



GHG Market Sentiment Survey 2018



This year's key findings:

1. High stakes in China: 71% of respondents believe that if China's ETS is not considered a success by the global community, the reputation of emissions trading worldwide will be affected.
2. Expected prices for the EU ETS in Phases 3 and 4 have increased for the first time in three years – to €15/tCO₂ and €22/tCO₂ respectively. However, over 50% of respondents do not believe the EU ETS Phase 4 reforms are sufficient to meet the 2°C goal of the Paris Agreement.
3. Governments worldwide need “to get real” on global climate ambition. Respondents believe that a carbon price of €50/tCO₂ by 2030 is needed to achieve the 2°C goal, which far outstrips their current price expectations.

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CLIMATE CHALLENGES
MARKET SOLUTIONS



Key findings from this year's survey:

1. **71% of respondents believe that if China's ETS is not considered a success by the global community, the reputation of emissions trading worldwide will be affected.** A similar percentage of respondents believe the launch of China's ETS will encourage other countries to implement a carbon price.
2. **Expected prices for the EU ETS in Phases 3 and 4 have increased for the first time in three years – to €15/tCO₂ and €22/tCO₂ respectively. However, over 50% of respondents do not believe the EU ETS Phase 4 reforms are sufficient to meet the 2°C goal of the Paris Agreement.** 72% of respondents now believe the UK will remain part of the EU ETS post-Brexit – double the amount compared with last year's survey.
3. **Governments worldwide need “to get real” if they are to raise global climate ambition.** Respondents believe that a carbon price of €50/tCO₂ by 2030 is needed to achieve the 2°C goal, which far outstrips their current price expectations.
4. **90% of respondents believe a cap-and-trade system will emerge within five years in Latin America.** There are also high expectations for broader Pacific Rim carbon market cooperation within the same timeframe.
5. **Ontario has dominated the most important carbon market developments in Canada over the last year.** Both the launch of its cap-and-trade system (and subsequent linking to the WCI) and the threat of its dismantlement in the upcoming provincial elections have grabbed people's attention this year.
6. **States are once more at the forefront of climate change action in the US:** 97% of respondents believe state regulation will be important or very important in driving private sector climate action in the US (vs 54% for federal regulation).
7. **Respondents are uncertain whether this year's UN talks will successfully agree the rule book for the Paris Agreement or the status of the CDM after 2020.** Furthermore, only 19% of respondents believe developed countries will mobilise the promised \$100 billion per annum of climate finance by 2020.

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The Sustainability and Climate Change team at PwC UK helps both public and private sector clients address the specific and immediate issues relating to sustainability, as well as with longer-term strategic thinking. The PwC global Sustainability and Climate Change network includes 700 people working in over 62 countries, with 100 based in the UK. You can find out more by visiting us at www.pwc.com/uk.

About IETA

IETA is a non-profit international business organisation, established in 1999 to promote market-based solutions to climate change. Our objective is to build international policy and market frameworks for reducing greenhouse gases at lowest cost, which deliver real and verifiable emission reductions with environmental integrity. To produce meaningful prices that drive change, we support market-based policies with effective emissions targets, clear rules and flexible compliance choices. See www.ieta.org for more information.



Message from the President and CEO of IETA

After the excitement of the Paris Agreement in 2015 and its entry into force in 2016, we are now deep into the debate over the “rules” of the future global climate deal. It’s been a year of implementation for Paris, for the International Civil Aviation Organization’s CORSIA market, and for the world’s largest cap-and-trade system, being developed in China. It’s also been a year of reforms for existing markets in the EU, California, New Zealand and South Korea.

We’ve had time to digest the political earthquakes of the Trump election and Brexit, and to observe the impacts they’ve had on environmental and climate policy. And while uncertainty has grown in some parts of the world, in others there have been encouraging steps towards adopting carbon pricing.

In Mexico, Colombia and other Latin American states, momentum is building towards launching market mechanisms; in Asia, Singapore, Taiwan and Japan are set to put a value on carbon emissions. And of course, we await details of China’s enormous cap-and-trade regime.

Perhaps the main feature of the last twelve months, however, has been the trebling of emission allowance prices in Europe, still seen as the benchmark for carbon for many. As we go to press, EUAs are trading above €14.50/tCO₂, compared to €4.50/tCO₂ a year ago.

Politicians in Brussels brought about a wide-ranging revamp of Europe’s market last year that aims to remove the current surplus and manage future supply. This has triggered a sharp increase in price expectations: a clear demonstration that well-organised markets do deliver, boosting the incentive to reduce emissions.

Yet Europe is also showing that the debate on carbon pricing never stands still: France has decided to impose its own floor price from 2022, much as the UK has done since 2013. With our polling showing that a large share of respondents see the need for floor prices, the discussion is likely to continue for some time.

And while the UK’s withdrawal from the EU remains very much a work in progress, almost three-quarters of our respondents this year believe that Britain will remain a member of the EU ETS. If it doesn’t, then the UK is seen as likely to link its own system to the EU’s, respondents said.

In the US, the past year has shown that subnational actions are the way forward as long as the federal government continues to resist carbon pricing. Almost all of our respondents this year highlight the importance of state-level action, which in turn downplayed the role of federal regulators.

California’s cap-and-trade system received a big boost last year when the post-2020 framework was agreed, while on the east coast, the Regional Greenhouse Gas Initiative also agreed a model rule for the next trading period.

Both markets are expected to grow as new states come on board, further underpinning the leadership roles that regions and subnational jurisdictions are playing.

North of the border, Canada is moving towards a nationwide system to ensure that every province and territory puts a price on carbon, which most respondents believe will be in place by 2019.

But carbon markets are only worth the effort if they help achieve the goals of the Paris Agreement. It’s clear from the responses to our survey that many of these markets have to up their game if they are going to help achieve net zero emissions by the second half of the century. There’s a lot to celebrate and anticipate, but also a lot more work to be done.

Thanks, and happy reading!

Dirk Forrister
President and CEO of IETA

About the survey

This year's IETA survey reflects on key issues and developments in the greenhouse gas (GHG) markets given a backdrop of significant political uncertainty. We designed the survey to assess key dimensions of market sentiment, such as future price and policy expectations. It was conducted among IETA members only, with more than one response per organisation possible, and open from Friday 13th April 2018 to Tuesday 1st May 2018.

We received responses from 119 IETA member representatives, from a broad range of locations and organisation types. Participants were given some freedom to select which sections and subject matter they answered on, and therefore a number of statistics are based on samples smaller than 119. Anonymous quotes from survey respondents are presented alongside the survey results.

The report consists of six sections, which reflect the key areas of focus for carbon markets in what has been an eventful year:

1. European Union
2. China
3. The Americas
 - Latin America
 - Canada & the US
4. Price Trajectories
5. Voluntary Carbon Markets, CORSIA and Blockchain
6. Talanoa Dialogue & UN negotiations

Figure 1: Location of survey respondents

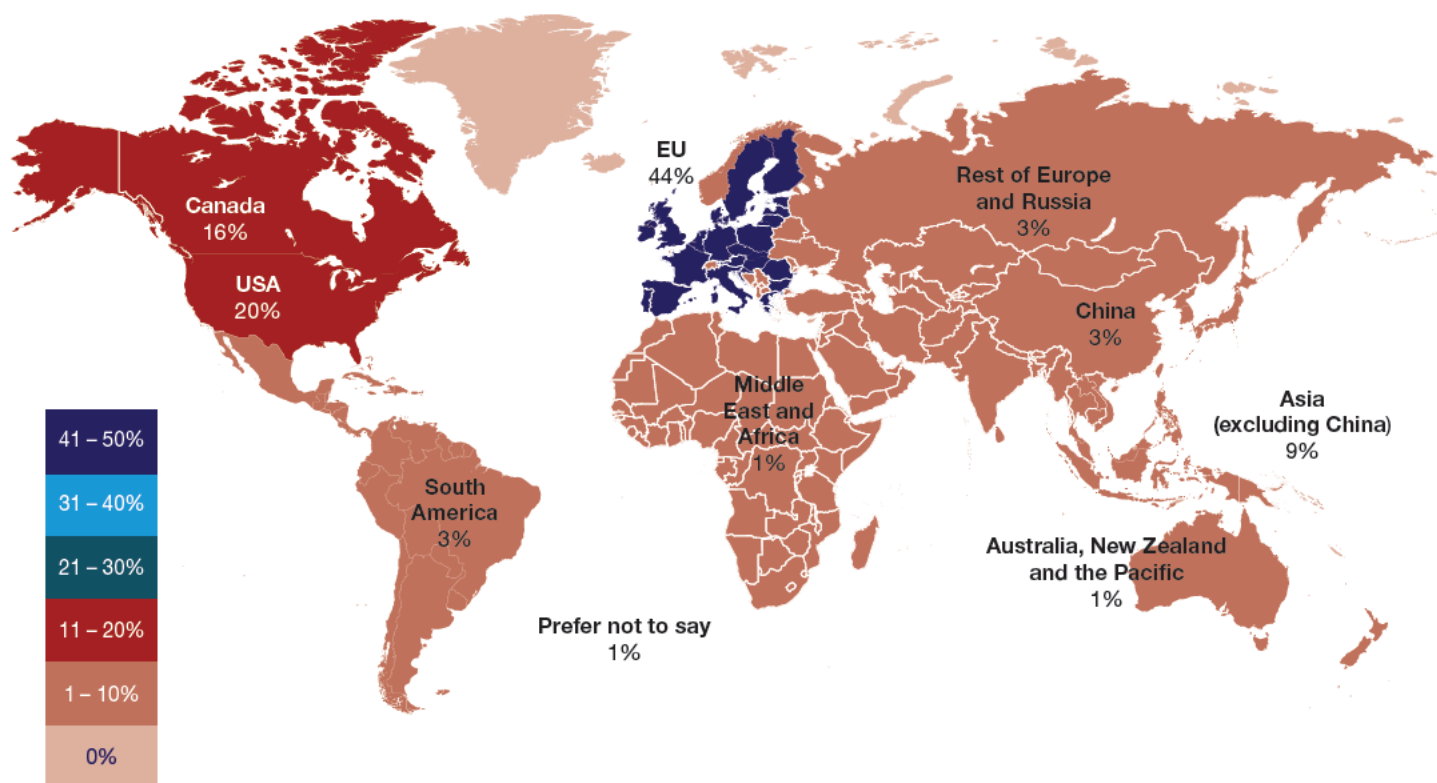
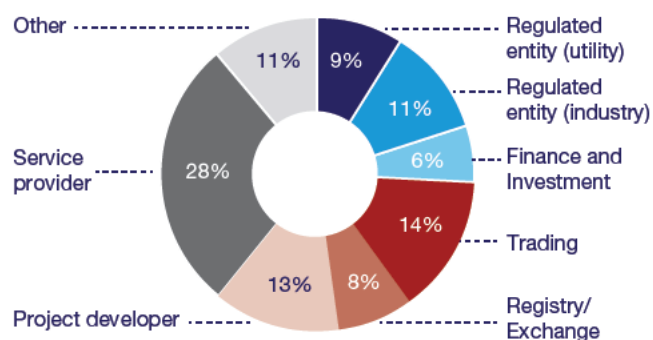


Figure 2: Type of organisations responding to the survey



1. European Union

In the last 12 months, the EU ETS carbon price has almost tripled from €5/tCO₂ to a peak of €14.96/tCO₂ on the front December contract on 15th May 2018, its highest level in seven years. This rally is partly attributed to member states' approval of the Phase 4 EU ETS reforms in February. These reforms aim to strike a balance between climate ambition and protecting EU industrial competitiveness. The three pillars of the reforms are to increase the pace of emissions cuts, to develop better targeted carbon leakage rules and to fund low-carbon innovation and energy sector modernisation.

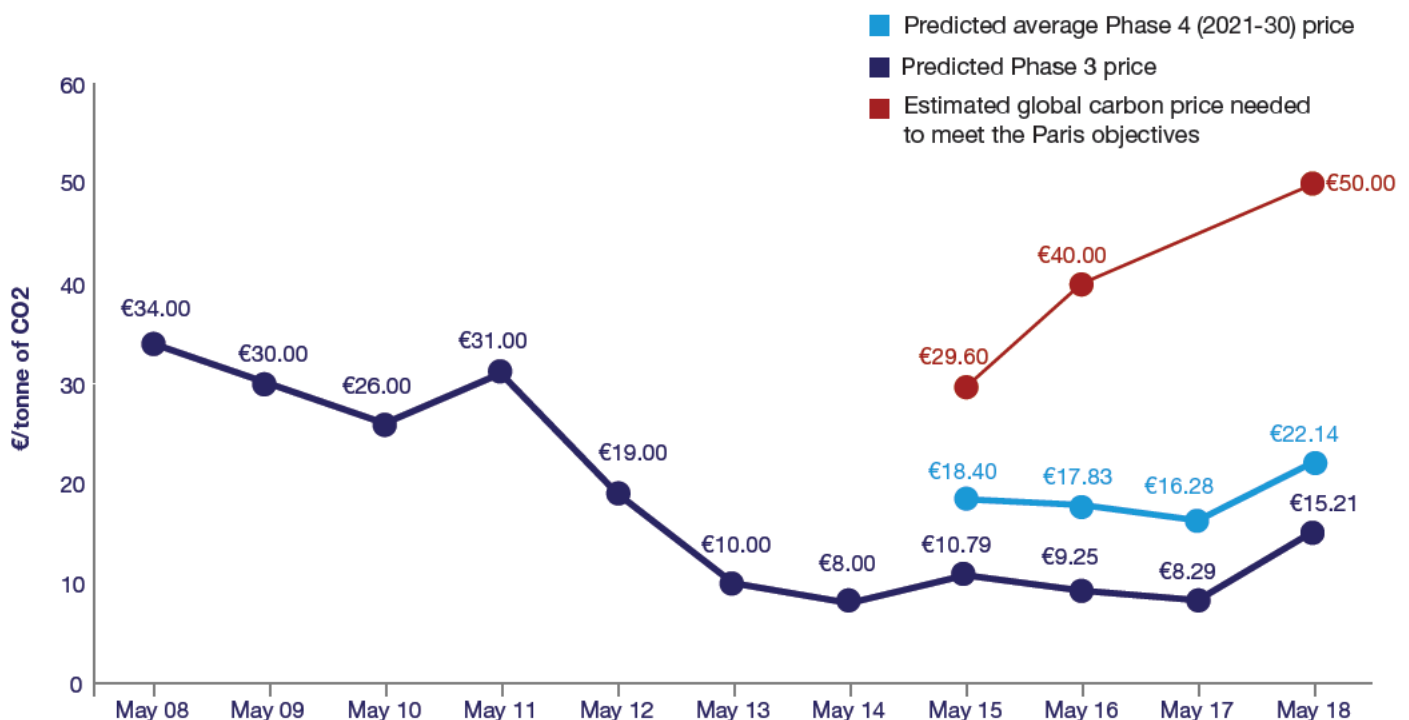
Significant average carbon prices uptick

In line with the recent bullish streak for EU allowances, respondents' expectations of the average carbon price for Phase 3 (2013-20) also bucked the trend (Figure 3). Price expectations increased significantly, something that has happened only three times in the last 10 surveys. While this

year's price expectation for Phase 3 of €15.21/tCO₂ remains some way off the €30/tCO₂ region predicted during Phase 2 (2008-12), it represents a significant jump from the €8-10/tCO₂ range in which expectations have been languishing for the last five years. The expected Phase 4 (2021-30) price of €22.14/tCO₂ similarly marks an increase for the first time in three years and has reached its peak since first being polled in 2015.

This figure is broadly in line with European Commission's own predicted average price of €25/tCO₂ in Phase 4; however, it is well below the price range advocated by the High-Level Commission on Carbon Prices (led by Stiglitz and Stern). In May 2017, they suggested that a price in the range of €43-85/tCO₂ is needed by 2030 for the EU to achieve the Paris temperature target. On average, respondents believed €50/tCO₂ would be the required global carbon price by 2030 to achieve the 2°C goal (a sizeable increase on earlier years), which sits within the lower bound of the High-Level Commission's recommendation.

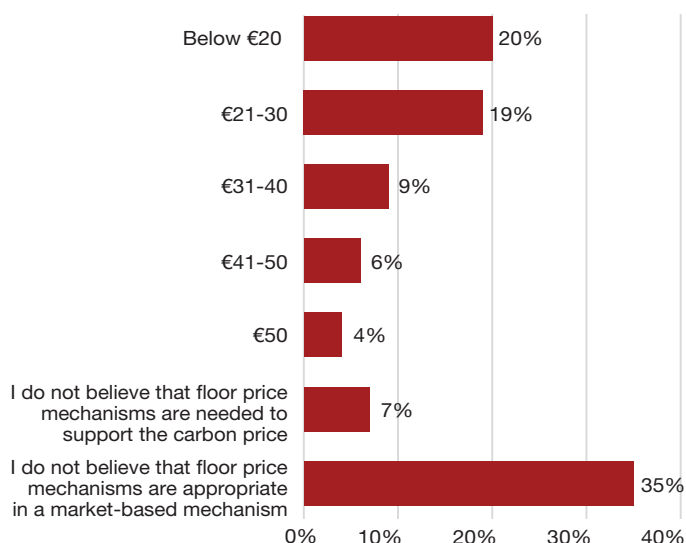
Figure 3: Average carbon price expectations for the EU ETS over successive surveys



Carbon price floors remain contentious

A narrow majority of respondents agree that floor price mechanisms are needed (Figure 4), but are split over which price band these should fall within. Most believe the floor price should be set above or far above €20/tCO₂, which suggests that the level of expected price increases shown in Figures 3 & 4 do not go far enough. However, just over a third of respondents do not believe that floor price mechanisms are appropriate in a market-based mechanism; a further 7% do not think they are needed to support the carbon price. With nearly half of respondents against them, it is clear carbon price floors continue to divide opinion. Nevertheless the UK already has a national price floor of £18/tCO₂ (€20.58/tCO₂ as of May 15th 2018), while France has committed to set its own of €44/tCO₂ from 2022 and has also called on EU nations to adopt a regional carbon price floor.

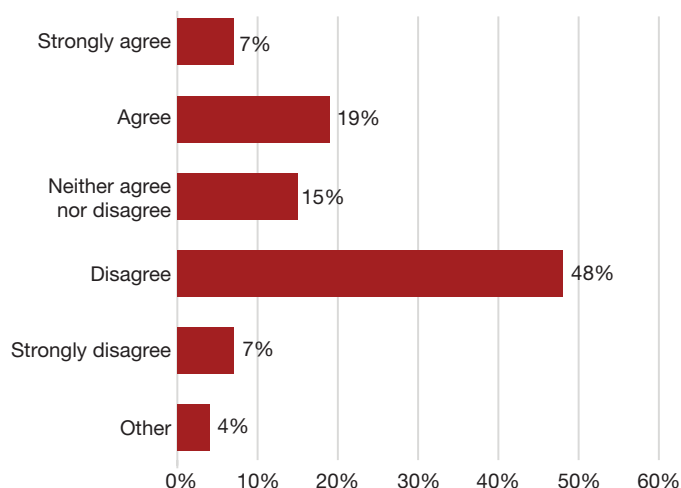
Figure 4: Do you think floor price mechanisms are needed, and if yes, what level should they be set at?



The EU not aligned with Paris goals

Over half the respondents disagree that the Phase 4 reforms are sufficient to meet the Paris Agreement goal of keeping warming to well within 2°C; just over a quarter believe they are (Figure 5). This is nearly the opposite of last year's results (where 59% agreed and 28% disagreed), despite the lower expectation of future carbon prices at the time. It is possible that, with the Phase 4 reforms having since been finalised, respondents who were optimistic last year have changed their minds now the extent of the reforms' ambition has been confirmed. This sentiment is strengthened by the selection of "Revising Phase 4 targets to align with any increased ambition in the EU's NDC post 2020" as the most important future climate policy priority for the EU by almost a third of respondents (31%), with a further 17% opting for "The review of the EU's 2050 Low-Carbon Roadmap".

Figure 5: The post-2020 EU ETS reform is sufficient to align the EU's carbon market with the Paris Agreement goal of limiting warming to well below 2°C



“The EU now needs to work on increasing its 2030 target and using international market mechanisms to help achieve this increase.”

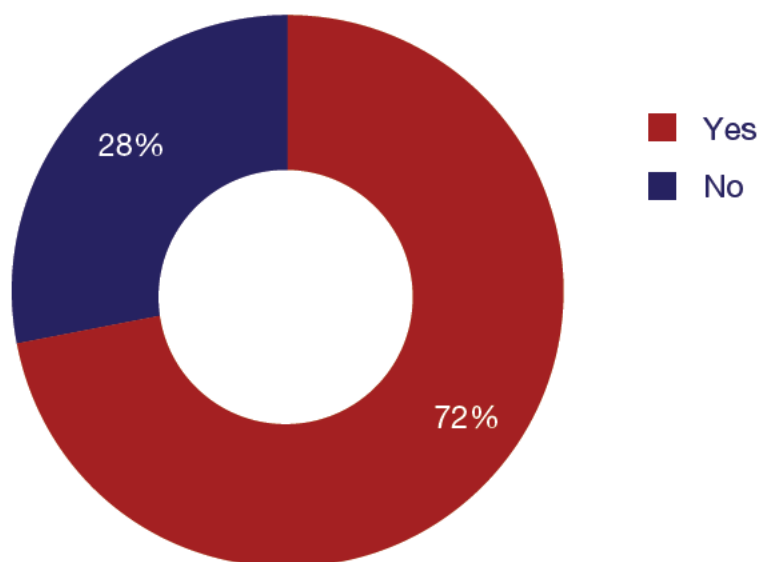
Phase 4 reforms to tackle the issue of oversupply

On a more positive note, over half the respondents (56%) agree that the Phase 4 reforms will be effective in tackling the key issue of oversupply of allowances in the EU's market. The EU has said it will achieve this through a doubled Market Stability Reserve (MSR) withdrawal rate (i.e. it will absorb the allowance surplus at a quicker rate) from 2019-23 and by reducing the cap by 2.2% annually from 2021; at present the cap declines by 1.74% per year.

UK to stay connected to the EU post-Brexit

Responses to the UK's stance on the EU ETS post-Brexit have also changed radically since 2017. Perhaps this is in response to the UK's wider climate goals and a more pragmatic narrative developing around Brexit. In last year's survey, only 36% of respondents believed the UK would remain a part of the EU ETS, a figure which has exactly doubled to 72% this year (Figure 6). Of the respondents who believed the UK would leave, 60% expected the UK to create its own market, and a full 100% of these believed the UK would link this market to the EU ETS.

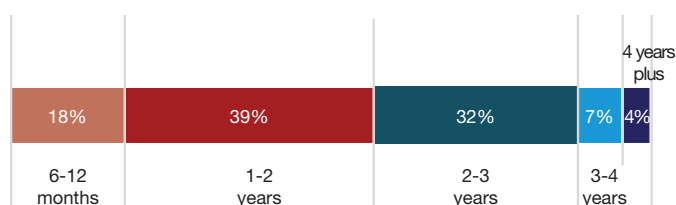
Figure 6: Do you expect the UK to stay in the EU ETS beyond 2020?



2. China

As the world's largest GHG emitter, China's commitment to launch the world's largest national ETS in 2017 was seen as a crucial development in the evolution of carbon markets globally and yet more evidence of its resolve to play a leadership role in climate action and market solutions to tackle climate change.

Figure 7: In what timeframe do you expect carbon trading to emerge in China's national ETS?



Starting as far back as 2011, the Chinese government launched a series of provincial ETS pilot markets to gain data and experience in anticipation of the national launch. This step-by-step approach is being continued with the national ETS. The government announced that the ETS will be launched in three stages, where stages one and two will focus on set-up and road-testing, before a full implementation for the power sector from 2020 onwards in stage three. Just over 70% of respondents expect carbon trading to have commenced within the next 1-3 years (Figure 7), implying a broad degree of confidence in the Chinese government's proposed timeline.

Establishing the ETS infrastructure

There was a relatively even spread in terms of views about potential stumbling blocks for the Chinese ETS. A common concern is establishing and successfully operating the necessary systems and infrastructure (Figure 8). The issue of Monitoring, Reporting and Verification (MRV) and the accuracy of emissions data has already proved challenging in some of the provincial pilots prior to the national launch.

Figure 8: Which two of the following do you believe pose the biggest challenge to the future implementation of the Chinese ETS in the coming years?



Chinese ETS to stick to the power sector in the immediate future

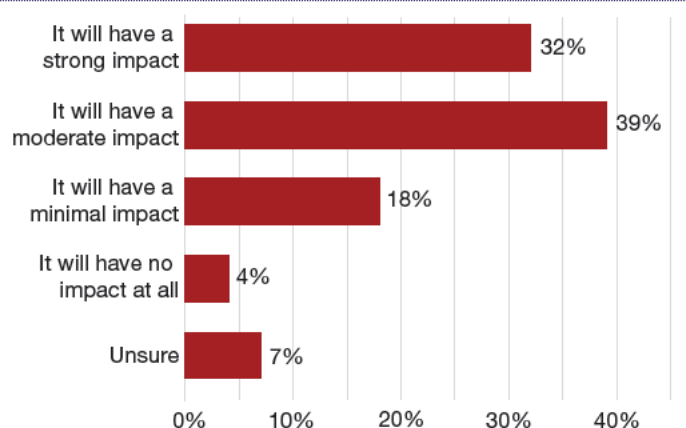
Initially the Chinese ETS will cover only the power sector, given its large contribution to GHG emissions and the relative ease of data gathering from the pilot schemes. Most respondents expect the ETS to expand to other sectors in the next 3-4 years (71%), with only 7% expecting this to take place in the next 1-2 years.

The success of the Chinese ETS of global importance

A clear majority of respondents (71%) believe that, if the Chinese ETS does not meet the expectations of the global community, this will have a moderate or significant impact on the wider reputation of emissions trading worldwide (Figure 9). This sentiment may be due to several factors. China's will be the largest ETS in the world and could act as a much-needed nexus to an otherwise patchy constellation of carbon markets across the globe. Also, as a major emerging economy, China is an example to others that are contemplating similar market-based policy approaches to tackling climate change.

China's role as a global influencer in carbon markets is further underscored by the fact that 68% of respondents believe the launch of China's ETS will encourage other countries to implement a carbon price.

Figure 9: If the ETS in China doesn't meet the expectations of the global community, what kind of impact will this have on the wider reputation of emissions trading?

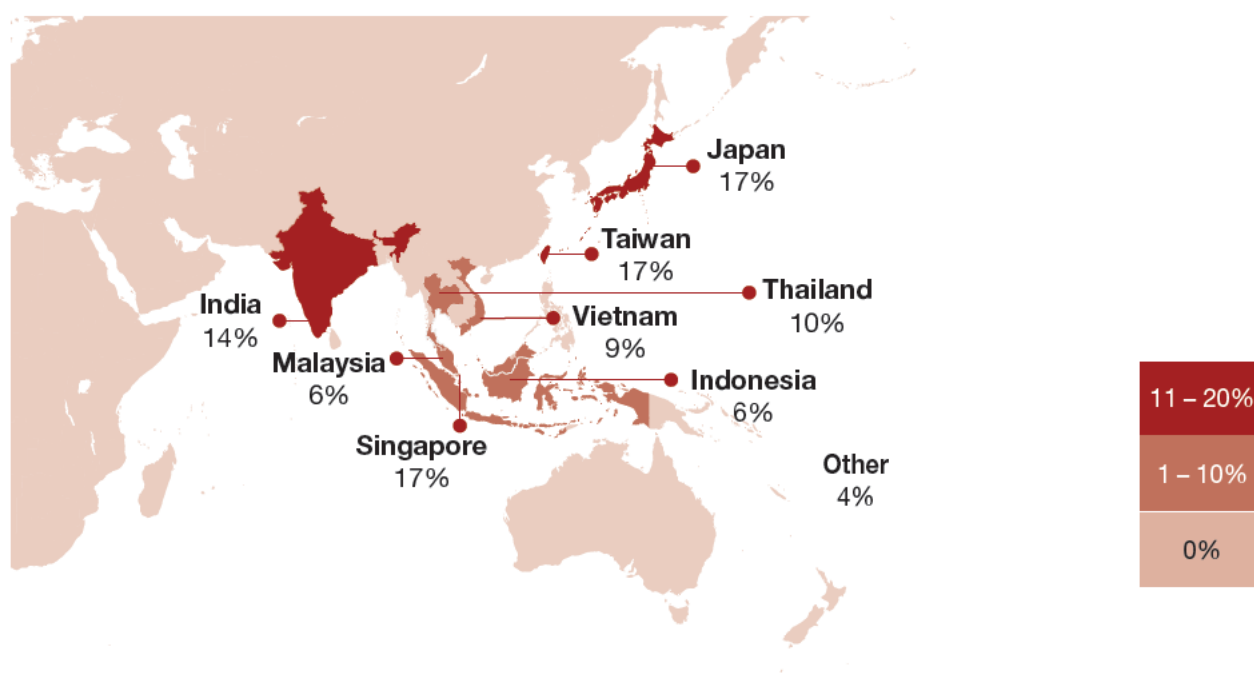


Carbon pricing progress in Asia – India playing catch up

Respondents believe the countries and regions most likely to introduce a carbon price (covering at least the electricity sector) in the next five years are Singapore, Taiwan and Japan (Figure 10), although it is hard to assess to what extent (if any) China's ETS may have influenced them. Of the three, Singapore has already committed to a carbon price of S\$5/tCO₂ from 2019 (approximately US\$3.75); Japan's environment ministry began drawing up proposals for a carbon pricing mechanism

in March this year; while Taiwan has committed to the launch of a domestic ETS, most likely by the end of the decade. India, which would likely have a larger impact on emissions reductions were it to introduce a carbon price as it is the world's third-largest emitter, was voted the next likeliest, but for now there appear to be few policy hints suggesting this will materialise in the specified timeframe.

Figure 10: Which of the following countries/regions do you expect will implement a carbon price (covering at least the electricity sector) in the next five years?



3. The Americas

Latin America

Carbon Market Growth & Cooperation in Latin America

Latin America has made considerable progress on carbon markets over the last year. In June 2017, the Presidential Cali Declaration was signed by the Pacific Alliance, comprising Chile, Colombia, Mexico and Peru. Since then, the group has established committees to promote policy coordination. The Declaration has spurred increased efforts across the four nations to ensure compatibility on GHG MRV, and it commits them to develop a regional voluntary carbon market. This represents a step-change for the region that could serve as a blueprint for wider cross-border collaboration in Latin America.

The Declaration also helped to pave the way for the Carbon Pricing in the Americas statement in December 2017, which saw leaders from North and South America champion carbon pricing as a key economic and environmental policy instrument for ambitious climate change action. Perhaps emboldened by these announcements, 90% of respondents now believe a cap-and-trade system will emerge within five years in Latin America (with responses skewing towards the 2-5 years range – Figure 11).

Mexico, Colombia and Chile leading the charge on carbon pricing

According to respondents, the two most important carbon market developments in Latin America over the last year were the Mexican climate change law mandating a cap-and-trade programme and Colombia's introduction of a tax-and-offset programme (Figure 12). This suggests that, despite the Cali Declaration's symbolic impact and its extensive scope, respondents may be more impressed by concrete national legislative action than high level statements. Supporting this point is the fact that the introduction of Chile's carbon tax in the last year ranked joint third with the Cali Declaration, despite its considerably smaller scope.

Figure 11: How long do you think it will take for the first cap-and-trade system to emerge in Latin America?

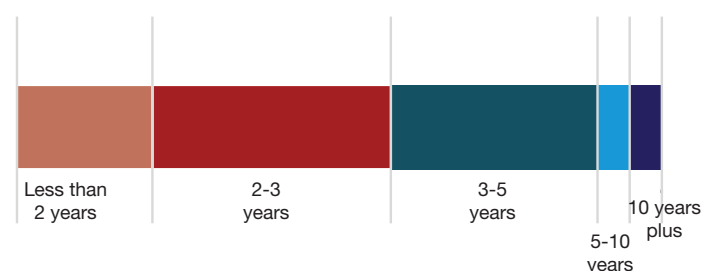
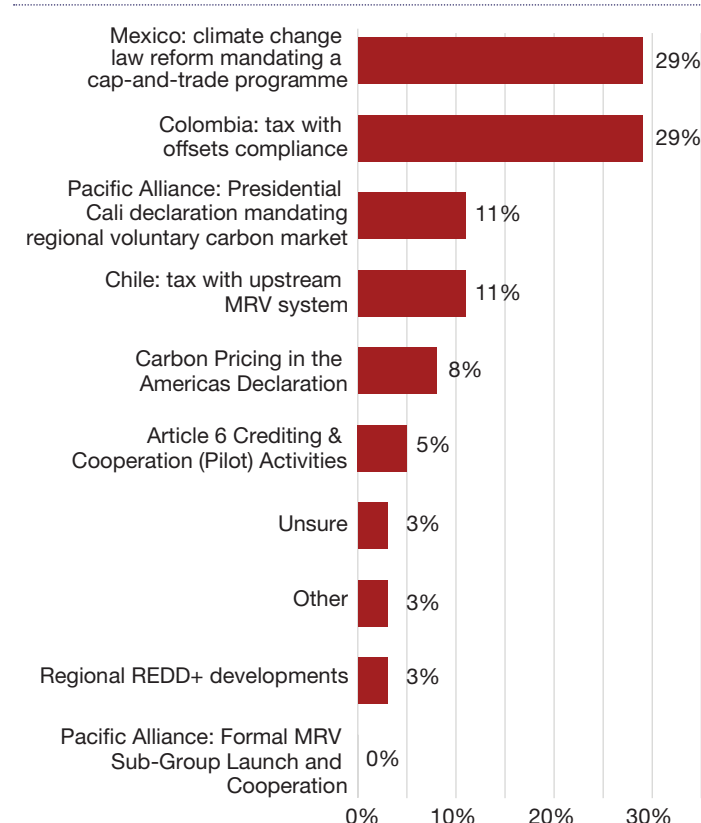


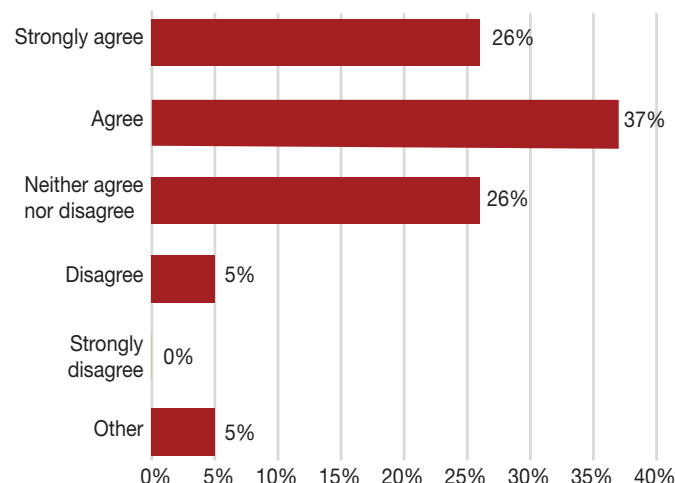
Figure 12: Which of the following do you consider to be the two most promising carbon market developments in Latin America over the last year?



Pacific Rim cooperation on the horizon?

As a result of promising market developments over the last year, expectations for broader Pacific Rim carbon market cooperation in the next five years are high (Figure 13).

Figure 13: To what extent do you agree that recent Latin America and Asia-Pacific market developments pave the way for broader Pacific Rim carbon market cooperation in the next 5 years?



Canada & the US

In the US, the pendulum has swung back to states and regions taking the lead on climate action. This follows US President Donald Trump's announcement in June 2017 to withdraw from the Paris Agreement and the expected repeal of the Obama-era Clean Power Plan. State-level action has been supported by a coalition of US cities, business leaders and universities that have been galvanised into action by the President's aforementioned withdrawal.

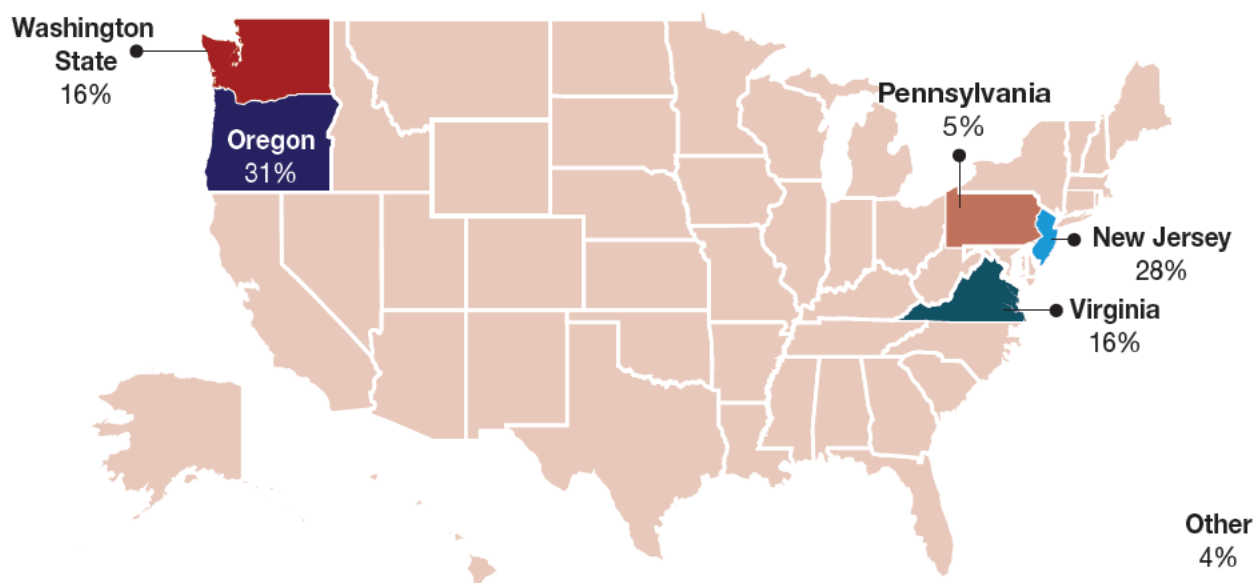
New Jersey and Oregon the next likeliest ETS candidates

There has been a flurry of ETS activity spurred in part by President Trump's decision. Respondents believe the states of Oregon and New Jersey are the two most likely to launch new cap-and-trade systems or link to existing ones in the next 2-3

years (Figure 14). After failure to pass cap-and-trade legislation in February 2018, momentum is building for Oregon to do so in 2019. This is expected to link eventually with the California-Ontario-Québec market. New Jersey's governor signed an executive order in January 2018 directing the state to rejoin the Regional Greenhouse Gas Initiative (RGGI), having left the market in 2011 under the previous governor.

Similarly in November, Virginia (voted as the third likeliest state) proposed legislation to join RGGI by 2020 and would become the first Southern state to cap carbon if it passes. The potential addition of Virginia and New Jersey to RGGI would be significant, since their combined CO₂ emissions for 2016 represent approximately two-thirds of the combined total produced by the existing nine member states for the same year.

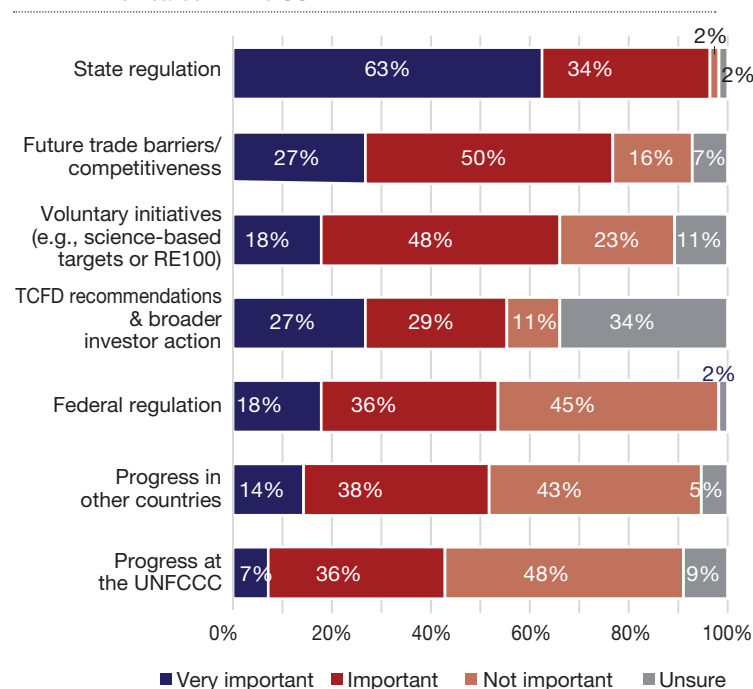
Figure 14: Which two of the following states do you think are most likely to launch new cap-and-trade systems or link to existing systems (WCI and RGGI) over the next 2-3 years?



States driving private sector climate action, business case not far behind

Underscoring the shift from federal to state-level action, 97% of respondents consider state regulation to be either very important or important in driving private sector climate action in the US (Figure 15), compared to 54% for federal regulation. Furthermore, 77% of respondents believe that future trade barriers and competitiveness concerns are either important or very important in this regard. The increased mainstreaming of carbon reporting and shareholder activism is enough to see 56% of respondents cite recommendations from the Task force on Climate-related Financial Disclosures (TCFD) and broader investor action similarly as important or very important.

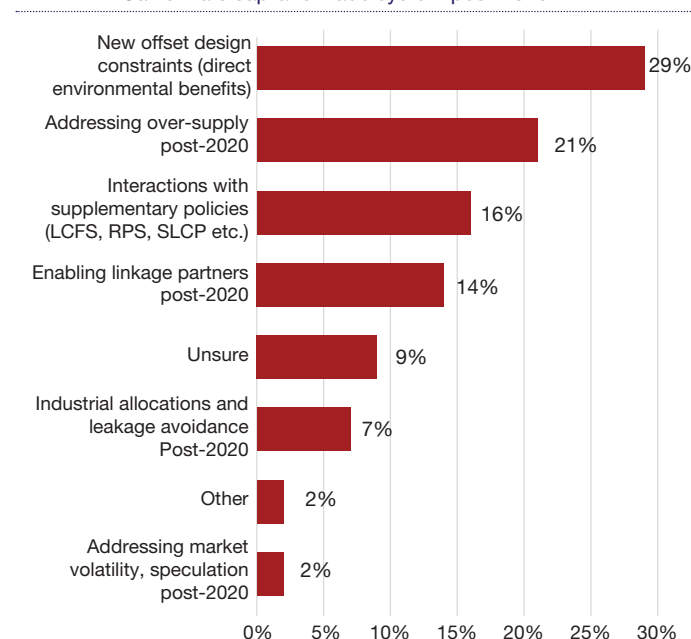
Figure 15: How important are the following in driving private sector action on carbon in the US?



Some progress, but a way to go for California

In July 2017, the state legislature voted to extend California's cap-and-trade market from 2020 to 2030; crucially, as this was approved by a supermajority (i.e. with enough votes to surpass a two-thirds threshold in the legislature) the threat of future legal action challenging the market's existence has disappeared. The clarity this has provided to businesses after years of uncertainty appears to be bearing dividends, with 57% of relevant respondents expecting to become much or moderately more active in the cap-and-trade system post-2020. New offset design constraints are considered the most important policy challenge for the market post 2020, followed by the contentious issue of addressing oversupply (Figure 16).

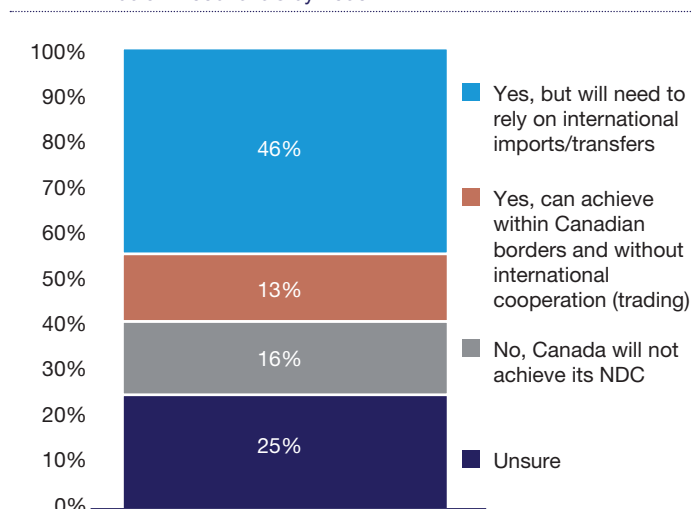
Figure 16: What do you consider the most important policy challenge for California's cap-and-trade system post-2020?



Canada is broadly on track

A majority of respondents (59%) expect Canada to achieve its Paris target of a 30% cut in emissions, compared with 2005 levels, by 2030. However this is a smaller proportion of respondents compared to last year (77%), and most respondents believe Canada will be reliant on international trading to achieve this target (Figure 17).

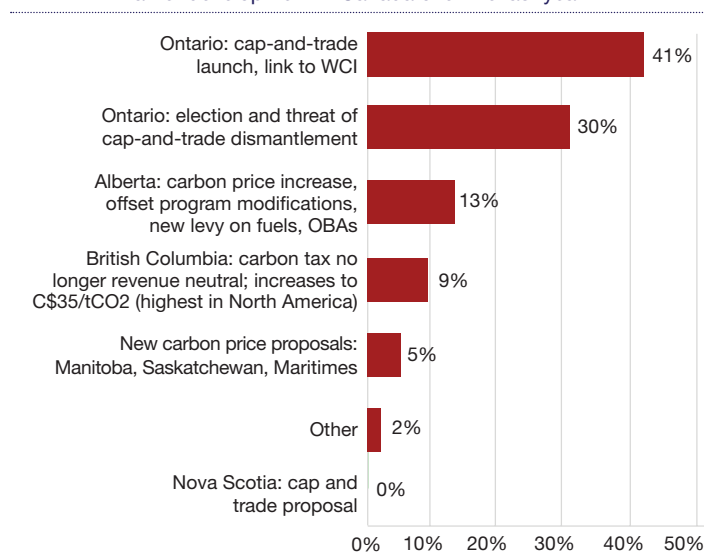
Figure 17: Do you expect Canada to achieve its NDC target of 30% below 2005 levels by 2030?



As one of the key pillars of the Pan-Canadian Framework on Clean Growth and Climate Change, respondents also seem broadly convinced (61%) that Canada will achieve its commitment to impose an explicit carbon price across every province and territory in 2019, with only 16% disagreeing.

Ontario takes centre stage

Figure 18: What do you consider the most significant provincial carbon market development in Canada over the last year?



Ontario has dominated the most important carbon market developments in Canada over the last year (Figure 18). The launch of the province's cap-and-trade system and its subsequent linking to the California and Québec markets as part of the Western Climate Initiative (WCI) is considered the stand-out event (41%). This market is now the largest in the world after the EU (and eventually China), creates significant administrative efficiencies and cost reductions, and is an important symbol of cross-border cooperation and sub-national action in the fight against climate change. By the same token, the threat of the cap-and-trade system's dismantlement by the Progressive Conservative leader of one of Ontario's main challenging parties in the upcoming election on the 7th June this year appears to be a very real concern for many respondents (30%).

4. Price Trajectories

Figure 19: What do you expect the average carbon price to be for each of the following ETSs in the periods 2018-20 and 2021-30?



For the first time, projected ETS prices for Mexico and South Korea have been added to the survey (Figure 19). The former's inclusion anticipates its upcoming cap-and-trade programme while the latter is an existing significant market. Respondents selected price ranges which were then converted into weighted averages.

The results are wide-ranging, and fall far short of the global carbon price of €50/tCO₂ that respondents believe is necessary to meet the long term objectives of the Paris Agreement (Table 1). Despite their different starting points, the price gap between the two time periods for each ETS remains relatively constant; only the South Korean ETS's increase (of €3.88/tCO₂) does not fall within the €5-7/tCO₂ range.

Responses in Table 1, showing the price needed to limit the global average temperature increase to 2°C, were given in freeform, before the median average was selected as in previous years. The figure of €50/tCO₂ represents a significant increase on earlier years. This could be partly attributed to a growing sense of urgency to undertake meaningful action, but also as a result of survey design – this question was omitted from our survey last year, making the gap between this year and 2016 perhaps seem larger than expected. Again, there was a broad range of responses; the minimum and maximum values were €15/tCO₂ and €160/tCO₂ respectively, perhaps reflecting the diversity of stakeholders surveyed this year (Figures 1 & 2).

Meanwhile, 62% of relevant respondents said they use an internal or shadow carbon price in their investment decisions, with the majority pricing this within the €20-39/tCO₂ range, while the remaining 38% said they did not use one at all. Of those not currently using one, not a single respondent was expecting to implement a carbon price in the next 12-18 months, possibly suggesting that IETA members who responded have made a decision on this issue for now.

Table 1: By 2030, what global carbon price/tCO₂ do you believe is needed to achieve the 2°C goal?

Median Average	Mean Average	Min Value	Max Value
€50.00	€51.17	€15.00	€160.00

5. Voluntary Carbon Markets, CORSIA and Blockchain

Voluntary carbon markets to grow, policy and demand issues loom on the horizon

69% of respondents believe corporate voluntary offsetting will increase within the next 5-10 years, with only 11% not expecting to see this trend (Figure 20). Reasons put forward for this change include shareholder pressure, public perception, TCFD and CORSIA developments, but perhaps most simply:

“The increasingly obvious need to do more to address climate change.”

The two biggest challenges facing voluntary carbon markets (VCMs) over the next year are policy uncertainties (24%) and insufficient demand for carbon credits (19%). Carbon accounting uncertainties also appear to be a concern (15%); indeed one respondent questioned if carbon credits could be claimed for carbon neutrality as part of a country's Nationally Determined Contribution, and whether VCMs would therefore be compatible with the Paris Agreement (Figure 21). Others were more concerned with the credibility of the offsets themselves, flagging the “environmental integrity of credits” as a potential issue.

Figure 20: Do you expect corporate voluntary offsetting to increase over the next 5-10 years?

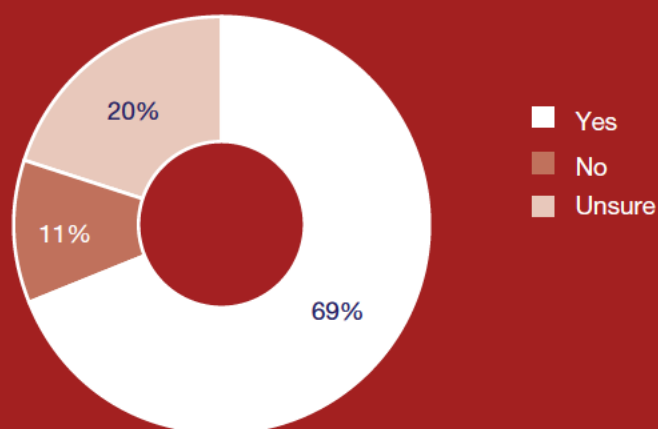
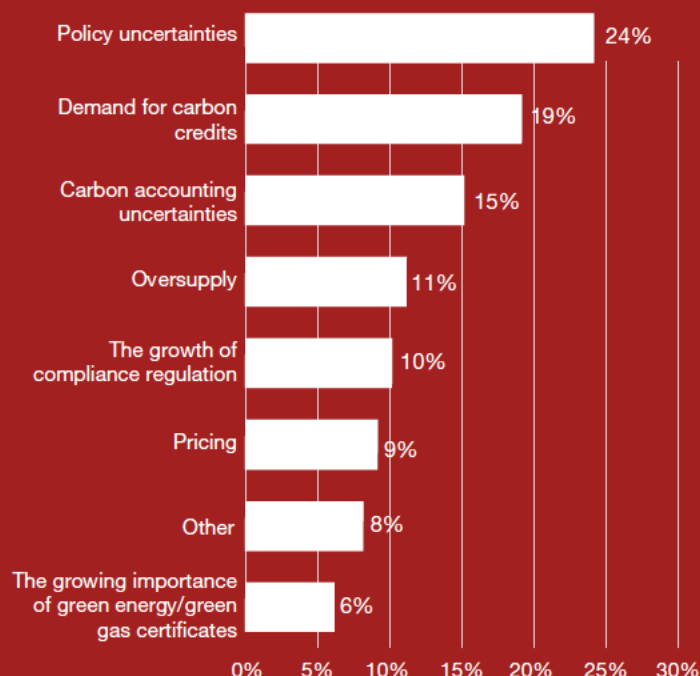


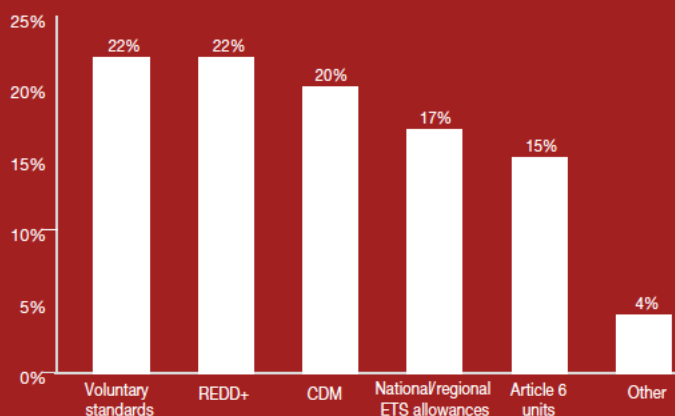
Figure 21: What are the two most important challenges facing the voluntary carbon markets in the next 12 months?



No clear frontrunner for CORSIA carbon units – and carbon markets yet to catch the blockchain bug

As in last year's survey, a relatively tight spread of answers can be seen in response to which carbon units airlines will source under CORSIA, with voluntary standards and REDD+ the joint top on 22% each (Figure 22). Meanwhile attitudes towards blockchain's impact on future carbon markets remain ambivalent: 32% of respondents believe it will have a moderate impact, a similar amount voted for a minimal impact, and a further 22% remain unsure, suggesting the technology is not ready to play a significant role yet.

Figure 22: What kind of carbon units do you think airlines will source for their compliance under CORSIA?

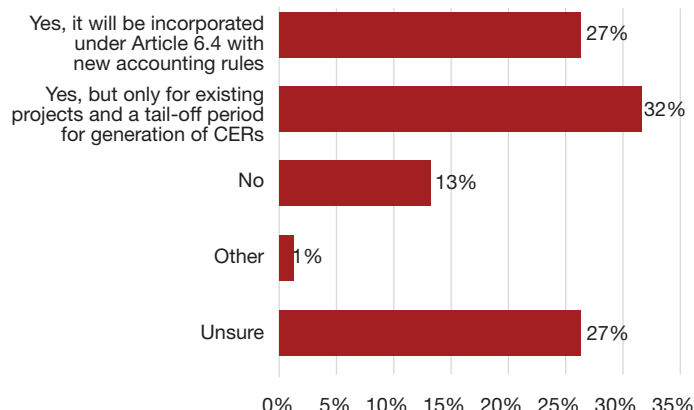


6. Talanoa Dialogue & UN negotiations

Uncertain futures for COP24 and the CDM

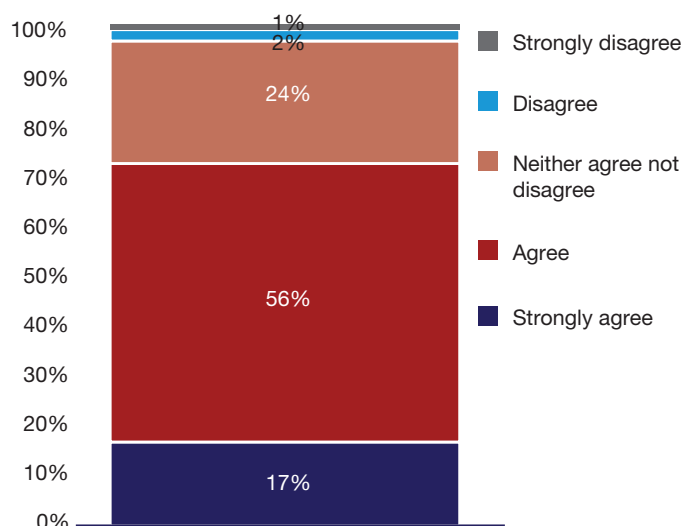
Looking ahead to December's COP24 in Katowice, respondents appear to be uncertain whether this will be a success (defined as Parties adopting the Paris Rulebook). The majority say they are unsure (39%) and only a small gap exists between those who believe it will achieve its goals (38%) and those who do not (23%). This uncertainty is also evident in responses to whether the CDM will operate beyond 2020 to serve the Paris Agreement (Figure 23). Although 59% think that it will, respondents are split over whether it will be incorporated under Article 6.4 (27%), or if it will continue for existing projects only, with a tail-off period for generation of Certified Emission Reductions (32%). A further 27% are currently unsure regarding the CDM's continued existence.

Figure 23: Will the CDM operate beyond 2020, to serve the Paris Agreement?



Article 6 to boost carbon markets – but developed countries to fall short of \$100 billion mark in 2020

Figure 24: To what extent do you agree with the following statement?
"Article 6 of the Paris Agreement will increase the use of carbon markets"



Respondents have clear views over Article 6's role in increasing the use of carbon markets, with 73% agreeing or strongly agreeing that it will expand the number of jurisdictions opting for a market-based mechanism (Figure 24). On a less upbeat note, almost half of respondents believe that developed countries will not mobilise the promised \$100 billion per annum of climate finance by 2020; only 19% think they will and almost a third remain undecided.

Despite the inaugural Global Climate Action Summit in September 2018 being framed as a critical milestone en route to COP24, 43% of respondents are also ambivalent about the importance of its outcome to their organisation. The same percentage, however, agree or strongly agree that it does matter, suggesting that respondents require some convincing of its merits, rather than disregarding it outright.

Talanoa Dialogue – governments need to “get real” about action on climate change

The survey also asked respondents for their views on the Talanoa Dialogue, launched by the Fijian Presidency at COP23 to discuss efforts to raise global climate ambition. The three main questions it asks are: where are we, where do we want to go, and how do we get there?

Responses covered a wide range of topics, some technical (“we need large investments in clean electricity grids”), some politically charged (“End the false dichotomy between developing and developed countries. China & Saudi Arabia are not Somalia”). Some advocated a radical shift in attitudes to climate change (“Massive PR effort to drive home stark scientific realities”, “Broader corporate education of the economic value of sustainability”). Respondents also touched upon individual countries, suggesting for instance that, without meaningful Chinese buy-in to climate action, the global community faces an uphill battle.

However, the overriding appeal is to meaningful political commitment and cooperation that is transparent, depoliticised and not stymied by aiming for perfection. Respondents also want to see governments make use of the regulatory tools they have at their disposal. This includes greater disclosure requirements on stock exchanges, regulatory carbon pricing systems, the faster roll-out of sub-national/national compliance markets and clear policy signals for renewable energy and energy efficiency. Ultimately, as one respondent succinctly puts it:

“Greater transparency in the conversation, genuine political commitment and a coordinated campaign to explain why this needs to happen.”

“The Paris Agreement represents a bulwark against the rising challenge to international cooperation and progress.”

“**Governments need to get real about their climate ambition.** They need to get the basics right and implement investable policies at the national level that align with their own NDCs and then with 2°C. **Discussion of 1.5°C is meaningless until they close the existing gap with 2°C.**”

Survey methodology

The survey was conducted by PwC UK using an online survey tool. The questionnaire was developed jointly by PwC and IETA. An email was sent out to all IETA members to invite them to participate.

The survey consisted of 36 questions, but participants were given some freedom to choose sections and subject matter that they felt most confident answering. The questions were predominantly multiple choice with the option of providing comments and alternative answers.

The survey opened on Friday 13th April 2018 and closed on Tuesday 1st May 2018. Reminders were sent out by email between these dates to increase the response rate.

As in last year's edition, unattributed quotes taken from the survey were presented alongside the survey results, thereby giving all IETA members the opportunity to contribute in greater detail.

It is important to make a few observations regarding the interpretation of data and the comparability of results between IETA GHG Market Sentiment Surveys conducted in different years.

Firstly, the sample size may differ between results. Secondly, since the first edition of the survey in 2005, different groups have been asked to participate. In the first four editions, only IETA members were asked to reply, by sending in one response per organisation. The mailing list was enlarged for the fifth and sixth editions of the survey, to include a wider range of GHG market participants and observers. The seventh survey, in 2012, was based on semi-structured interviews with key IETA members. In 2013, the original approach of surveying IETA members only was readopted. Since 2014, the survey has allowed multiple responses per IETA member company to gain a broader survey of sentiment amongst market participants.

It should also be noted that several questions in the survey gave participants the option of selecting multiple answers. Hence, not all percentages displayed throughout the report add up to 100%. Moreover, where participants were asked to rank choices, weightings were applied accordingly. Finally, due to rounding, the percentages displayed in graphs may sometimes show slight discrepancies with the text descriptions or appear to not add up 100%.

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IETA: Advancing market solutions for climate change

The International Emissions Trading Association (IETA) is a non-profit business organisation created in June 1999 to serve businesses engaged in the new field of carbon markets. Our objective is to build international policy and market frameworks for reducing greenhouse gases at low cost.

Our vision is a single global carbon price produced by markets of high environmental integrity. We pursue this vision with an eye to pragmatism, political reality and sound economics.

With deep relationships in key policy centres and commercial arenas, IETA is the collective voice for the full range of businesses involved in carbon markets – all around the world. Our membership includes leading international companies from across the carbon trading cycle.

Through expert engagement, we enable our members to capture opportunities, mitigate risks and manage the uncertainties of global emissions markets.

Our global platform offers a full suite of advocacy services, market tools, information and forums – helping members excel in ETSs around the world.

Further information is available at
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