

Embargoed until Wednesday 15 July

International carbon markets firm and carbon role for Australia in Pacific step-up

In its July Quarterly Update of International Climate Policy and Market Developments*, the Carbon Market Institute highlights firming carbon prices in EU, NZ, Californian, and Beijing markets. The Update explores the role Australia can play in the Pacific by supporting pilot “Article 6” projects to build capacity for opportunities to emerge under the Paris Agreement.

“Despite COVID economic impacts, many markets saw firming carbon prices, with the EU the most significant at above A\$47, well above Australia’s latest auction carbon price of just above \$16 per tonne,” said John Connor, CEO of the Carbon Market Institute (see chart below).

The Update notes: “This may be a sign of well-functioning market stability mechanisms, such as allowance reserves and price floors, which are helping to regulate prices amidst an unstable broader economic market. It may also be a result of longer-term demand increases.”

“Volatility is still a concern in markets such as South Korea’s. However, an increasing international focus on sustainable or green COVID recovery economic packages, as well as growing corporate commitments to transition to net-zero emissions, appear to be contributing to broader strength.”

“In this Update we also explore how Australia’s Pacific step-up should include investment in pilot nature-based climate solution projects that can bring carbon, economic and social benefits in international trading opportunities to emerge under the Paris Agreement.

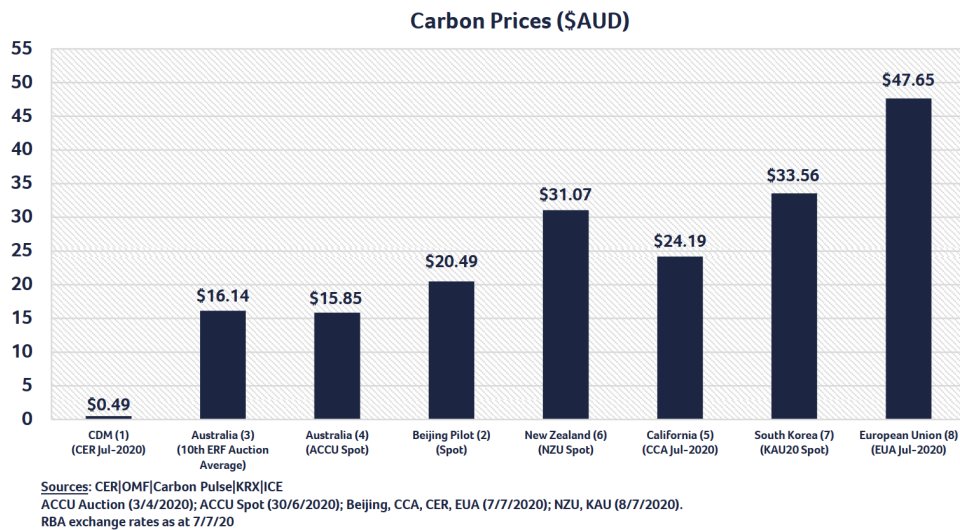
“Nature-based climate solutions are increasingly playing a role in global carbon markets. Over the last five years, 42% of carbon credits generated globally have been for forestry projects. Their potential to ‘draw down’ emissions from the atmosphere points to significant potential in our region alongside urgent industrial decarbonisation initiatives.

“The Government should also identify how Australia can be part of evolving international carbon markets. This is both in terms of the use of international units in stronger domestic compliance policies, and in terms of opportunities for the export of Australian carbon reduction credits, and the expertise of our carbon project originators, financiers, developers, traders and buyers into the broader region.”

“As some have recently noted, we have work to do to get supply from Australia’s carbon reduction and farming industry to the scale we need. There are signs of promise with increased registration of projects responding to firming Australian carbon prices, regulatory innovation and growing corporate voluntary commitments.

“However, to fully realise local and regional emission reduction opportunities, Australia will need to evolve its policy tool kit and targets to encourage greater long-term investment beyond taxpayer led commitments such as the Emission Reduction Fund. CMI has separately laid out recommendations regarding this in [its submission to the Technology Investment Roadmap Discussion Paper](#) and [its position regarding the Government’s response to the King Review](#).”

The Update also notes World Bank reporting that 2019 saw the introduction of the highest number of carbon pricing mechanisms which now cover 22% of global emissions. 61 carbon pricing schemes covering 46 national and 32 sub-national jurisdictions, amounted to a total value of USD\$99.53 billion



* Updates are exclusively provided to CMI members, contact info@carbonmarketinstitute.org for membership info.

The [Carbon Market Institute](http://CarbonMarketInstitute.org) is the independent peak industry body at the centre of business and climate action. CMI has more than 75 corporate members and speaks for business leading the transition to a net-zero emissions economy.

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