

Designing an European municipal Carbon pricing model

A collaborative project between Klimaatverbond Nederland and Climate Alliance

Carbon pricing is an important part of the strategy towards a low carbon economy. Local and regional governments are taking initiative by introducing a carbon price, for instance in policy making (cost/benefit analysis), green procurement (cost indicator in selection, part of market consultations), communication and cooperation (for instance in a climate budget, the setting up of a climate fund). The Climate Alliance and its Dutch member Klimaatverbond Nederland took the initiative of a collaborative project in which we invite concrete members in the different European countries to join in its development.

The main goal of the Carbon pricing project is to develop a realistic Carbon pricing model for European cities, to be used for the different municipalities and national contexts. The development of such a model will use the already existing experience in the Netherlands where municipalities are already working with carbon pricing models. It will be discussed and developed further in a wider group of municipalities with different characteristics covering the EU geography. The designed / agreed Carbon pricing model should be also implemented by the municipalities which form the group. Main basis for the calculation of the municipal CO₂ emissions is the SECAP template of the Covenant of Mayors.

Carbon pricing and its relevance for municipalities

The use of carbon pricing extends far beyond the national or international systems of taxing, though we are seeing initiatives from public and semi-public institutions to introduce (for instance as part of procurement) real carbon levy's related to the carbon emissions of specific projects. But most of the carbon pricing initiatives of local actors fall under three policy areas:

- Green Public Procurement
- Policy making and cost/benefit analysis
- Formation of funds and partnerships

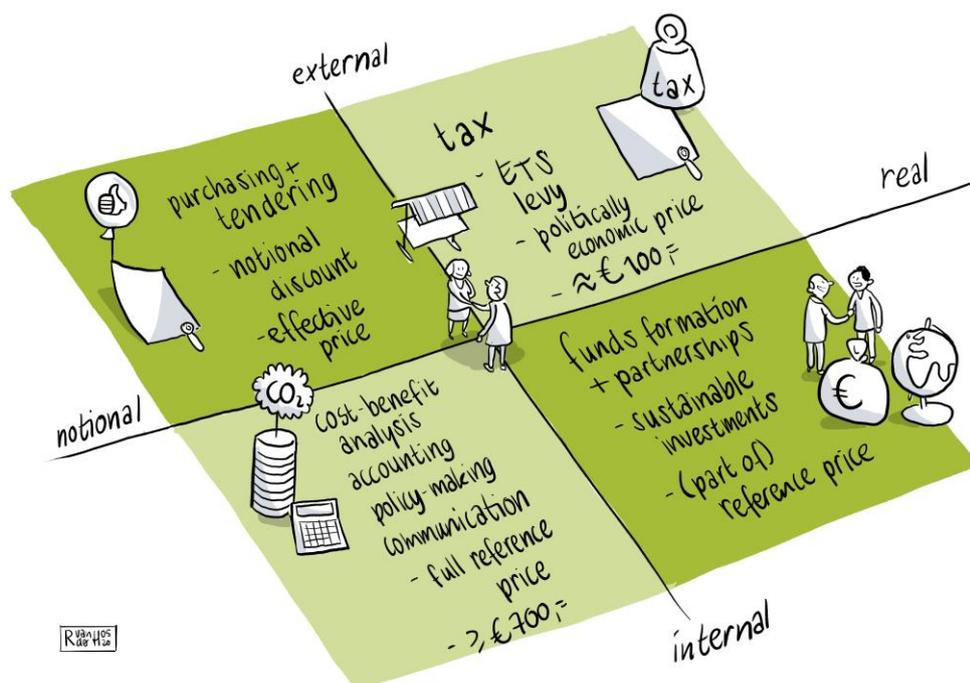
Green Public Procurement (GPP): Government expenditure on works, goods and services represents around 14% of EU GDP, accounting for roughly EUR 1,8 trillion annually. By using their purchasing power to choose goods, services and works with a reduced environmental impact, they can make an important contribution towards local, regional, national and international sustainability goals. GPP can be a major driver for innovation, providing industry with real incentives for developing green products and services. This is particularly true in sectors where public purchasers represent a large share of the market (e.g. construction, health services, or transport).

With this collaborative project the participating municipalities will strengthen their Green Public Procurement by building tools and methods which make it possible to use Carbon Pricing in all stages (from design, market consultation to implementation) and giving carbon its full weight in

decision-making processes. This will involve certified calculation of carbon footprints of projects, products and programs (for instance using methods such as the CO₂-performance ladder) and a legal framework which provides local governments with the tools to actually implement a carbon price in their selection of projects, products and programs. The instruments and design principles will involve the market, will be focusing on collaborative innovation and will strengthen the link between climate policies and circular economy.

Policy making and cost/benefit analysis: Policy makers often struggle with short term and long term priorities in a reality of budget restraints and competing policy goals. Decision making and the setting of priorities can be supported by putting a real price on carbon emissions, reflecting the social/economic impact of the climate crisis. How do we actually translate the costs of climate extremes, rise of sea-waterlevel, loss of biodiversity, food- and water security in our local and regional policies. Involving the carbon footprint of the municipality as an organisation and as a community.

Funds formation and partnerships: Even if municipalities and its citizens and businesses make the strongest effort possible to limit carbon emissions, the reality is that there will be a sizable rest-emission for years to come. Can we tax these emissions creating funding for innovation and strengthening of vital sustainable policy areas? Can we build partnerships with other municipalities and communities, for instance in the Global South, to strengthen joint programs towards sustainability in the connection of the Sustainable Development Goals?



Creation of a municipal working group on carbon pricing

The CO₂ Pricing working group should be created by around 12-18 municipalities of different size and characteristics covering the European geography.

Main activities of the working group are:

- Analysis and discussion the already existing experience in the Netherlands
- Analysis of experience within our European framework
- Discussion and exchanges about different topics related to the model and its applications
- Common decision about an applicable Carbon Pricing model for all municipalities represented in the group

The activities of the group are going to be conducted by Klimaatverbond Netherlands and Climate Alliance, who are going to provide the group with materials and proposals for the discussion, being also the organisers of the meetings and discussions and rapporteur. The group is going to meet virtually (video-calls/webinars) and personally for the discussion and decision making process. Depending on funding and circumstances, the 'in person' meetings should take place twice a year.

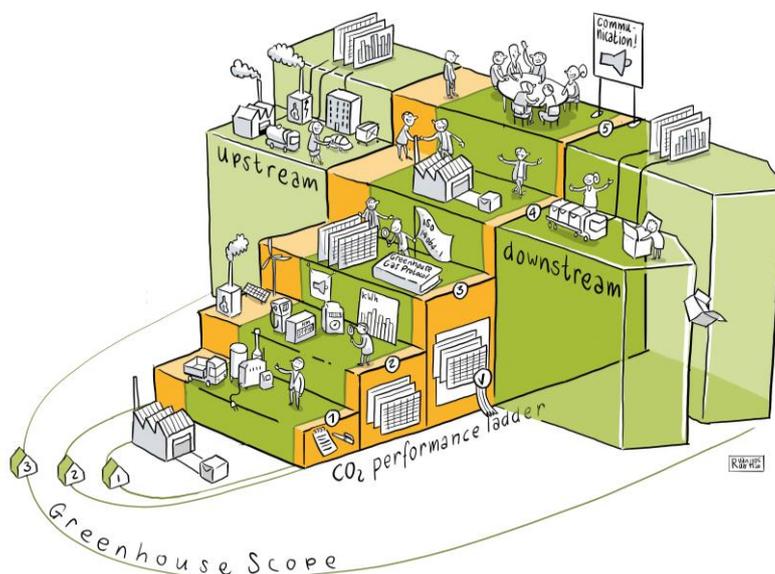
Klimaatverbond Netherlands and Climate Alliance are inviting country coordinators of the Climate Alliance and municipalities to communicate their interest in becoming involved in this collaborative project. The project-coordinators, Miguel Morcillo (Climate Alliance) and Thijs de la Court (Klimaatverbond Nederland), are ready to answer specific questions and provide introductions for interested countries and municipalities. A joint program will be developed jointly with interested partners/municipalities and will lead to a joint project proposal at the European level. The program will be linked to the Covenant of Mayors, thus building on and strengthening the existing instruments.

Carbon footprints

A common frame and methodology for the quantification and certification of CO₂ emissions at the EU framework should be developed in relationship to the specific instruments (for instance linked to the systems of environmental cost indicators). Collection of accurate data and calculation of energy consumption are complex topics at the municipal level.

Different methods will be developed for issues such as carbon pricing related to the CO₂ inventory of the municipality and the municipal organisation, sustainable and circular procurement and the creation of local and regional climate funds for innovation and international cooperation. Certification (transparency, objectivity, applicable in the EU, applicable for the market) will play an important role in the development of the instruments.

We expect some proposals for improvement the accuracy and transparency of the necessary data, which makes it possible to develop certified systems of carbon reductions in the different EU countries. The project will provide clear rules and methodology to allocate the reduced emissions in the different scope / sectors covered by the municipal CO2 inventory.



Focus: Carbon pricing and municipal procurement

One important aspect of carbon pricing relates to sustainable and circular procurement, a focus area of this project. The inclusion of carbon pricing (and other environmental price indicators) in the municipal procurement systems will be discussed. One important aspect of this is the analysis of the environmental impact of an activity to be procured, based on the LCA approach. Proposals for methodology will be done based on focal areas related to the largest carbon footprint impact of municipal procurement.

The Carbon Pricing group will, with the support of Klimaatverbond Nederland and Climate Alliance, formulate clear recommendations about how to include LCA impacts of activities in municipal procurement systems. A municipal procurement system for carbon pricing valid for all the EU countries will be tested and described.

Testing and implementation of carbon pricing en procurement systems

The Carbon Pricing and procurement model will be developed in the practical context of concrete procurement activities of municipalities. At least in a core group of municipalities real-time experiments will be executed on procurement processes related to the sectors responsible for the largest footprints. Municipalities joining this core group will be invited to work on specific policy areas which are an immediate priority in their context, for instance road-construction/maintenance, public transport or housing/office development, challenging the market to compete on the smallest carbon footprints.

Dissemination and promotion of experience and methods

The working group's results will be summarised in a report and disseminated in webinars and conferences. Specific focus will be put on the communication of this experience to the European Commission. Taking into account the link with the SECAP template of the Covenant of Mayors, we are going to have opportunities to work together with this EU initiative. We will be able to highlight the results of the studies and experiments and will jointly with the Covenant of Mayors partners propose a methodology to use the SECAP template as fundament for carbon pricing strategies. This will be linked to the wider municipal CO2 accountability and policy making (linked to social cost/benefit analysis). It will also provide a reference for budgeting and funding of innovation and international cooperation.

Duration of the project

Taking into account that the goal of the project is not only to describe some EU standards for carbon pricing but also testing this at the municipal level, we consider the duration of the project should be at least three years.

We invite interested countries and municipalities to contact us:

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THE CLIMATE ALLIANCE

For 30 years, Climate Alliance member municipalities have been acting in partnership with indigenous rainforest peoples for the benefit of the global climate. With over 1,800 members spread across 28 European countries, Climate Alliance is the world's largest city network dedicated to climate action and the only one to set tangible targets: each member city, town and district has committed itself to reducing greenhouse gas emissions by ten percent every five years. Recognising the impact our lifestyles can have on the world's most vulnerable people and places, Climate Alliance pairs local action with global responsibility. climatealliance.org