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What is the price of Carbon?

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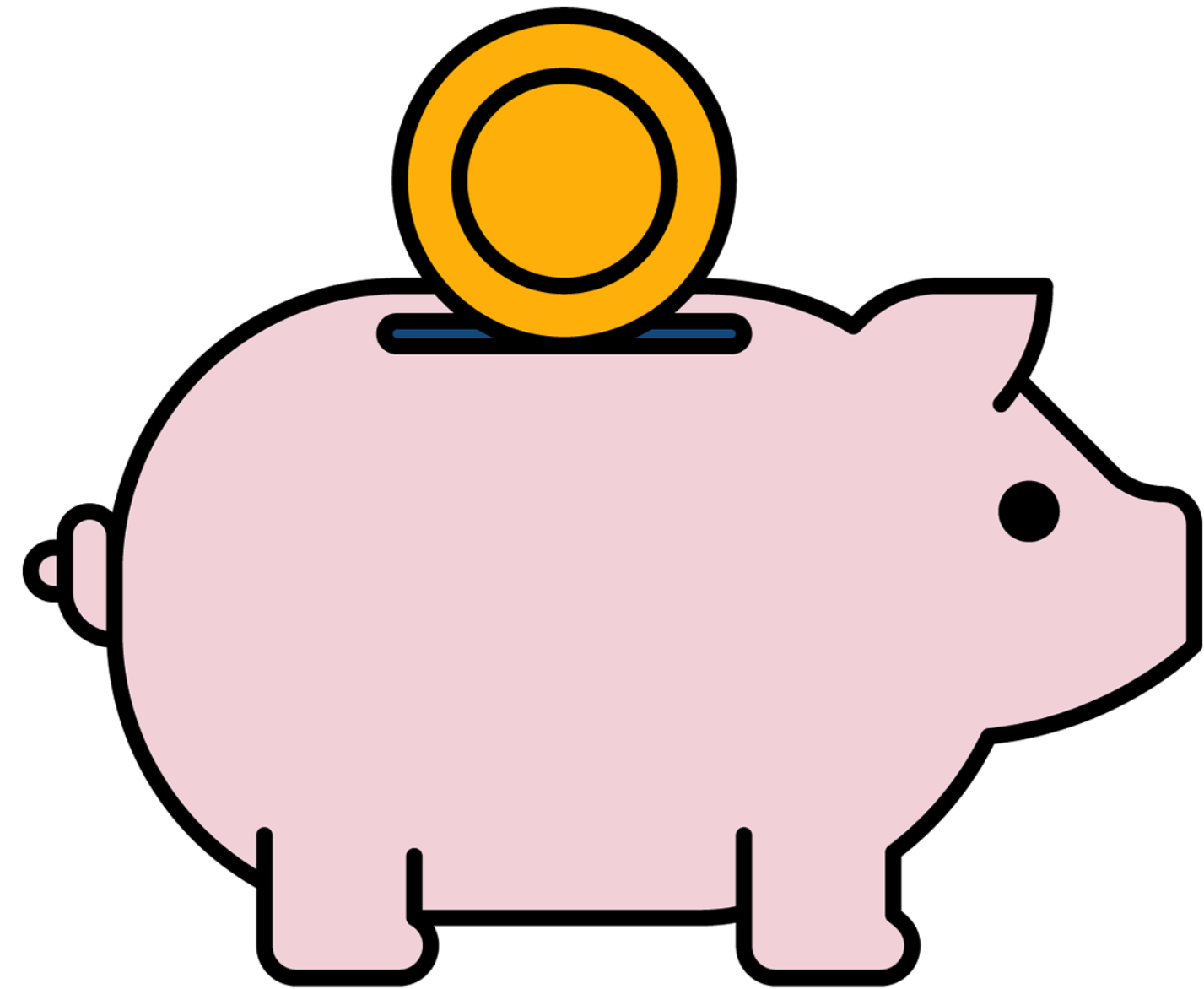


Agenda

What is carbon pricing?

Why to use carbon pricing?

How to determine the price of carbon in your organisation?



Carbon pricing and its types

Carbon pricing and regulations

Financial tool to reflect the social, environmental, and economic costs of climate change in financial decisions.

- An emissions trading system

Example: UK Emissions Trading Scheme

Participants are required to obtain and surrender allowances to cover their annual emissions.

- Carbon tax

Example: Carbon Border Adjustment Mechanism in European Union

Products coming from a country with a lower carbon price than the EU will pay a border tariff.

Carbon pricing on a corporate level

- Shadow price

Applies a cost of carbon to the decision-making process but the cost is not levied

Use case example: inform financial analysis of investments and evaluate capital expenditure decisions for new infrastructure

- Internal taxes, fees, or trading systems

Goal to collect additional revenue for GHG mitigations and other sustainability activities.

Use case example: extra fees charged for air travel.

Why put a price on carbon?

Will help your organisation to...

- achieve ambitious GHG reduction targets;
- prepare for potential regulations and demonstrate to your stakeholders your readiness;
- increase support and investment for energy efficiency projects;
- Influence internal behaviours.



How to put a price?

Events

How can you get started on your organisation's net zero journey?

Online, 26 September 2023, 11.30am - 12.15pm

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MEASURE your emissions

1

- Direct emissions: owned or controlled
- **Essential**
- Examples: boilers, cars, aircon

2

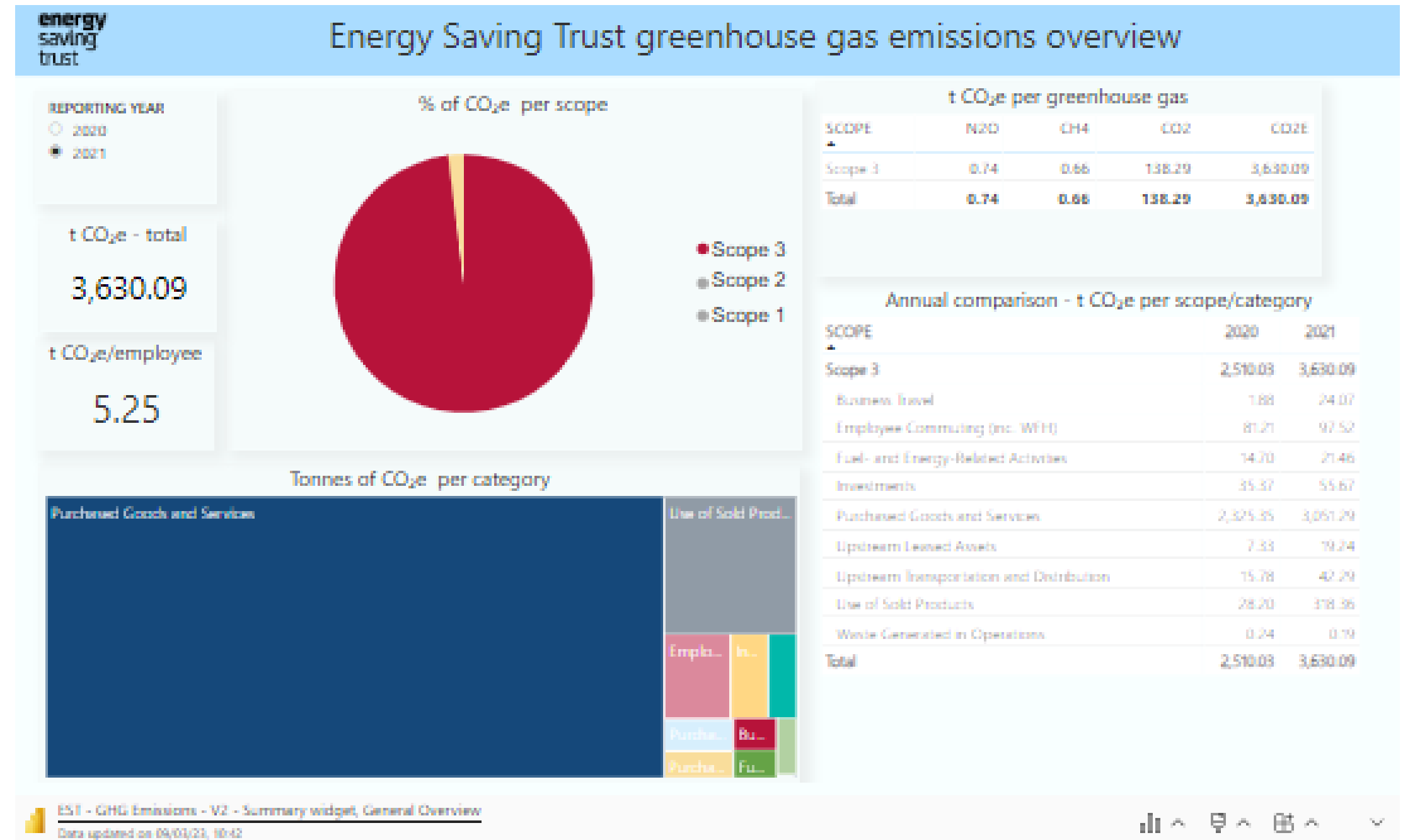
- Indirect emissions: purchased energy
- **Essential**
- Examples: bought electricity & heat

3

- Indirect emissions: value chain
- **Optional**
- Examples: travel, goods, assets etc.

PLAN your strategy

- Set your net zero targets and develop your strategy to achieve them and obtain an internal buy in.
- As a part of your strategy decide on whether you can utilise a carbon pricing mechanism to achieve your objectives

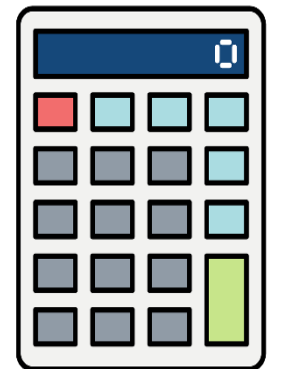


Develop your carbon pricing approach

- Get clarity on your objectives and select the carbon pricing approach you will use
- Establish your boundaries
- Derive your approach on how you will calculate your carbon price

Examples:

- Use shadow price to prepare for a future regulation. Align the price with the anticipated cost of emissions.
- To fund internal emissions reductions initiative, divide the yearly funding required by the amount of emissions.



ACT on your plans

- Start implementing your strategy and carbon pricing plan.
- Evaluate the results of the actions implemented and adjust the approach where necessary.

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Thank you

