



EAERE

European Association
of Environmental and
Resource Economists

Economists' Statement on Carbon Pricing

Global climate change is a serious problem calling for immediate and ambitious action. Guided by sound economic principles, we are united in the following policy recommendations:

1. A price on carbon offers the most cost-effective lever to reduce carbon emissions at the scale and speed that is necessary. By correcting a well-known market failure, a carbon price sends a powerful signal, steering economic actors towards a low-carbon future. This encourages technological innovation, large-scale infrastructure development, as well as the diffusion of carbon-efficient goods and services.
2. Action should be taken to ensure that the price on carbon gradually increases until the goals of the Paris Agreement are met. A sufficiently robust price on carbon reduces the need for less efficient policies and provides the regulatory certainty companies need for long-term investment in clean-energy alternatives. A carbon price can be set through a tax or an emissions trading system.
3. The European Union has established an Emissions Trading System (ETS) covering the energy and manufacturing sectors, as well as intra-European aviation. To improve the effectiveness of the ETS, the cap needs to be tightened further while the share of auctioned permits should be increased. To safeguard competitiveness, a border carbon adjustment system could be considered in a multilateral context.
4. In parallel to the EU ETS, a carbon tax should be adopted to reduce the greenhouse gas emissions in transport and housing. In particular, the tax exemption of the international aviation and maritime sectors needs to be addressed.
5. To promote the effectiveness, fairness and political viability of EU's carbon pricing, revenues could be used to support innovation and to address social and distributional impacts of carbon pricing.

Economists encourage the emergence of a global carbon price and are committed to deepen the understanding of carbon pricing, both as carbon taxes and emissions trading.

**Endorse the
Economists' Statement on Carbon Pricing
by signing it at
www.eaere.org/statement**