

10 years on: Looking back and forward in GHG markets



IETA

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IETA's 10th GHG Market Sentiment Survey

- IETA members only
- Multiple responses per organisation
- 122 responses
- Responses collected from 21 April – 5 May
- Members sample covers all types of carbon market players and geographies
- Expert panel from industry, finance and voluntary markets provided quotes when responding to survey
- Focus on:
 1. *Looking back*
 2. *Paris climate agreement*
 3. *The EU and North America*
 4. *New, emerging and internationally linked markets*
 5. *Climate Finance, REDD+ and voluntary markets*
 6. *Reflecting on 10 years of carbon markets - and the future*

Sentiment on the outlook for emissions trading in the EU is markedly more positive than in recent surveys. An increase in average EUA price is anticipated for the first time in four years

Figure 10: Average EUA price expectations for Phase III and beyond over successive surveys

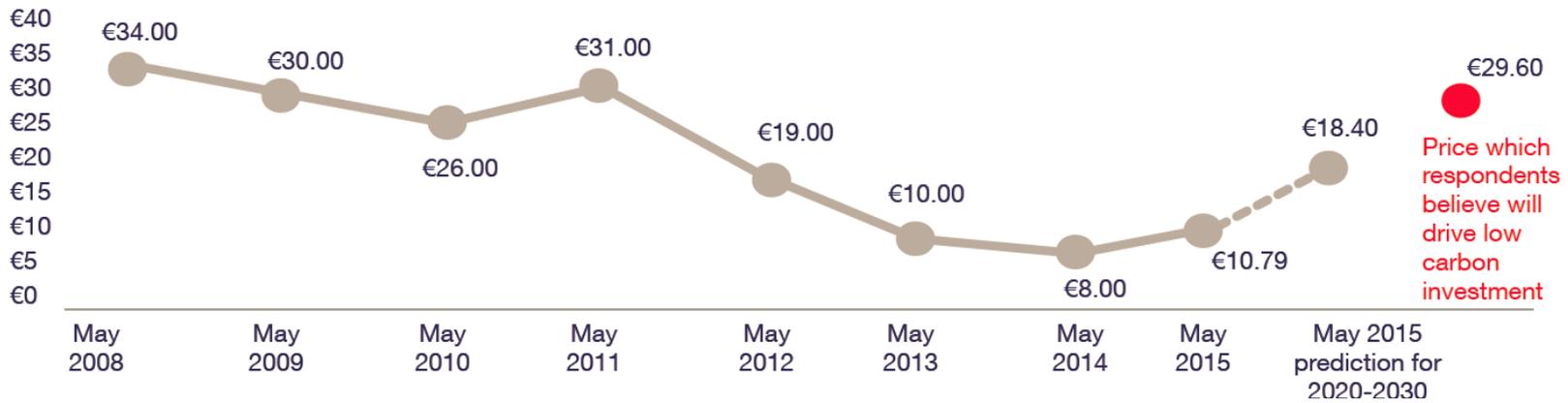
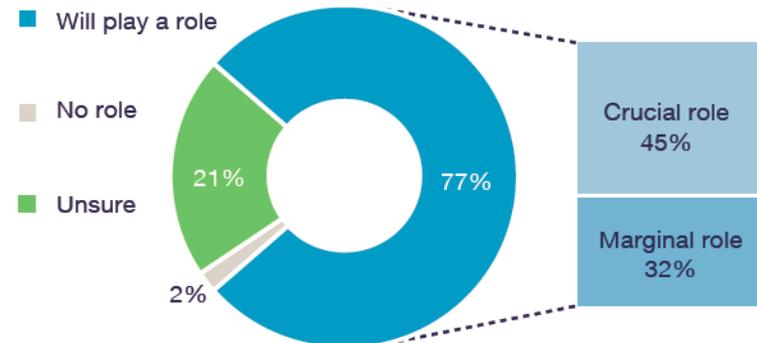


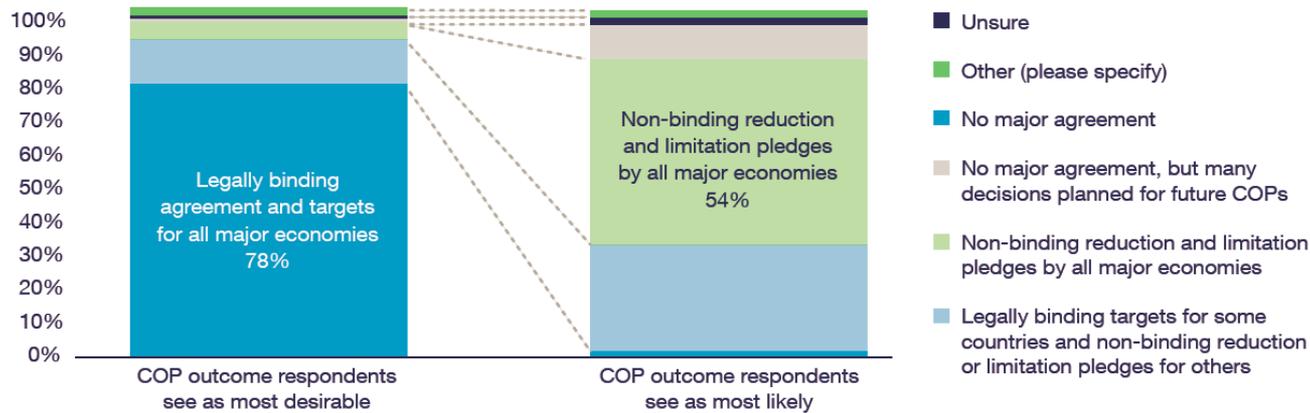
Figure 12: Expectations for the role of the Market Stability Reserve in increasing the carbon price between now and 2030



Average expected EUA Phase III prices have increased for the first time in four years, to €10.79 from €8 in the 2014 survey. The average price expected from 2020-30 is €18.40.

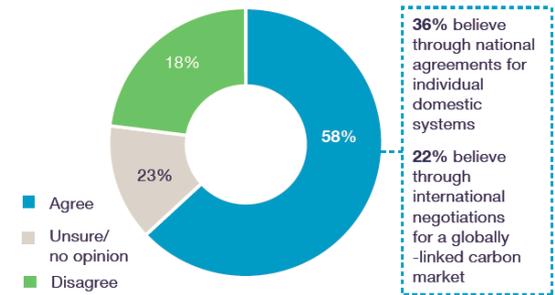
There is a clear gap between hopes and expectations for the Paris climate agreement, but many see a role for carbon pricing in the agreement

Figure 5: Comparison of views on the most desirable and most likely outcomes from the Paris COP



A legally binding agreement with targets for all major economies is seen as the most desirable, but least likely, outcome in Paris. However 58% of respondents expect carbon markets to expand in scale as a result of the Paris agreement.

Figure 6: Respondents' views on whether existing carbon markets will expand in scale as a result of COP 21



All respondents expect China to implement a national carbon market, with 63% believing it is likely to be operational by 2020

- 63% believe it is likely that China will have a national carbon market by 2020
- 71% think it likely that China will meet its target of reaching an emissions peak by 2030, with 7% who think the country may exceed it
- 51% believe the Chinese allowance price will be lower than the EU ETS between now and 2020

Figure 17: Likelihood of the national carbon market covering all Chinese provinces by 2020

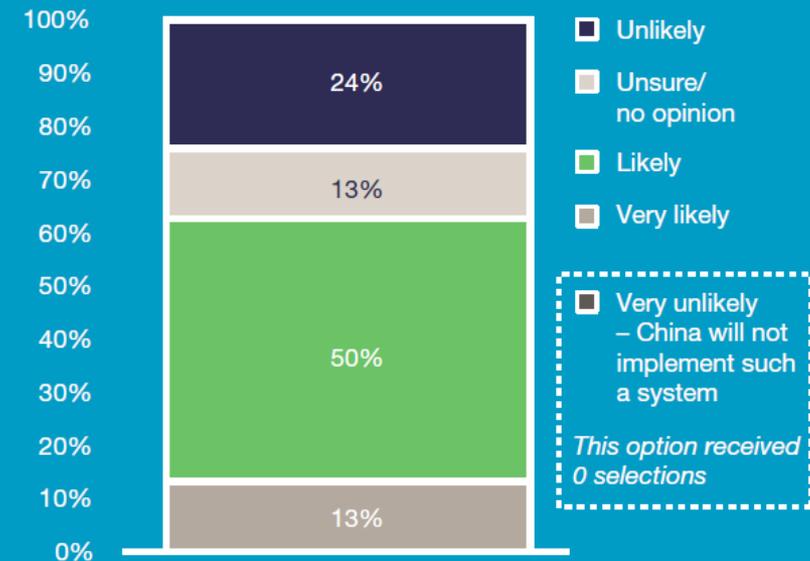
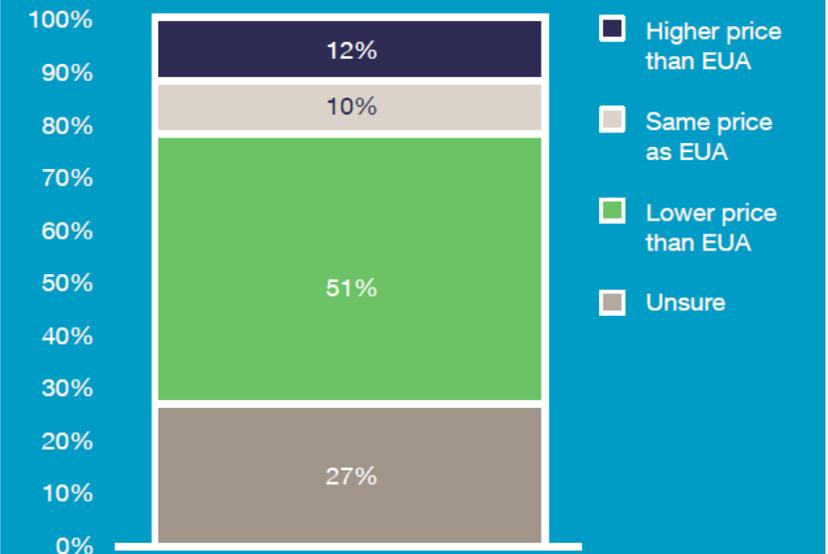


Figure 18: Do you think the Chinese allowance price under a national ETS will be higher or lower than the EUA price between now and 2020?



Despite a challenging 10 years, IETA members have maintained confidence in the fundamental viability of carbon markets.

Figure 22: Instruments with the greatest potential to drive low-carbon investment

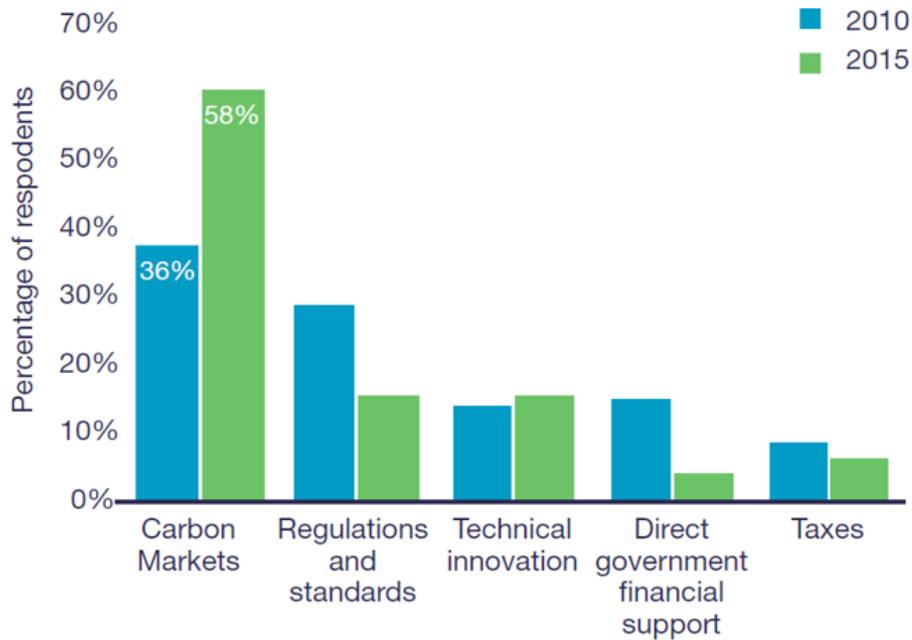
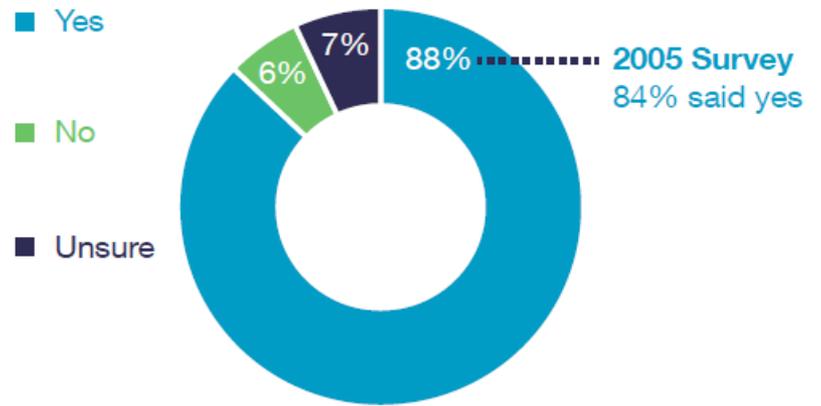


Figure 3: Are carbon markets effective policy instruments for reducing emissions and helping to address climate change?



- 58% of respondents viewed carbon markets as the most effective driver of low carbon investment
- 88% believe they are effective policy instruments

Other findings

Figure 13: Likelihood of new US states and Canadian provinces joining North America's existing cap-and-trade markets before or other state programmes before 2020

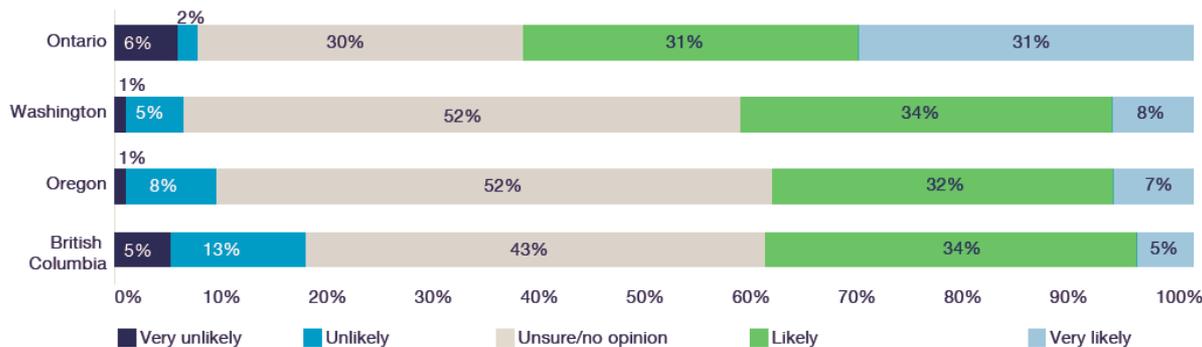


Figure 16: Respondents' views on the continents within which they expect to see the greatest increase in emissions trading



- 62% believe it is likely that the forthcoming Ontario emissions trading system will link with existing carbon markets in North America before 2020
- Over 70% of respondents believe Japan, Australia, Mexico and South Africa will have national carbon pricing mechanisms in place before 2025
- IETA members believe that a range of climate finance strategies are potentially useful in stimulating private sector investment in climate change mitigation
- Renewable energy-related markets and energy efficiency-related markets are identified as most likely to help actors contribute to closing the emissions gap and contribute to INDCs

Thank you



IETA
CLIMATE CHALLENGES,
MARKET SOLUTIONS

GHG Market Sentiment Survey 2015

10 Years On: Looking back and forward in GHG Markets

This year's key findings:

1. Almost 50% see a legally binding agreement with targets for all major economies as the most desirable outcome in Paris; only 1% see it as most likely. However, 54% of respondents expect carbon markets to expand as a result of the talks.
2. Average expected EUA Phase III prices have increased for the first time in four years, to €10.79 from €8 in the 2014 survey. The average price expected from 2020-30 is €18.40.
3. All respondents expect China to implement a national carbon market, with 60% believing it is likely to be operational by 2020.
4. 86% view carbon markets as effective policy instruments for reducing emissions and helping to address climate change, a slight increase on the 2005 survey.

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