

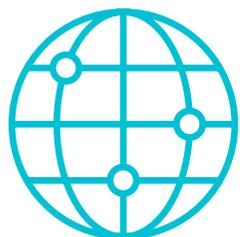
Executive Summary

STATE AND TRENDS OF CARBON PRICING

2024



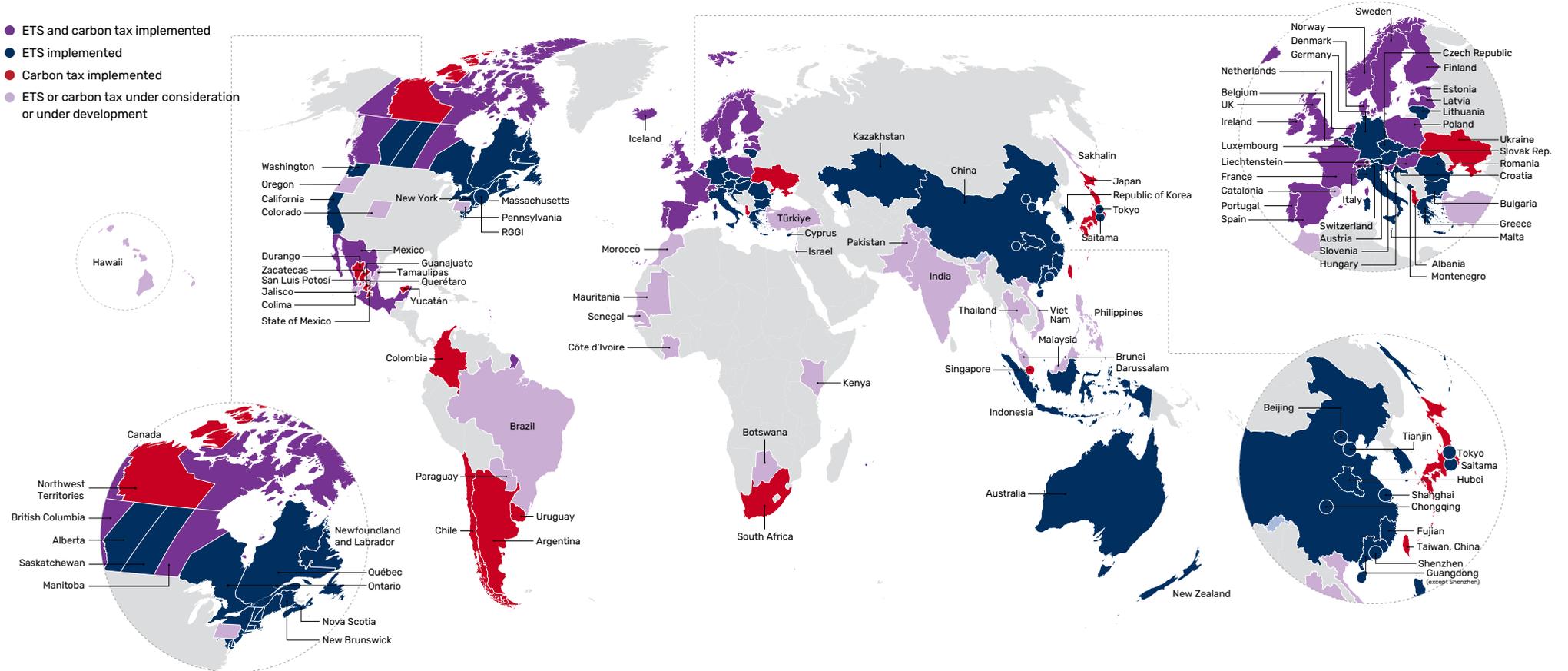
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Carbon pricing adoption has been limited over the past year, but there are promising signs of uptake in middle-income countries

- There are 75 carbon taxes and emissions trading schemes in operation worldwide.
- There was a net gain of two carbon pricing instruments over the past 12 months.
- Middle-income countries including Brazil, India, and Türkiye have made progress towards carbon pricing implementation.
- Implementation also progressed at the subnational level, despite some setbacks.
- Progress was observed in sector-specific multilateral initiatives for international aviation and shipping.
- The European Union Carbon Border Adjustment Mechanism commenced, requiring importers of specified products to report embedded emissions.

MAP OF CARBON TAXES AND ETSs



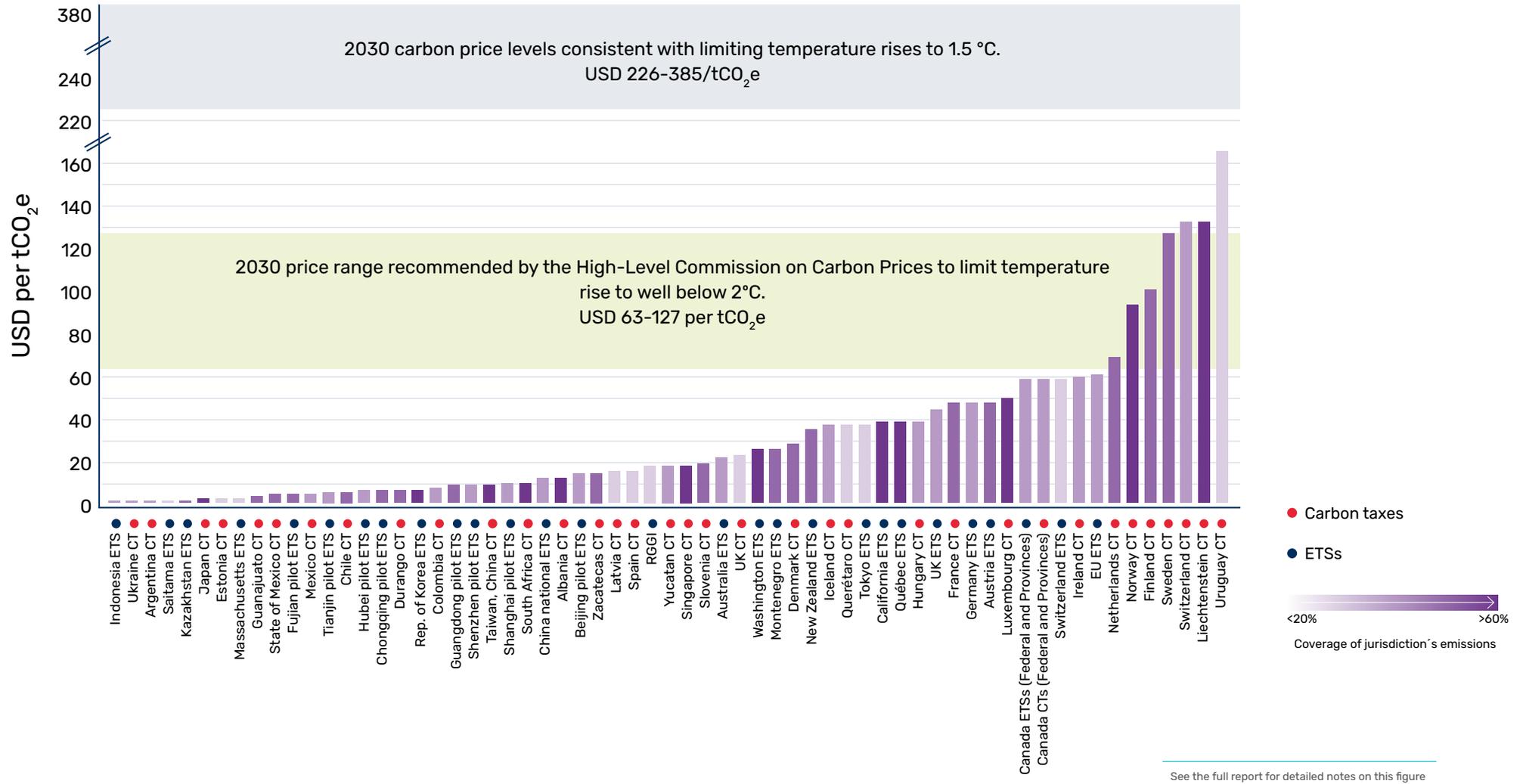
Instruments “under development” are where a government is actively working towards the implementation of a carbon pricing instrument and this has been formally confirmed by official government sources. This includes, for example, where a mandate has been established, but regulated entities do not yet face compliance obligations. If a government has announced its intention to work toward the implementation of a carbon pricing instrument and official government sources formally confirm that intention, the instrument is “under consideration.” For those countries with multiple instruments that have both “under development” or “under consideration” and “implemented” instruments, the map will show the status of the latter. The status of instruments in subnational jurisdictions is also reflected in the map.



Carbon prices remain insufficient despite a decade of strong growth

- **An implementation gap remains between countries' commitments and implemented policies.**
- **Carbon pricing instruments cover around 24% of global emissions. Carbon taxes and emissions trading systems (ETEs) currently being considered could lift coverage to almost 30%, but this will require strong political commitment.**
- **While carbon tax rates showed slight increases, price changes within ETESs were mixed with ten systems experiencing price decreases over the past 12 months, including long-standing ETESs in the European Union, New Zealand, and the Republic of Korea.**
- **Price levels continue to fall short of the ambition needed to achieve the Paris Agreement goals.**

PRICES AND COVERAGE ACROSS ETSs AND CARBON TAXES, AS OF APRIL 1, 2024

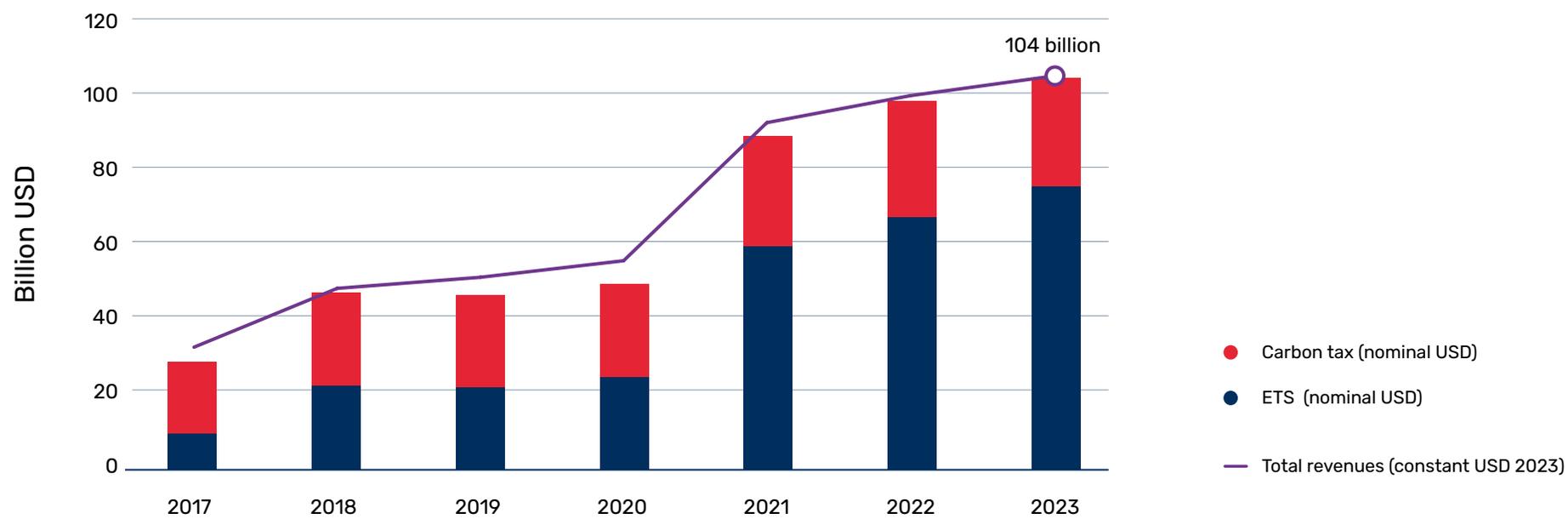


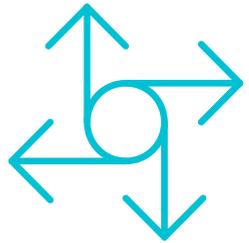


Carbon pricing revenue reached new highs

- **Carbon pricing revenues in 2023 exceeded USD 100 billion for the first time, driven by high prices in the EU and a temporary shift in some German ETS revenues from 2022 to 2023.**
- **ETSs continued to account for the bulk of carbon pricing revenues.**
- **Over half of the revenue collected was used to fund climate- and nature-related programs.**
- **Despite carbon pricing revenue reaching record highs, its contribution to countries' national budgets remains low.**

EVOLUTION OF REVENUES COLLECTED BY TYPE OF CARBON PRICING INSTRUMENT OVER TIME

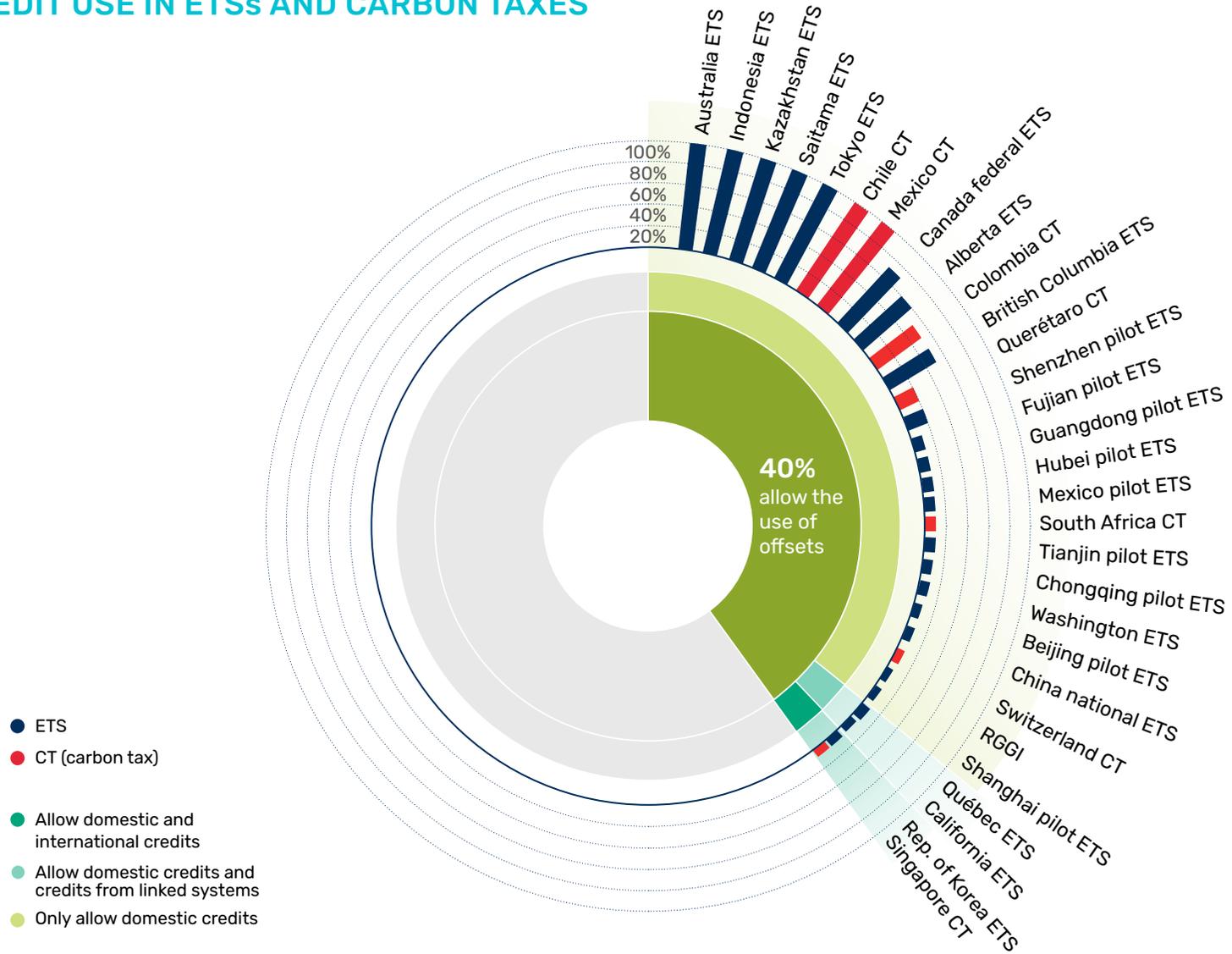




Emerging flexible designs and approaches reflect the adaptability of carbon pricing to national circumstances

- **Governments are increasingly using multiple carbon pricing instruments in parallel to expand coverage or price levels.**
- **Carbon pricing is mostly applied in the power and industrial sectors, but is increasingly being considered in other sectors, such as maritime transport and waste.**
- **Governments continue to allow regulated entities to use carbon credits to offset carbon pricing liabilities, which can increase flexibility, lower compliance costs, and extend the carbon price signal to uncovered sectors.**
- **Carbon pricing continues to offer benefits beyond mitigation, including as a fiscal tool.**

CARBON CREDIT USE IN ETSs AND CARBON TAXES

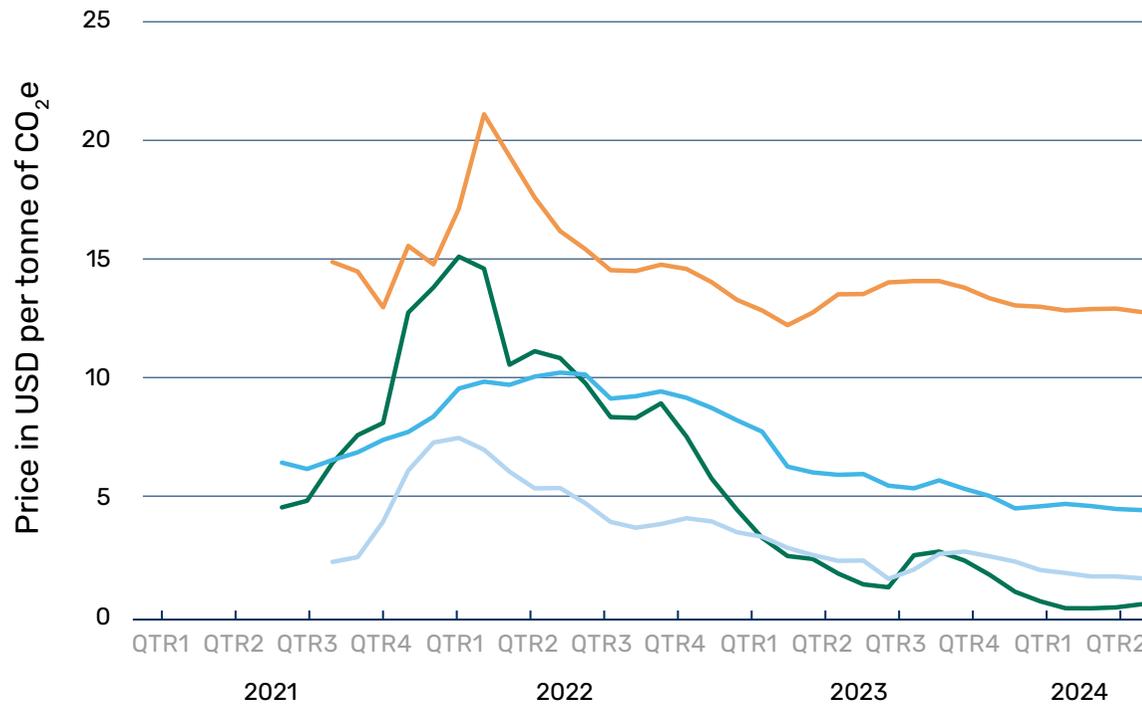




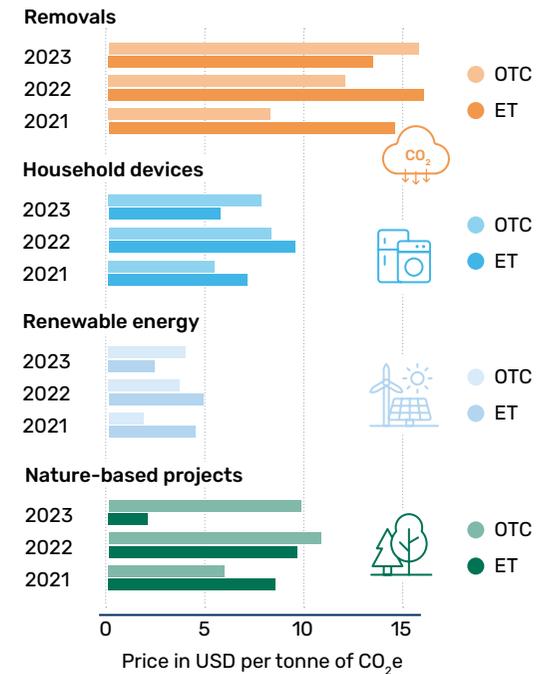
Carbon credit markets saw mixed movements

- **Governments, particularly in middle-income countries, are increasingly including crediting frameworks in their policy mix, with a view to supporting both compliance and voluntary markets.**
- **Credit issuances fell for the second consecutive year. Retirements remained substantially below issuances, generating a growing pool of non-retired credits in the market.**
- **Compliance demand is building but voluntary demand continues to dominate.**
- **Prices declined across most project categories, except for carbon removal projects, signaling interest in this project category.**
- **Prices were more resilient in over-the-counter transactions, which allow buyers to pursue specific purchasing strategies.**
- **Credits with specific attributes—such as co-benefits, corresponding adjustments, or recent vintages—traded at a premium, demonstrating the value these characteristics provide buyers.**

EXCHANGE-TRADED (ET) PRICES FROM APRIL 2021 TO 1 APRIL 2024 AND COMPARISONS BETWEEN YEARLY AVERAGE OF ET AND OVER-THE-COUNTER PRICES (OTC)



- Removal credits ET prices
- Nature based credits ET prices
- Renewable energy credits ET prices
- Household devices credits ET prices



See the full report for detailed notes on this figure



The subdued market and reduced confidence emphasize the importance of initiatives to rebuild integrity and credibility

- **The integrity of carbon credits remains a critical area of concern for the market.**
- **On the supply side, the Integrity Council for the Voluntary Carbon Market has established a benchmark for credit quality, with the first tranche of approved credits expected in 2024.**
- **On the demand side, efforts have focused on the importance of reducing operational and value chain emissions and the potential role for carbon credits to address residual emissions.**
- **Development and implementation of Paris Agreement Article 6 continues, despite setbacks and delays.**

