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Diversification and cooperation in a decarbonizing world: Role of carbon pricing in climate strategies for fossil-fuel dependent countries

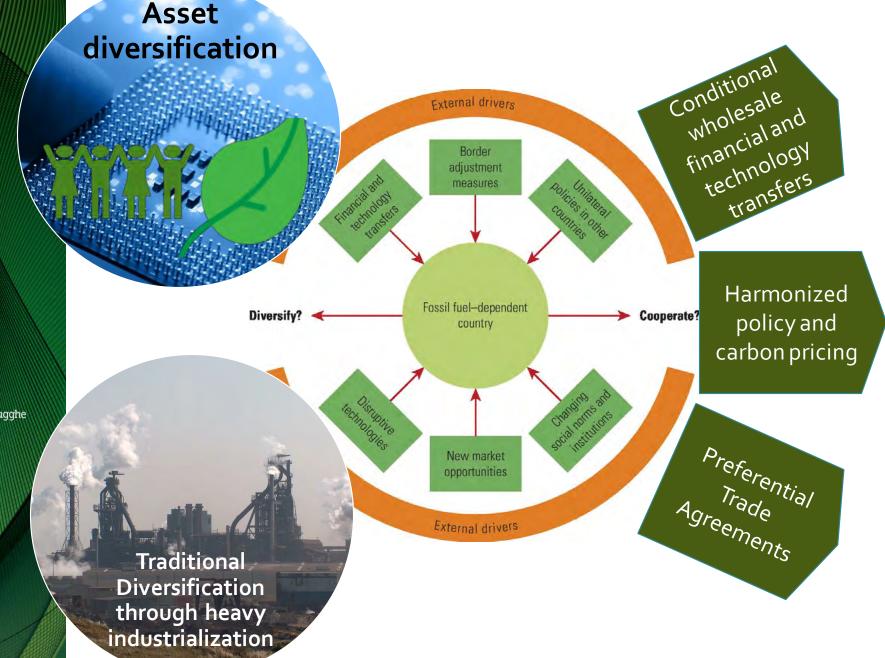
Webinar "Carbon Pricing in the EU and GCC" // 15 September 2020



DIVERSIFICATION AND COOPERATION IN A DECARBONIZING WORLD

Climate Strategies for Fossil Fuel-Dependent Countries

Grzegorz Peszko Dominique van der Mensbrugghe Alexander Golub John Ward Dimitri Zenghelis Cor Marijs Anne Schopp John A. Rogers Amelia Midgley



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The GCC 1.0 countries are Kazakhstan Qatar Kuwait Brunei Darussalam High Exposure exposed but also Saudi Arabia comparatively Oman resilient to LCT . Vietnam Azerbaijan impacts Guyana Algeria Botswana Congo, Rep. **Russian Federation** Cambodia South Africa **United Arab Emirates** 0.5 China Ukraine India Indonesia **Climate Change and Development Series** Malaysia Norway Bolivia . Low Exposure Australia Colombia Thailand Argentina Namibia Poland Canada DIVERSIFICATION Cote d'Ivoire Chilgrkey Philippines Korea, Rep. . . AND COOPERATION Germany United States Brazil Italy ... Mexico Japan United Mongolia IN A -France Sweden DECARBONIZING Countries Kingdom Kenya WORLD Grzegorz Peszko Dominique van der Mensbrugghe Alexander Golub Dimitri Zenghelis Anne Schopp John A. Rogers Amelia Midgley 0.0 0.5 0.0 **High Resilience**

Low Resilience

Iraq

.

Venezuela, RB

1.0

Angola

Mozambique

Libya

Nigeria

Ghana

Egypt

Bangladesh

• Uganda

Equatorial Guinea

Malawi

• Pakistan Tanzania

Incentives for diversification and cooperation need to be aligned

Unilateral carbon prices by fuel importers depress global fuel demand/prices and extract resource rents from fuel exporters

> Fuel importers invoke carbon border adjustments (market power?)

Low fuel prices put economic pressure to double down on traditional brown diversification (leakage) DIVERSIFICATION AND COOPERATION IN A DECARBONIZING WORLD

Countries

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Policy Research Working Paper 9315

Diversification and Cooperation Strategies in a Decarbonizing World Gragger Paylo Deningue son der Mentingdor Atsonder Gelut

WORLD BANK GROUP Climate Change Global Practice Environment and Natural Resources Global Practice July 2020

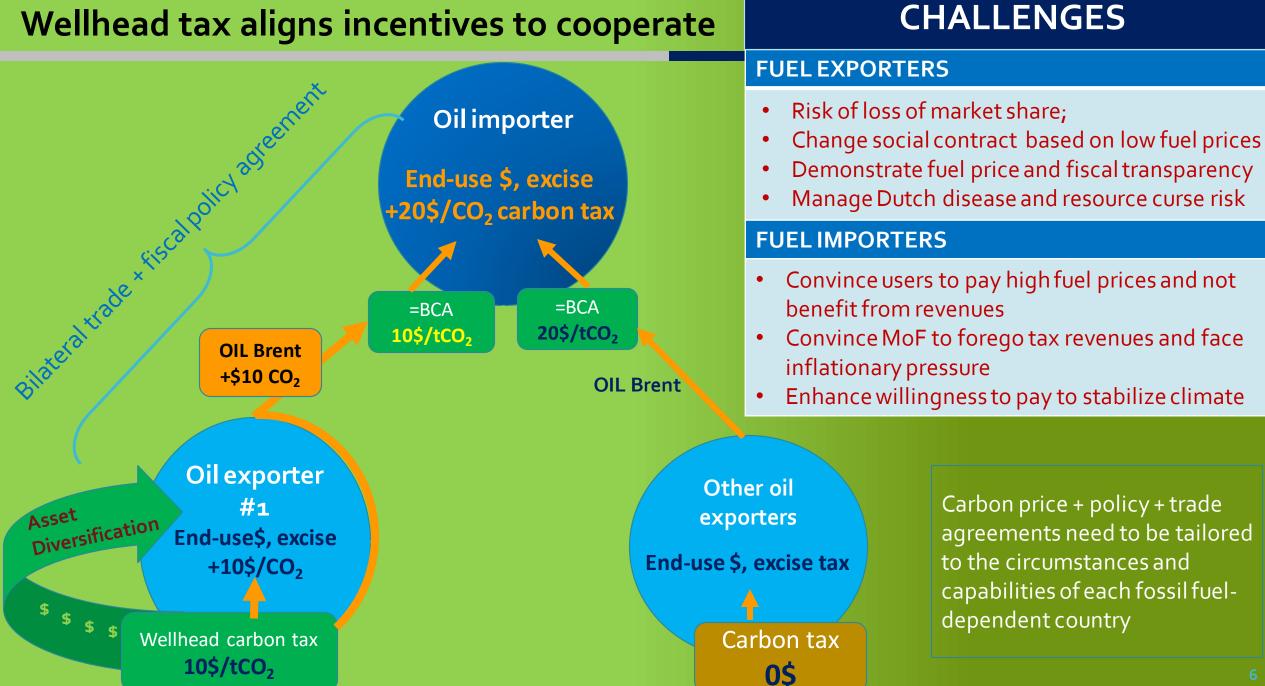
Negotiations of carbon pricing + climate policy + trade agreements between fuel importers and exporters Carbon price + policy + trade agreements can incentivize and enable climate cooperation with fuel exporters

Carbon offsets	Domestic demand to offset carbon content of petroleum and industrial products supplied to the	DECARBONIZING WORLD
	market (e.g. CCS)? Link to EU FQD or California LCFS	
		WORLD BANK GROUP
Linked ETS	Sellers: Oil demand shrinks but rents remain at home Buyers: Demand shrinks more; rents go abroad allowing leakage Challenges: Domestic fuel prices and competition (SOEs)	
Minimum		
carbon taxes	Emissions taxes : Demand shrinks, rents go abroad Wellhead carbon taxes : Demand shrinks; Rents remain at	t home,
	prevents leakage	

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DIVERSIFICATION AND COOPERATION



THANK YOU!

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Diversification and Cooperation in a Decarbonizing World: Climate Strategies for Fossil Fuel-Dependent Countries https://openknowledge.worldbank.org/handle/10986/34011

Diversification and Cooperation in a Decarbonizing World: Macroeconomic Simulations Report: https://openknowledge.worldbank.org/handle/10986/34056

Cooperative Carbon Taxes Under the Paris Agreement that Even Fuel Exporters Could Like http://documents1.worldbank.org/curated/en/1215215747836 71207/pdf/The-First-International-Research-Conference-on-Carbon-Pricing.pdf **Climate Change and Development Series**

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