduction. Figure 1 shows different routes through which carbon pricing can affect households, depending on CPI coverage.

1. CPIs are an important part of climate action (reminder, general agreement)
 2. Distributional impacts (and other drivers) majorly differ among specific CPIs
 3. Impacts largely depend on the use revenues, and the transparency of the pricing approach
 4. Efforts to address distributional impacts should not weaken climate action
- >> Yes, and so?



Recent Lessons on Communicating CPIs

(guide launched at COP24)

— GUIDE TO —
COMMUNICATING
CARBON PRICING

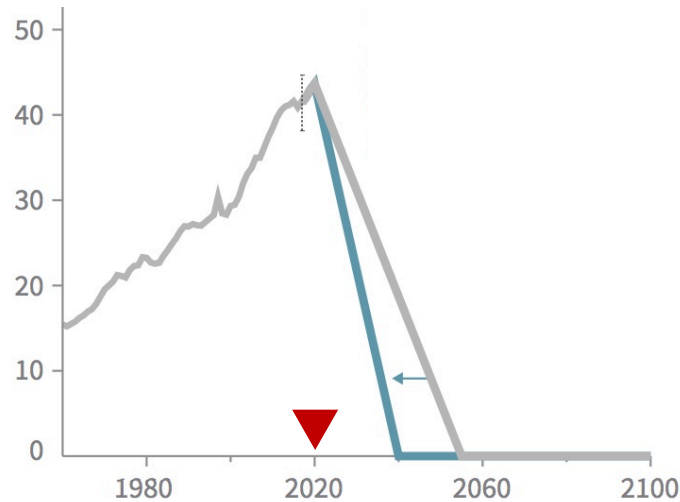


1. Communication must be considered a key driver of carbon/emission pricing success
 2. Communication provides the means for building acceptance (with voters, stakeholders)
 3. Good communication requires good policy
 4. Fair and transparent use of revenues are key in this respect, they build trust
 5. Keep it simple.
- >> Yes, and so?



Reminder on Urgency & Scale (IPCC)

Stylized net global CO₂ emissions (GtCO₂/yr)



30 years to net-zero!

1. Less than 30y to net-zero
 2. Net-zero means: All sectors, all emissions
 3. Trends thus far clearly indicate: Major change of gear needed
 4. General logic: Fast and large-scale action only works with simple and transparent policy design
- >> So: Focus on specific CPIs, test them, get them implemented and aligned internationally

Source: <http://www.ipcc.ch/report/sr15/>



Taking Action: Climate Dividend Policy Frameworks

(from theory to practice)

WHITEPAPER

Climate Dividend – the exponential way forward in emission pricing

Nick Beglinger, Cleantech21 Foundation
with contributions from Joseph Robertson, Citizens' Climate Lobby
reviewed by Lea Trogrlic, Economists for Future

March 2019 / Update March 2020

ABSTRACT:

Climate action is urgent. To keep global warming below 1.5°C, exponential progress is needed — including both technological and regulatory innovation. For the latter, the pricing of all emissions is key. Putting a price on global warming pollution provides the right incentives to the mainstream of market participants. However, a 1.5C-compatible pricing strategy will not be achieved by 'more of the same', but actually requires a paradigm shift on how to price emissions. A sober analysis of achievements to date, the likely future roll-out potential of current approaches, as well as the latest findings on communication and competitiveness issues, indicate that neither point-of-consumption emission taxes nor emissions trading systems will lead to the necessary exponential decarbonization. According to this analysis, Climate Dividend Frameworks (CDFs), collecting an incentive fee on all GHG emissions at source, and redistributing income back to households, on the other hand, show great potential regarding all critical emission pricing success metrics. The advantages of CDFs are their simplicity, the fact that they avoid dissuasive policy discussions on the use of funds, and their salient income distribution effect. In order to make the most of the CDF opportunity, this 'third way' of pricing emissions should be systematically advanced with a dedicated international advocacy body, making available resources to conduct and coordinate relevant research and to ensure the delivery of use-case insights to policy-makers.

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ABOUT THE AUTHOR

Nick Beglinger is the CEO of Cleantech21 ([@nickbeglinger](#)), an independent, Swiss not-for-profit foundation operating since 2008. C21 has launched Switzerland's first green business association and was one of the first to address the potential of fourth industrial revolution technology for climate action with organizations such as UNFCCC and the World Bank in 2016. C21 is the initiator of the government-funded [Climate Ledger Initiative](#), the [climate policy exchange](#), the private-sector [#Hack4Climate](#) innovation program, as well as a co-founder of the [Climate Chain Coalition](#).

1. Climate Dividend, a specific CPI approach (excelling on simplicity and fairness)
2. White paper 03/2019 (also drawing attention to the lack of attention of this 'third way' of pricing...vs. tax and ETS)
3. Hackathon 12/2018 (kick-starting work on enabling technology)
4. Partnership with Citizens Climate
5. Support by Government of Switzerland



Swiss Experience

(positive, limited)



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

1. Climate Dividend type policy in placed since 2008
2. Fee on all heating fuels only (oil and gas)
3. Two thirds disbursed to households (annually, deduction on social security bill)
4. One third to building renovation fund
5. Currently at approx. USD100/tCO₂
6. Includes price-adaptation mechanism depending on achieve reductions



Effective Carbon Rates (OECD 2018) - ETS vs. Tax

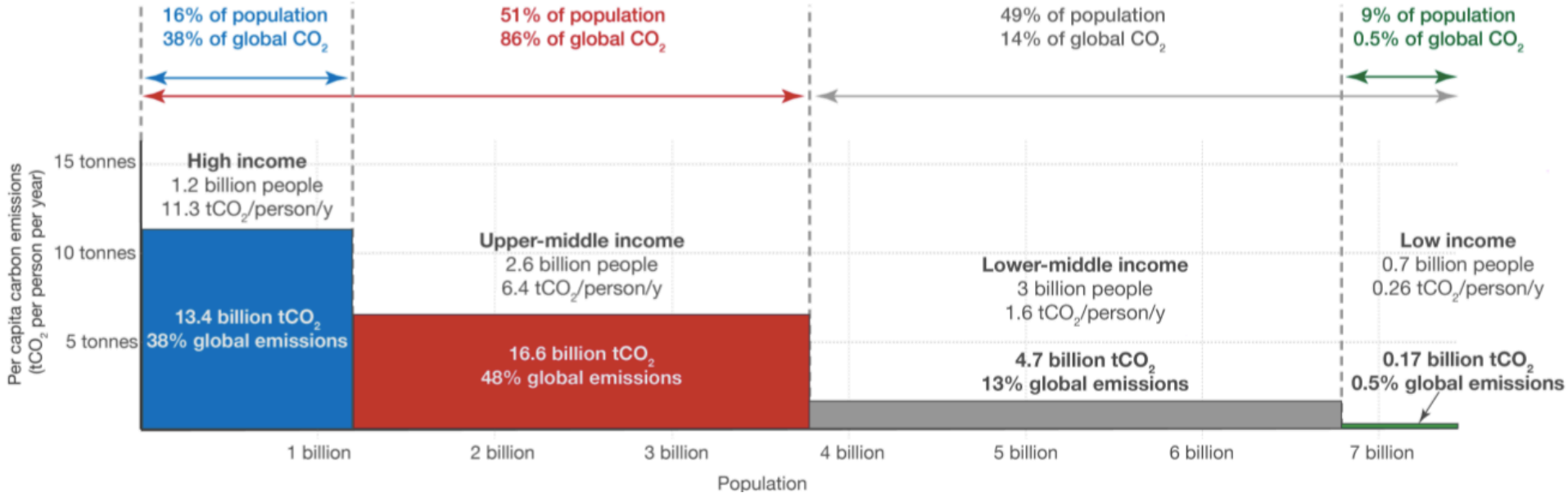
(time to focus on effective CPIs)

OECD Effective Carbon Rates (ECR)	Emissions			Share of ECR	
Sector/Emission Source, 2018	% Total	Priced	Unpriced	Tax	ETS
1 Agriculture & Fisheries	1%	50%	50%	98%	2%
2 Electricity	31%	66%	34%	19%	81%
3 Industry	37%	34%	66%	62%	38%
4 Offroad transport	2%	62%	38%	96%	4%
5 Residential & Commercial	13%	22%	78%	93%	7%
6 Road Transport	16%	97%	3%	99%	1%
Total	100%	NA	NA	89%	11%
				(price adjusted)	



Emission Budgets Among Global Income Groups

(big potential to be progressive/fair)



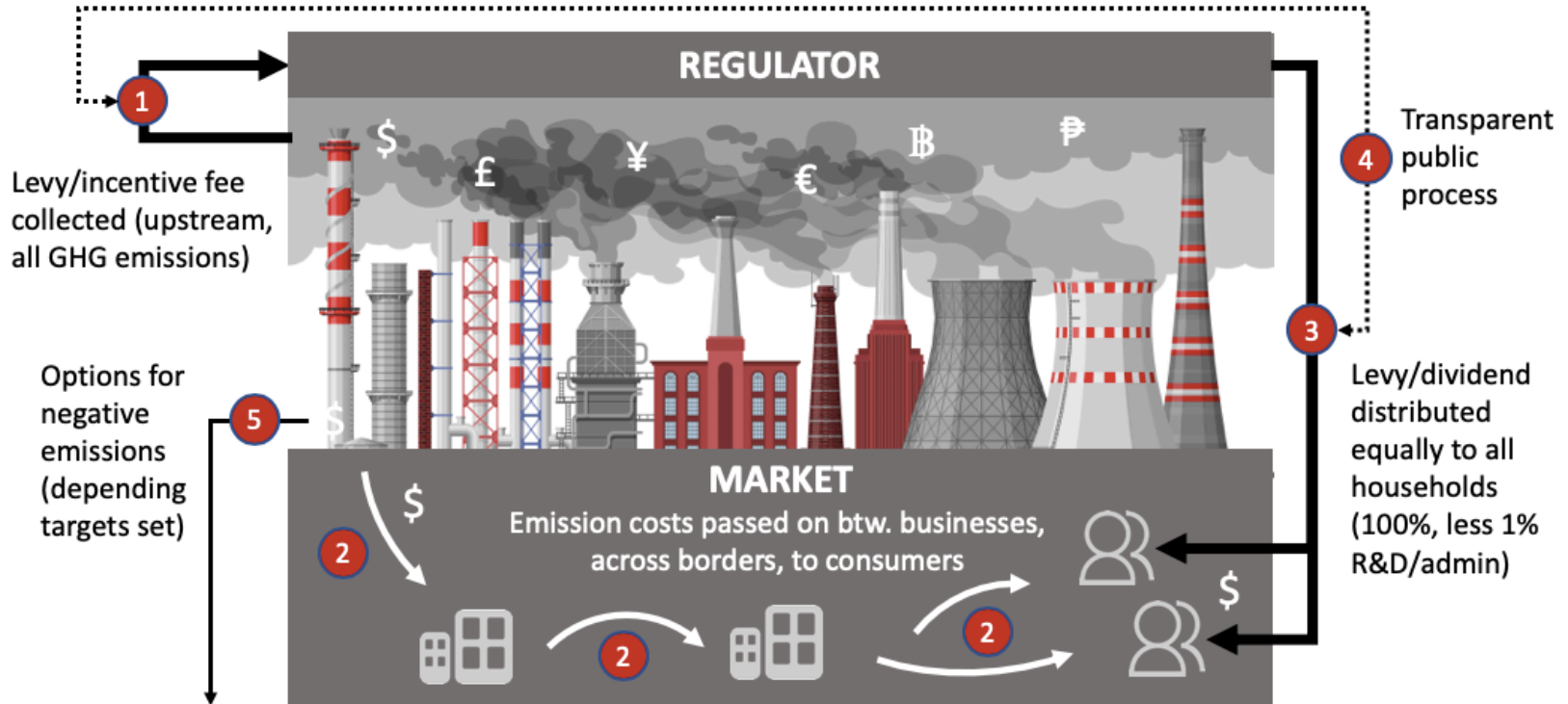
French Experience

(very just transition is key – incl. monthly pay-outs)



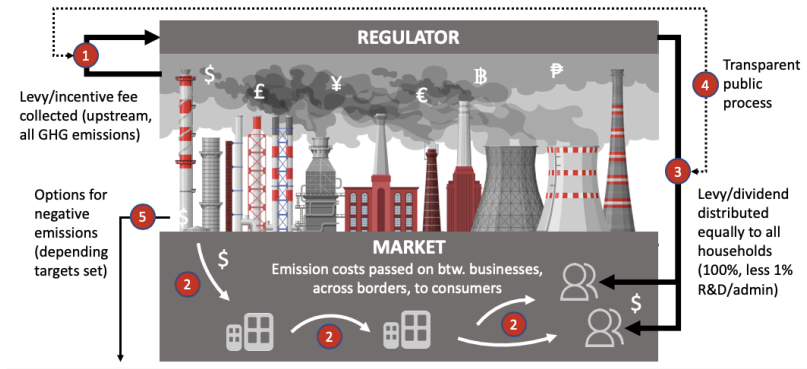
Climate Dividend Policy Framework (CDF)

(fair, simple/transparent – tech empowered)



CDF Advantages

(very simple, very fair, very efficient)



1. Simplicity:

- Communication (understanding, support)
- Implementation (practically/admin, avoiding disputes over use of proceeds)

2. Fairness:

- Communication (generating support)
- Implementation (making CDFs real)

3. Efficiency:

- All emissions, all emitters
- **Incentives** for all, actions bottom-up



Launched Today: ICDA

(International Climate Dividend Alliance, Swiss government support)



International
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1. International, not-for-profit organisation
2. Specifically promoting CDFs, towards global implementations (developed & developing countries)
3. Support from Swiss government ([press release](#))
4. Now seeking other government and non-government stakeholders as ICDA partners
5. Check out climatedividend.org



ICDA's Workstreams

(please come and participate)



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1. Communication
2. Collection (where, how)
3. Disbursement (how, distributional impacts)
4. Pricing approaches
5. International linking





Thank you!

nick.beglinger@cleantech21.org

[@NickBeglinger](https://twitter.com/NickBeglinger)