



# Innovations in Sustainable Finance

CARBON BAROMETER OVERVIEW

SEPTEMBER 18 2023



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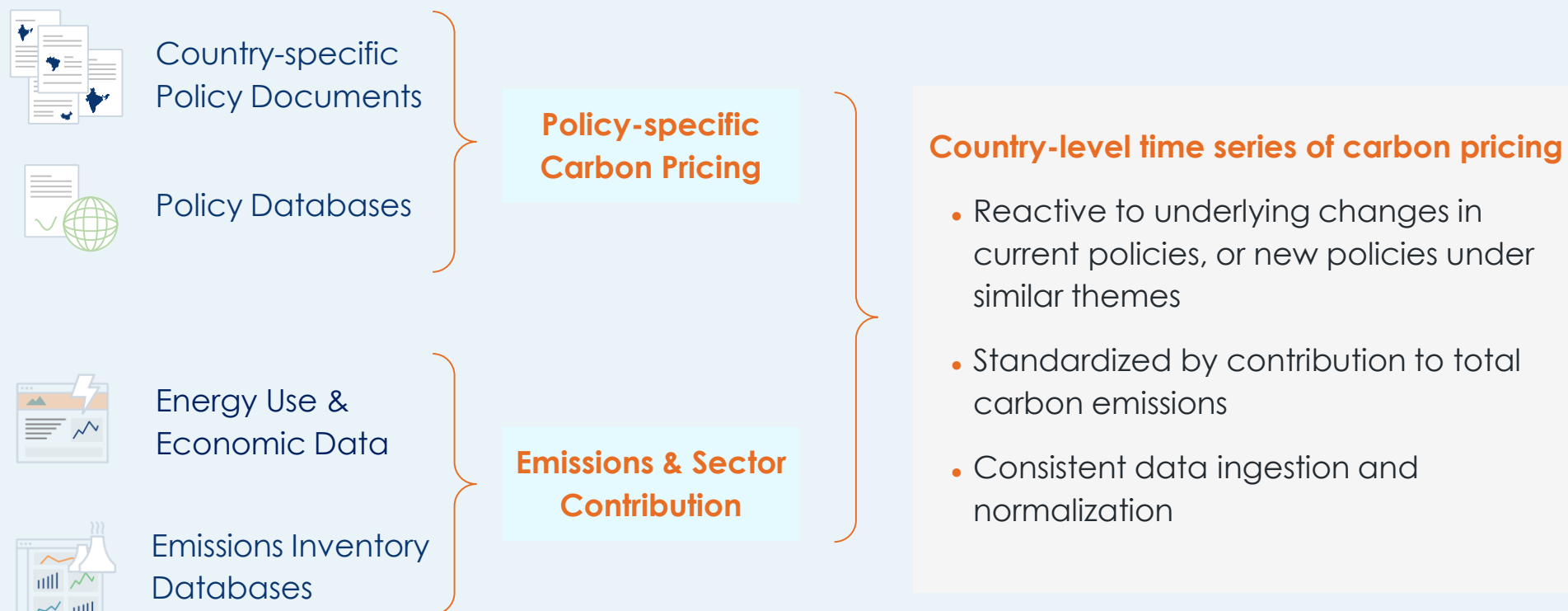
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## DATA AGGREGATION

## Computation of the Carbon Barometer



# Key Information on Carbon Barometer

## COUNTRY SCOPE

- Carbon Barometer currently provides estimates for over 25 countries, expansion planned based on data availability.

## POLICY SCOPE

- Carbon Barometer currently measures 7 major policy themes, each with a different contribution to the overall price, and with more policies under consideration.

## SECTOR / EMISSIONS WEIGHTING

- Policies are weighted by the amount of emissions to which they apply.

## HISTORY AND FREQUENCY

- Policy datasets date back to 2008. The Carbon Barometer is updated on an annual basis.

DATA AGGREGATION

# Carbon Barometer Visualization

**Carbon Barometer Price**  
\$USD/MTCO<sub>2</sub>

**\$18.52**

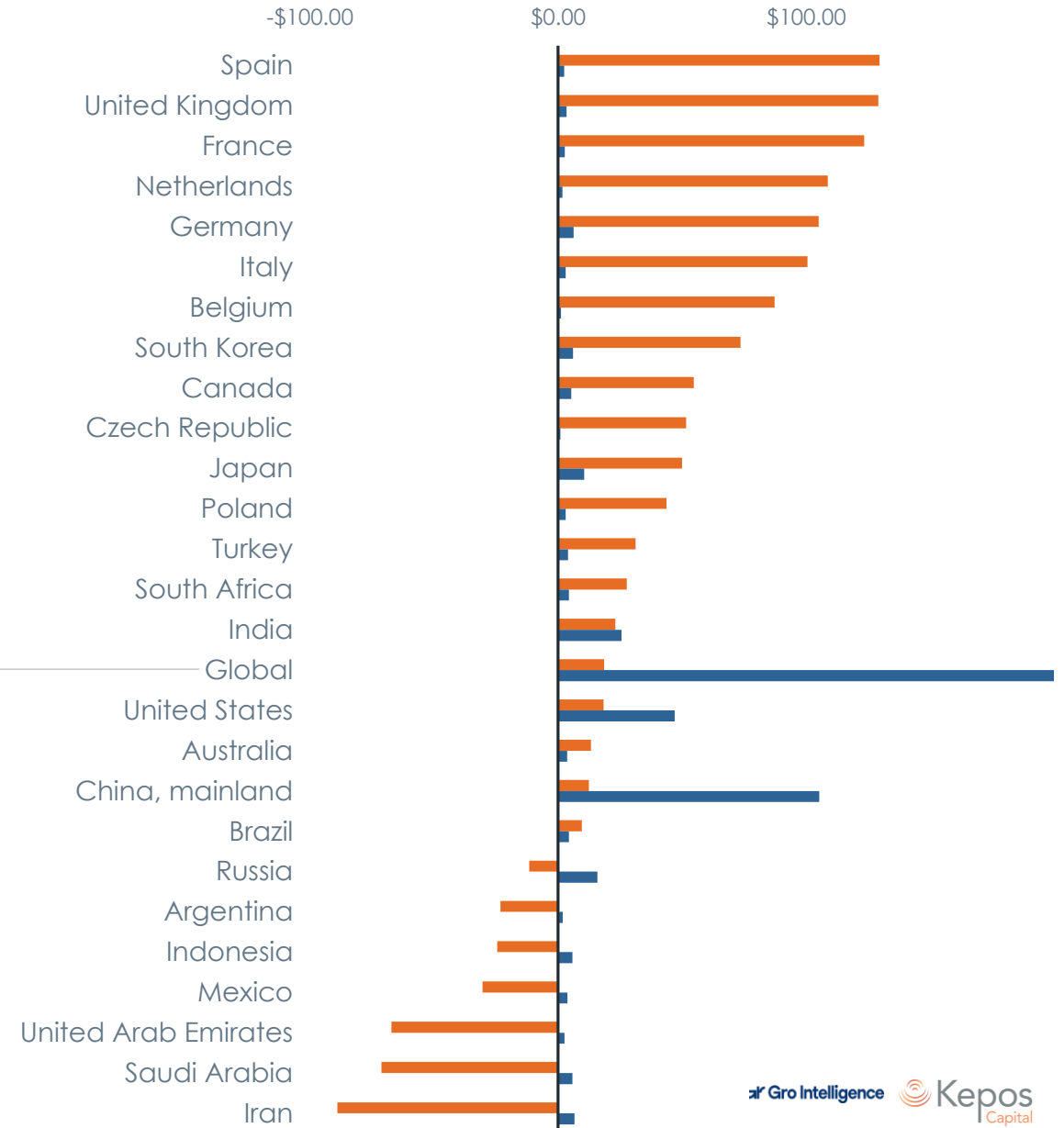
**Additional views**

Country-level policy data and evolution over time of Carbon Barometer price

Disaggregated seven policies and contribution to overall Carbon Barometer calculation

- Carbon Barometer Price \$USD/MTCO<sub>2</sub>
- Total Carbon Dioxide Emissions

## CBP vs. Total CO<sub>2</sub> Emissions, 2021



## DATA AGGREGATION

## Overview of Seven Main Policies

Policy	Direction	Description
<b>Carbon Tax</b>	Tariff	Carbon taxes are an explicit form of carbon pricing that impose a fixed fee on every ton of CO2 emission from regulated entities.
<b>Emissions Trading System (ETS)</b>	Tariff	ETS are an explicit form of carbon pricing that cap the overall carbon emissions from regulated polluters & issue tradable allowances. When allowances are auctioned, allowance price provides marginal incentive to reduce CO2 emissions.
<b>Fossil Fuel Tax</b>	Tariff	Governments impose taxes on transportation fuel at the pump, which provides a marginal incentive to reduce transportation carbon emissions. Covers taxes levied on energy use from fossil fuels for transportation, industry, agriculture, residential and commercial units, and utilities.
<b>Fossil Fuel Subsidy</b>	Subsidy	Fossil fuel subsidies are effectively negative carbon prices. They are expenditures by the government that support fossil fuels and are still ubiquitous around the world, especially in developing countries.
<b>Feed-in Tariffs</b>	Tariff	FITs offer a price premium for renewable energy provided to the grid. This price premium is set by the government and paid to renewable energy producers by consumers. The price premium is typically an absolute amount, denoted in dollars per MWh.
<b>Renewable Portfolio Standards</b>	Tariff	RPS require electricity providers to supply a certain percentage of their electricity with renewable sources. Tradable renewable energy credits (RECs) can be purchased by suppliers who fail to achieve this percentage requirement.
<b>Low-Carbon Fuel Standards</b>	Tariff	LCFS impose a limit on carbon intensity for fuels. Suppliers below the rate receive credits denoted in metric tons of carbon dioxide. Suppliers above the rate incur deficits to rectify either through abatement or purchase of credits.

## Carbon Barometer

## Policy Contributions

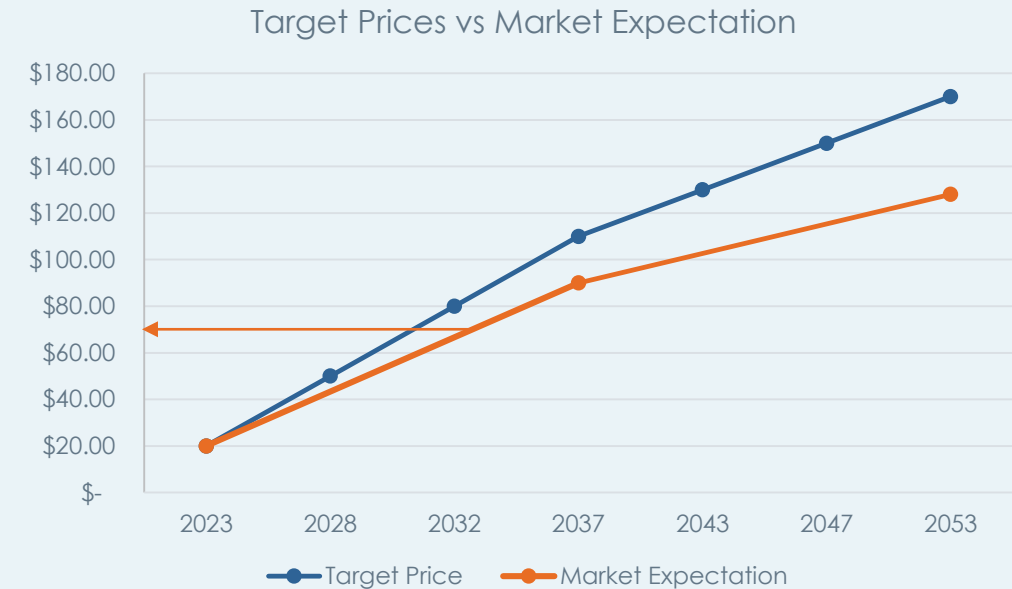
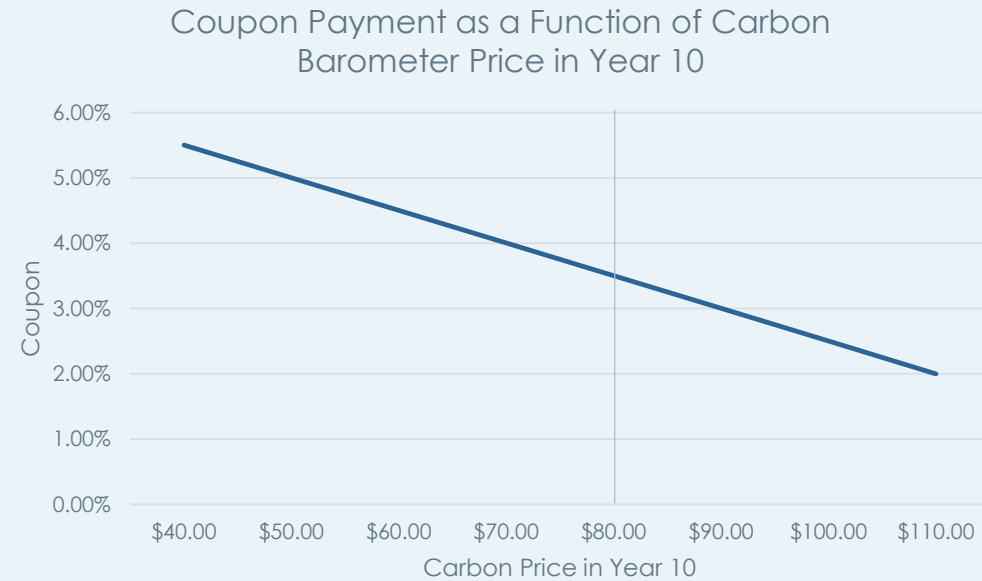
The Carbon Barometer framework allows users to clearly understand the relative contribution of various policies to a country-level Carbon Price

## Individual Policy Contribution to Carbon Barometer Price

Country	Carbon Barometer Price \$USD/MTCO <sub>2</sub>	Fossil Fuel Subsidies \$USD/MTCO <sub>2</sub>	Carbon Tax \$USD/MTCO <sub>2</sub>	Emissions Trading Systems \$USD/MTCO <sub>2</sub>	Fossil Fuel Taxes \$USD/MTCO <sub>2</sub>	Feed-In Tariffs \$USD/MTCO <sub>2</sub>	Low Carbon Fuel Standards \$USD/MTCO <sub>2</sub>	Renewable Portfolio Standards \$USD/MTCO <sub>2</sub>
Global	\$18.52	-\$11.07	\$0.96	\$3.26	\$16.85	\$7.28	\$0.16	\$1.07
Spain	\$129.47	-\$6.59	\$0.47	\$19.91	\$63.34	\$52.34	\$0.00	\$0.00
United Kingdom	\$129.05	-\$41.88	\$7.15	\$38.78	\$89.36	\$9.22	\$0.00	\$26.40
United States	\$18.37	-\$2.02	\$0.00	\$1.32	\$16.33	\$0.97	\$0.77	\$1.00

## Deriving a Product from the Carbon Barometer

# Carbon-Linked Bonds Function like TIPS



## Coupon and principal are tied to the Carbon Price

1. Allows governments to signal carbon-pricing intentions: **forward dates have targeted carbon prices**
2. Provides additional motivation to price carbon: **a lower borrowing cost as a commitment device**
3. Allows investors to hedge climate-related risk: **weak policy increases return to investors, and**
4. Illuminates investor expectations of future carbon pricing: **accelerates investment in low-emissions capital**