Science, including the IPCC 1.5°C report, shows that significant further efforts are required from all the Parties – including the EU – to stay within the limits of the temperature thresholds under the Paris Agreement. The EU needs to maintain its climate leadership and show how ambitious, concrete and cost-effective policies can enable a reduction of greenhouse gas emissions.

The signatories share the view that carbon pricing, along with supporting policies and measures, is essential to provide economic agents with a clear long-term signal and, thereby, to incentivise cost-effective GHG emissions reductions and to disincentivise new investments in carbon intensive technologies without near-term abatement potential. The EU ETS is playing a significant role in this respect and, in this regard, the signatories welcome the recent reform of the European carbon market (EU ETS) as a step in the right direction. However, only 52% of all EU emissions are covered by an explicit carbon price\(^1\), and in some cases the carbon price can be too low and/or too volatile to trigger effective decarbonization.

The signatories recognize that, in order to reach the long-term objectives of the Paris Agreement, enhanced measures should be taken to strengthen the carbon price signal, to improve overall ambition, coverage, and predictability. A set of carbon pricing mechanisms designed with a meaningful price level, would provide robust and predictable price signals for covered sectors across the economy. Such mechanisms, at each country’s discretion, could include carbon price floors for electricity generation to complement the EU ETS, or carbon pricing in non-ETS sectors. The Stern-Stiglitz report has explored carbon pricing levels needed to deliver the long-term objectives of the Paris Agreement.

The signatories believe that cooperation at the European level could increase the economic and climate effectiveness of carbon pricing, while respecting national time frames and fiscal sovereignty.

The signatories acknowledge the role of supporting policies and measures to address the potential impacts of carbon pricing, as well as to promote a just transition and the creation of high-value jobs in low-carbon sectors.

The signatories emphasise the significant benefits of meaningful carbon prices for accelerating the development of new jobs and low-carbon industries with a first-mover advantage, and the economic growth opportunities this could provide.

In order to accelerate the pace of the low-carbon transition, the signatories commit to work together to support the uptake of a set of broader and more ambitious carbon pricing measures, while realising the benefits of increased cooperation and taking into account the role of supporting policies and measures.

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\(^1\) Source: *State and Trends of Carbon Pricing 2017*, World Bank, Ecofys and Vivid Economics, November 2017
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