<u>Statement</u>
<u>to strengthen and extend carbon pricing in Europe</u>

Science, including the IPCC 1.5°C report, shows that significant further efforts are required from all the Parties – including the EU – to stay within the limits of the temperature thresholds under the Paris Agreement. The EU needs to maintain its climate leadership and show how ambitious, concrete and cost-effective policies can enable a reduction of greenhouse gas emissions.

The signatories share the view that carbon pricing, along with supporting policies and measures, is essential to provide economic agents with a clear long-term signal and, thereby, to incentivise cost-effective GHG emissions reductions and to disincentivise new investments in carbon intensive technologies without near-term abatement potential. The EU ETS is playing a significant role in this respect and, in this regard, the signatories welcome the recent reform of the European carbon market (EU ETS) as a step in the right direction. However, only 52% of all EU emissions are covered by an explicit carbon price[1], and in some cases the carbon price can be too low and/or too volatile to trigger effective decarbonization.

The signatories recognize that, in order to reach the long-term objectives of the Paris Agreement, **enhanced measures should be taken to strengthen the carbon price signal, to improve overall ambition, coverage, and predictability.** A set of carbon pricing mechanisms designed with a meaningful price level, would provide **robust and predictable price signals for covered sectors across the economy**. Such mechanisms, at each country's discretion, could include carbon price floors for electricity generation to complement the EU ETS, or carbon pricing in non-ETS sectors. The Stern-Stiglitz report has explored carbon pricing levels needed to deliver the long-term objectives of the Paris Agreement.

The signatories believe that **cooperation at the European level could increase the economic and climate effectiveness of carbon pricing,** while respecting national time frames and fiscal sovereignty.

The signatories acknowledge the role of **supporting policies and measures to address the potential impacts of carbon pricing, as well as to promote a just transition and the creation of high-value jobs in low-carbon sectors.**

The signatories emphasise the significant benefits of **meaningful carbon prices for accelerating the development of new jobs and low-carbon industries** with a first-mover advantage, and the economic growth opportunities this could provide.

In order to accelerate the pace of the low-carbon transition, the signatories commit to work together to support the uptake of a set of broader and more ambitious carbon pricing measures, while realising the benefits of increased cooperation and taking into account the role of supporting policies and measures.

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[1] Source : *State and Trends of Carbon Pricing 2017*, World Bank, Ecofys and Vivid Economics, November 2017

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