YOUNG ALUMNI INSIGHTS

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AN EVALUATION OF CARBON PRICING POLICIES IN OIL & GAS JURISDICTIONS

Carbon pricing is widely accepted as the most economically efficient means to reduce greenhouse gas emissions. As global efforts to address climate change intensify, jurisdictions with large oil and gas sectors face a two-fold challenge. They must promote emissions reductions in a high-emitting sector and ensure the sector maintains its economic prosperity to support the local economy. Failure to strike this balance can result in carbon leakage, which will shift emissions and economic activity to jurisdictions with less stringent policies.

The oil and gas sector is Alberta's largest emitting sector and the cornerstone of the province's economy. In early 2018, the province introduced the Carbon Competitiveness Incentive Regulation (CCIR) for high-emitting sectors. Norway and California are also important global oil and gas producers that have implemented carbon pricing. Their approaches use carbon taxation, an emissions trading system or both pricing instruments, whereas Alberta's CCIR is a hybrid of these instruments.

Despite different policy designs, all three approaches are effective policies. While carbon leakage can be addressed through industry assistance and compliance flexibility, an economically efficient pricing policy must maintain the incentive to reduce emissions even in the presence of industry assistance. Alberta's CCIR achieves this balance through its output-based allocation structure and flexible compliance options. It is well positioned to achieve emissions reductions and maintain competitiveness in the province's oil and gas sector.

Neuczki is currently working as a Project Engineer at TransCanada.

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> "Alberta's CCIR offers another carbon pricing solution for oil and gas jurisdictions wanting to address climate change."