

# Let's negotiate a global carbon price signal – quickly!

By Stéphane Dion [\[1\]](#) and [Éloi Laurent](#)

Two decades after the Rio Conference, and just as a new climate conference is opening in Bonn on Monday 14 May 2012, we must admit to collective failure in combating human-induced climate change. We cannot escape serious climate disruption if we continue down this same path. We must change direction, and we must do it quickly.

The International Energy Agency forecasts warming of over 3.5°C by the end of the 21st century if all countries respect their commitments, and by more than 6°C if they content themselves with their present policies. At that level of warming, climate science warns us that our planet will become much less hospitable for humans and all other forms of life.

At the Durban Conference in December 2011, the countries expressed their grave concern about the gap between their commitments and achieving the objective of a 2°C limit on increased global warming (relative to the pre-industrial era). They promised to re-double their efforts to bridge this gap. But they failed to make any commitment to achieve more stringent targets. We are thus facing an increasingly untenable gap between the urgent need for action and the inertia of international negotiations.

The developed countries are refusing to strengthen their climate policies so long as the other major emitters don't do the same. But the emerging economies, particularly China and India, with annual GDP growth rates of 8 to 10%, will not accept in the foreseeable future targets for the reduction of the volume of their greenhouse gas (GHG) emissions. On the

other hand, these countries might be more open to the idea of setting a price per ton of CO<sub>2</sub> that was standardized at the global level, from which they would derive revenue, and which their economic competitors would also be required to levy.

We believe that the best instrument for the international coordination needed to combat climate change is a global carbon price signal. This is why we are proposing that the forthcoming negotiations focus on this crucial goal.

Here is what we are proposing (for more detail, see, in French, <http://www.ofce.sciences-po.fr/pdf/dtravail/WP2012-15.pdf> and, in English): every country would make a commitment to introduce, in their respective jurisdictions, a carbon price aligned with a scientifically validated international standard, in order for the world to achieve or at least come as close as possible to the objective of keeping global warming below 2°C. Each country would decide whether to extract this levy through taxation or through a system of ceilings and trading in emissions permits (a “carbon market”).

Governments would be free to invest, as they see fit, revenues from the carbon emission levy and from the corresponding elimination of fossil fuel subsidies. They could, for example, invest in research and development in clean energy and public transportation, etc. They could also choose to address social inequalities with respect to access to energy.

Developed countries would be required to set aside part of their revenues to help developing countries introduce policies to mitigate emissions, to adapt facilities and to create carbon sinks (by means of reforestation, for example). The contributions of each country would be based on what their respective GHG emissions represent relative to the total emissions of all the developed countries.

Under this international agreement, countries would have the

right to levy border taxes on products from countries that have not established a carbon price in accordance with the international standard. The message would be clear to all large emitters: if you do not levy a carbon tax on your products before you export them, the other countries will do so in your place, and it is they who will collect the revenues. Each country will understand that it is in its own commercial interests to comply with the international agreement, to tax its own emissions and to use the corresponding revenues as it sees fit.

In this way, the world would have available an instrument that is vital to its sustainable development. At last, carbon emitters would be required to pay the environmental price for their actions. Consumers and manufacturers would have an incentive to choose lower-carbon-content goods and services and to invest in new emission-reducing forms of technology.

We need to negotiate a global carbon price signal, and quickly. What better place to do this than at Rio, where the problem of climate change was first recognized by the international community 20 years ago?

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