

CBAM in reverse – positive incentives to reduce leakage

Suzi Kerr, Chief Economist

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Carbon Border Measures: Policies to Combat Leakage and Encourage Climate Ambition

Equity implications from CBAM

Transfer resources to richer countries

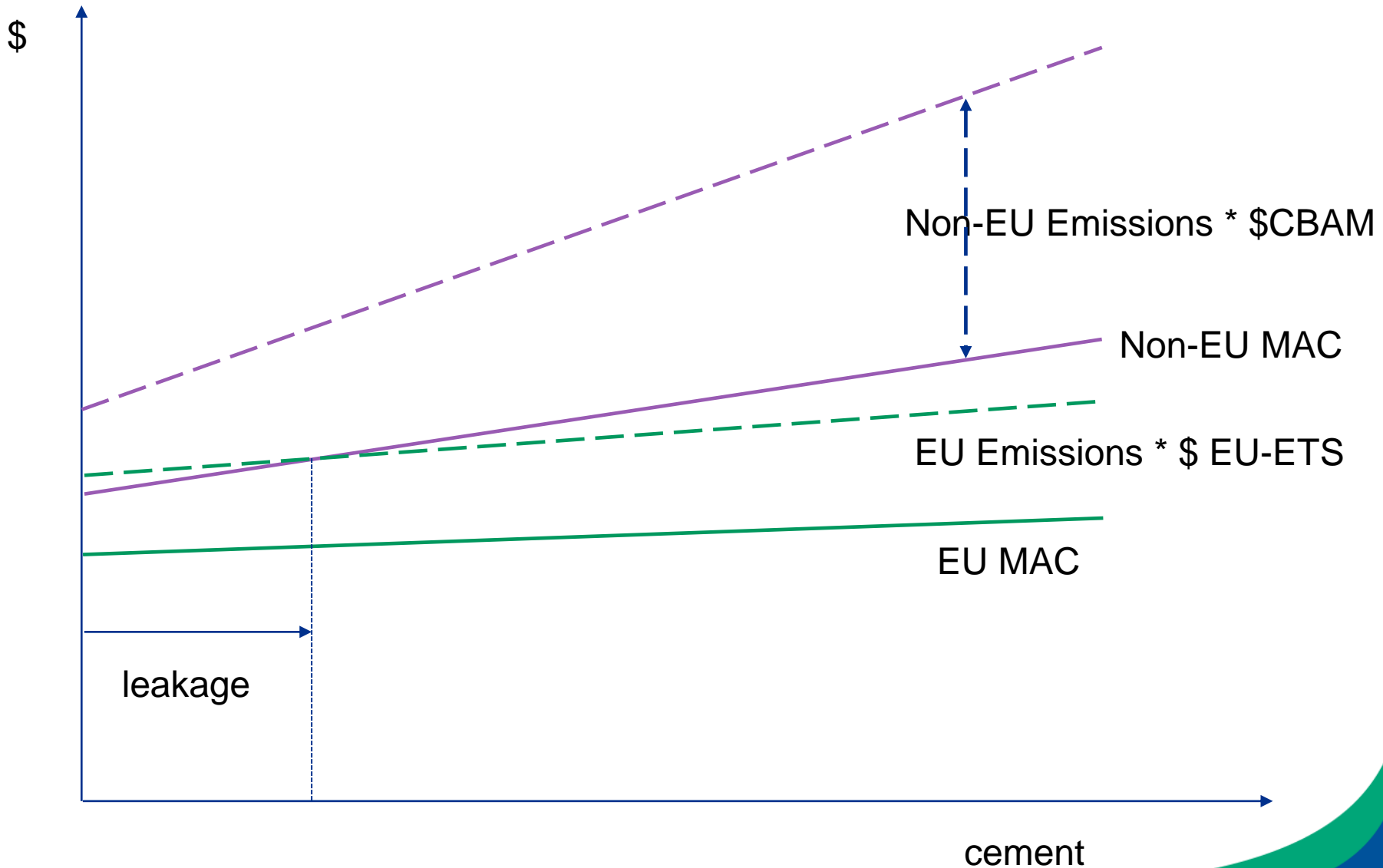
Can penalize those who struggle to be clean – rather than helping

Incentives might not be the only barrier to mitigation

Solutions?

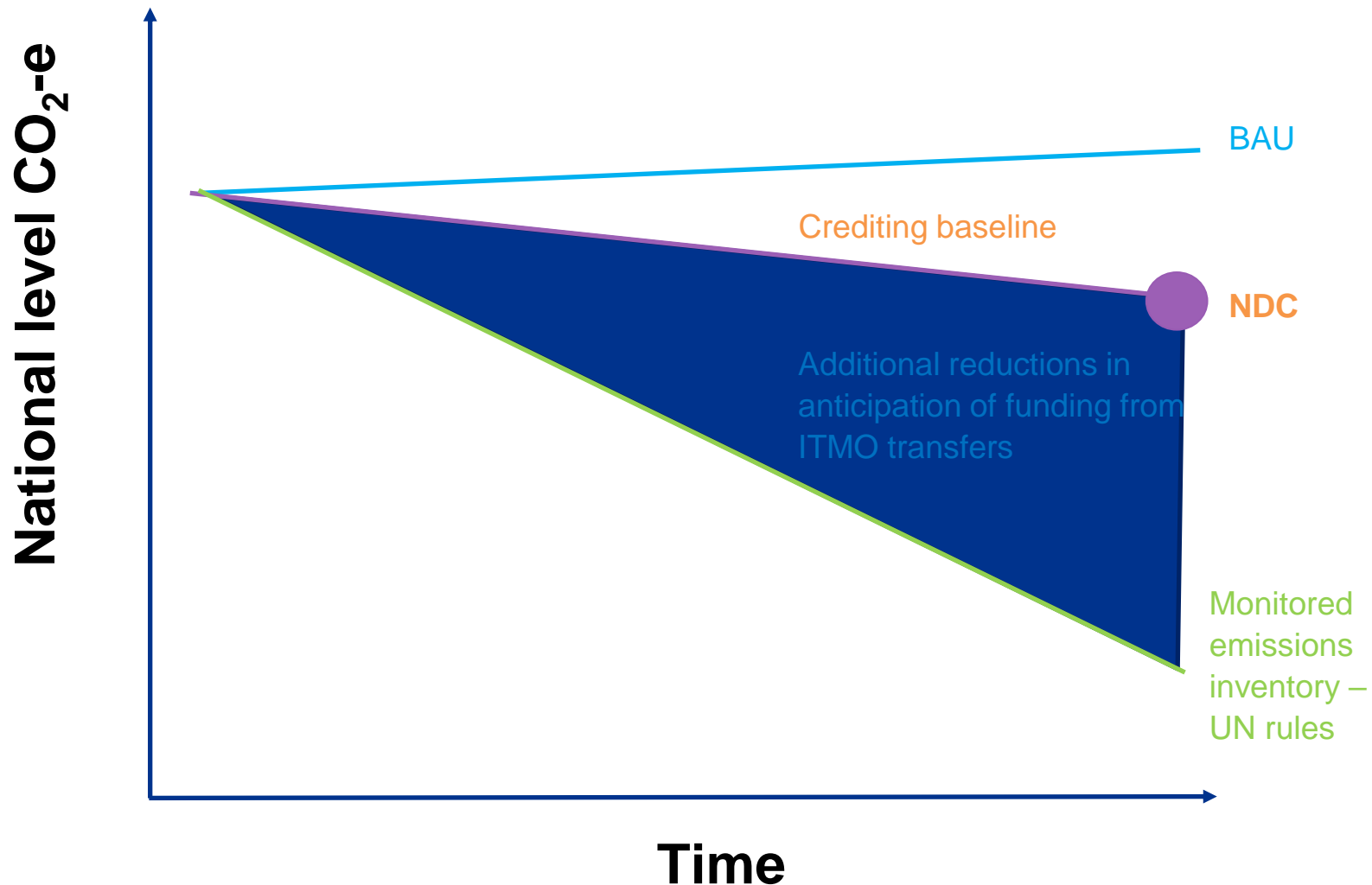
1. Could exclude poorest countries – but then still have problem of leakage and slow transition
2. Shift from penalties for emissions to rewards for emission reductions – at country/sector level

CBAM



Climate Action Team - CAT

Creating Internationally tradable mitigation outcomes (ITMOs) from economy-wide transformation



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Credit / ITMO payment =

(National emissions – crediting baseline) * Price

If cement emissions fall, reward to country rises. Incentive to regulate.

Interaction with CBAM?



CAT – with domestic regulation

