

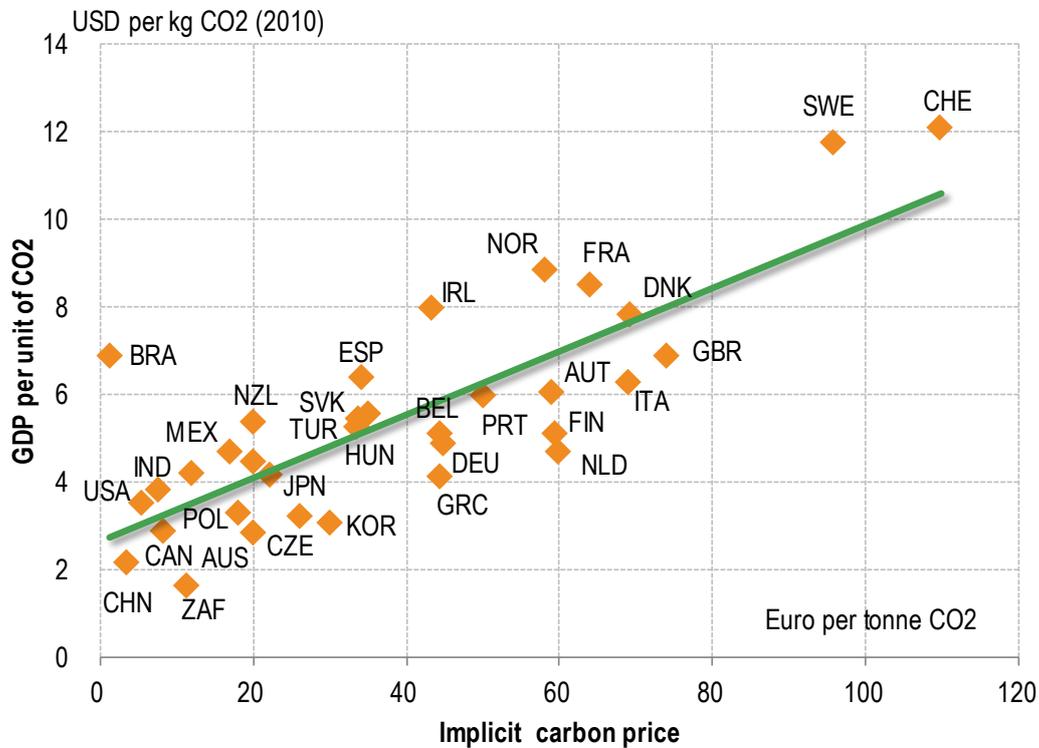


### The effectiveness of carbon pricing

The usefulness of carbon pricing lies in the abatement incentives that it creates. An implicit carbon price can be derived by dividing the revenues from carbon pricing systems and excise taxes on fuels by the total greenhouse gas emissions.

According to this method, prices range from close to 0 in most developing countries but also the US and Canada, to close to 100 euro for 1 tonne carbon emitted in Sweden and Switzerland. The chart confirms that the countries that have relatively high implicit carbon prices also rank high in terms of carbon productivity defined as the amount of GDP produced per unit of carbon emissions.

This suggests that in order to increase carbon productivity, i.e. to reduce emissions per unit of GDP produced, higher carbon prices are needed in countries where this productivity is low. However, gaining popular acceptance to raise prices is a real challenge as it affects lower income households more than higher income households.



Source: OECD, BNP Paribas calculations