



THE PRINCE OF WALES'S

CORPORATE LEADERS GROUP ON CLIMATE CHANGE
UNIVERSITY OF CAMBRIDGE PROGRAMME FOR SUSTAINABILITY LEADERSHIP

The Carbon Price Communiqué

In association with



With contributions from



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The growing variability, intensity and uncertainty of the Earth's climate is already affecting communities, markets and business operations.ⁱ A clear, stable, ambitious and cost-effective policy framework is essential to underpin the investment needed to deliver substantial greenhouse gas emissions reductions by mid-century. As business leaders, we believe that the certainty created by this policy framework and the investment it will unlock offers the prospect of increased business success and job creation in key sectors including energy, transport and the built environment.

However a convincing strategy to reduce emissions at a pace and scale commensurate with the 2°C goal agreed at the UN climate negotiations in Cancun, continues to evade the global community. Progress at both national and international levels, while laudable, remains piecemeal and inadequate.

The private sector invests trillions of dollars into energy and other infrastructure projects, but, in most cases the goal of reducing GHG emissions does not guide such spending. A more effective approach is required, one that provides the right incentives to shift this private investment and makes best use of the limited pool of public funds.

Putting a clear, transparent and unambiguous price on carbon emissions must be a core policy objective. Although there are a number of mechanisms that can be used to do this, as businesses we would focus on working through the market, utilizing approaches such as emissions trading which offer both environmental integrity and flexibility for business. A price on carbon will reveal the lowest cost pathway to existing emissions reduction goals and can open the door to increased ambition. Such increased ambition is vital if we are to *"prevent dangerous anthropogenic interference with the climate system"*ⁱⁱ. With the right approach a carbon price will also help engage consumers and incentivize behaviour change.

We therefore urge policy-makers to focus on introducing a clear carbon price framework in a stable and timely manner, namely:

- Make carbon pricing a central part of national policy responses.
- Work towards the long term objective of a carbon price throughout the global economy.
- Set sufficient ambition through internationally agreed targets to drive change at a pace commensurate with the 2°C goal.

To meet the longer term aspiration of embedding a carbon emissions price within the entire global economy, governments should work bilaterally and multilaterally to ensure common design elements between different market systems and to link up compatible systems. This will offer the greatest opportunity for business investment and deliver the maximum achievable ambition without unwarranted economic disruption. Importantly, the more carbon pricing is adopted and coordinated the more competitiveness concerns from industries that are energy intensive or internationally exposed such as aviation and shipping will be put to one side.

Effective carbon pricing offers the potential to mobilise finance at a scale that can impact the climate challenge. The investment signal of a strong carbon price leverages finance from the private sector and redirects it to lower emission outcomes.ⁱⁱⁱ Carbon pricing schemes can also provide public revenue to supplement private investment in the development and demonstration of new low-carbon technologies. However a key lesson from existing policies is that without sufficient ambition the carbon price signal will not effectively drive investment or raise significant funds.^{iv}

We recognise that carbon pricing can be contentious: in economic downturns businesses, consumers, and governments all worry about constraints on the economy. But experience has shown that carbon pricing as an approach can deliver greater emissions reductions at lower cost than predicted which in turn offers the opportunity for greater ambition.^v Despite some opposition, carbon pricing continues to attract attention as a means of flexibly reducing emissions in energy intensive sectors. Most recently it has been advanced developing countries and regions who are starting to implement cap and trade programs alongside other measures. This development should be applauded and the progress maintained and expanded. Carbon pricing should not be considered a silver bullet but in combination with other locally appropriate policies, the scope for change is enormous. We call upon policymakers nationally, regionally and internationally to show leadership and deliver this change and we look forward to working with them to do so.

ⁱ Carbon Disclosure Project. *Global 500 Report*. 2012. <https://www.cdproject.net/CDPResults/CDP-Global-500-Climate-Change-Report-2012.pdf> (accessed 01 October 2012). and Intergovernmental Panel on Climate Change. *Special Report on Managing the Risks of Extreme Events and Disasters to Advance Climate Change Adaptation (SREX) 2012*. <http://www.ipcc-wg2.gov/SREX/> (accessed on 1 October 2012).

ⁱⁱ United Nations Framework Convention on Climate Change. Article 2. S. Treaty Doc No. 102-38 (1992), (entered into force March 21, 1994) Article 2. 1992. <http://unfccc.int/resource/docs/convkp/conveng.pdf> (accessed on 1 October 2012).

ⁱⁱⁱ The World Bank. Carbon Finance Unit. *State and Trends of the Carbon Market Report 2012*. Cologne, Germany - May 30, 2012

http://siteresources.worldbank.org/INTCARBONFINANCE/Resources/State_and_Trends_2012_Web_Optimized_19035_Cvr&Txt_LR.pdf (accessed 1 October 2012).

^{iv} The Prince of Wales's EU Corporate Leaders Group. 'Letter to EU Decision Makers'. 15 December 2012 .

<http://www.cpsl.cam.ac.uk/Business-Platforms/The-Prince-of-Wales-Corporate-Leaders-Group-on-Climate-Change/EU-CLG.aspx>. (accessed 1 October 2012).

^v Kenber, Mark; Haugen, Oliver; Cobb, Madeleine. The Effects of EU Climate Legislation on Business Competitiveness, A Survey and Analysis. Research report prepared for the German Marshall Fund Climate & Energy Paper Series 09 http://www.theclimategroup.org/_assets/files/The_Effects_of_EU_Climate_Legislation_on_Business_Competitiveness.pdf (accessed 1 October 2012).