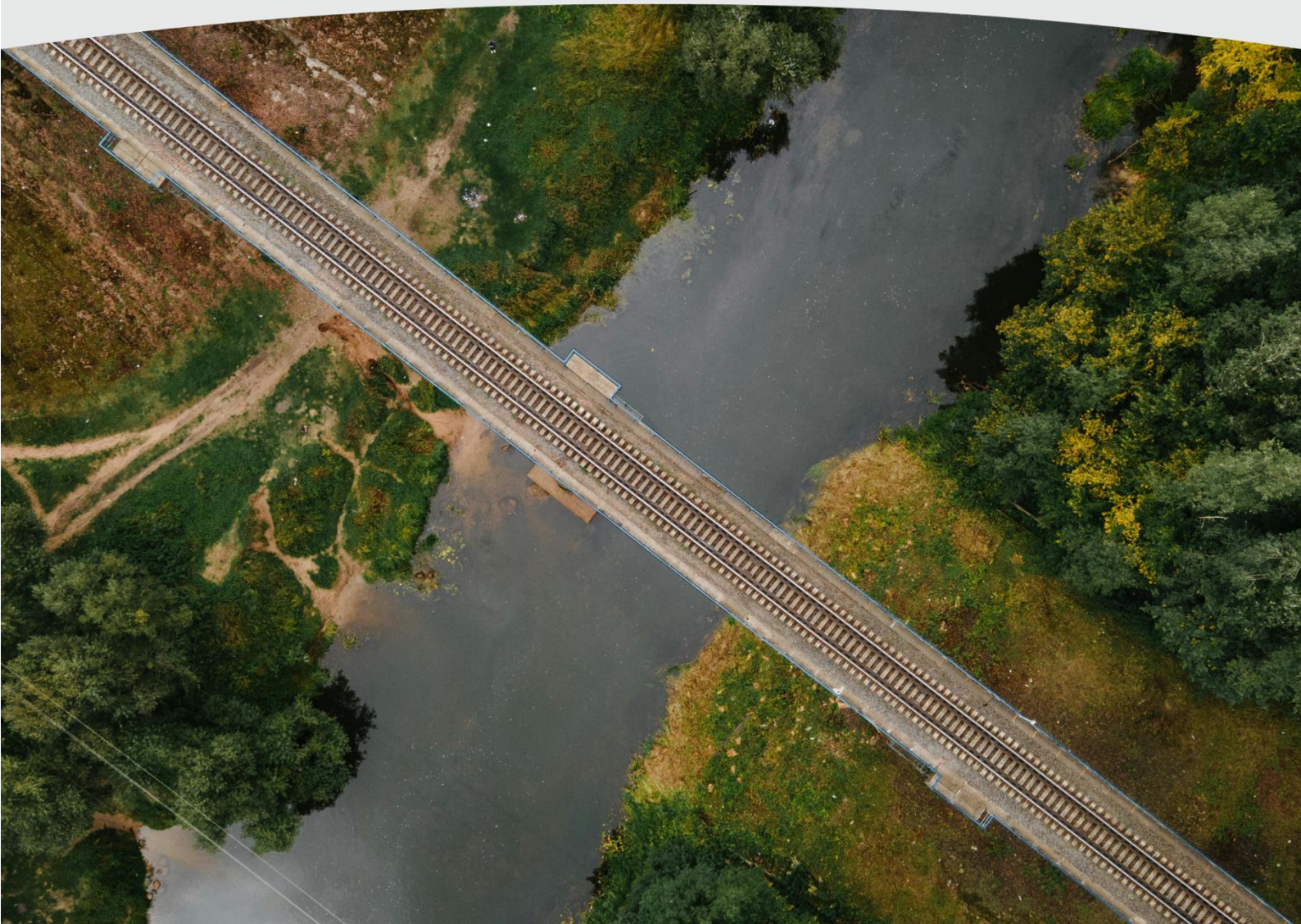
CDP Technical Note

Carbon Pricing: CDP Disclosure Best Practice

CDP Corporate Questionnaire



Version

Version number	Release / Revision date	Revision summary
1.0	April 5, 2018	First published version
2.0	March 8, 2019	Minor updates for 2019, including: Updated statistical information Added a list of current emissions trading schemes (see C11.1b) Added a list of current tax systems (see C11.1c)
2.1	April 7, 2020	Updated C11.1b and C11.1c question text and list of current ETS's and carbon tax systems to align with the 2020 CDP climate change questionnaire.
2.2	January 7, 2021	Updated lists of implemented ETS and carbon tax systems, and other minor revisions
3.0	January 21, 2022	Updated lists of implemented ETS and carbon tax systems, edits to align with updated TCFD recommendations, and other minor revisions
4.0	January 17, 2023	Updated lists of implemented ETS and carbon tax systems, edits to reflect changes to questions in the 2023 CDP questionnaire, and other minor revisions
5.0	June 28, 2024	Updated to align with 2024 changes to the corporate questionnaire
6.0	March 12, 2025	Updated list of countries on a carbon scheme and tax. Links updated or removed to align with new platform.
7.0	April 20, 2026	Updated to reference to the emergence of CBAMs. Updated linked data from the World Bank. Updated to align with 2026 changes to the corporate questionnaire.

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About this technical note

The pricing of environmental externalities is a key consideration for investors that companies must assess, disclose, and manage. A monetary value assigned within an organization's financial calculations, going beyond direct costs like utility bills, to account for both internal and external costs and benefits associated with carbon emissions or water use. The price guides strategic decisions and investments towards conservation and efficiency initiatives. This echoes recommendations published by the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). Carbon pricing is the most mature version of pricing of environmental externalities. A model developed by Schroders estimates that "almost half of listed global companies would face a rise or fall of more than 20% in earnings if carbon prices rose to $100 a tonne."

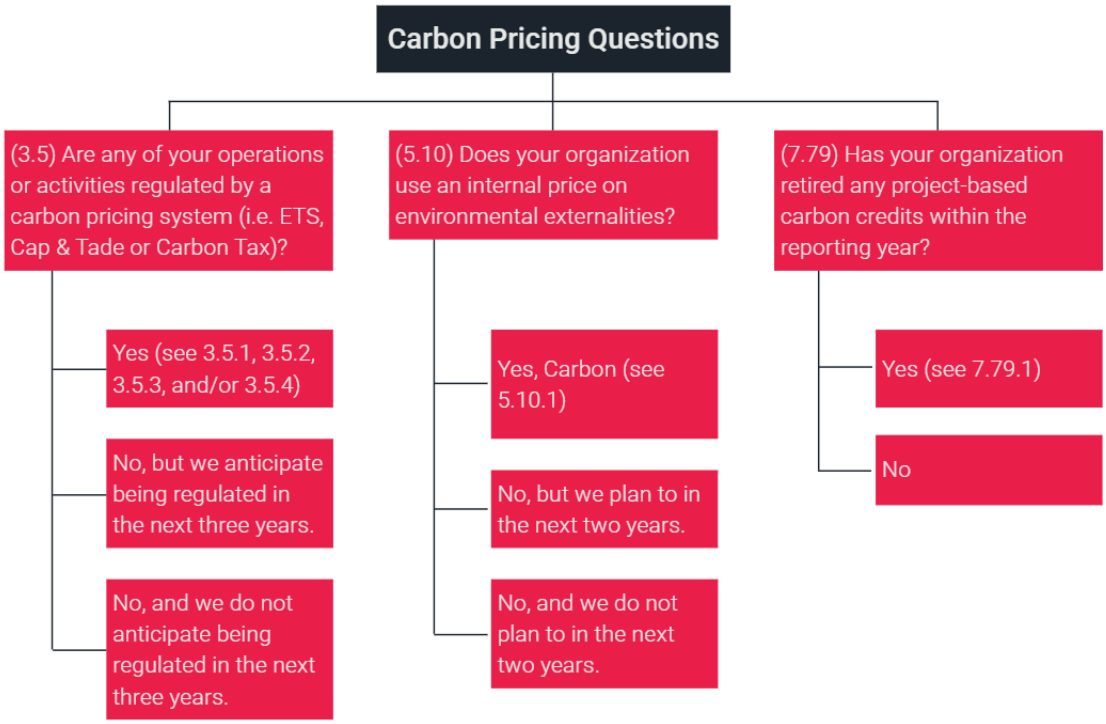
Companies across various regions and sectors have identified internal carbon pricing – "a monetary value on GHG emissions an organization uses internally to guide its decision-making process" (TCFD, 2021) – as a useful approach to assessing and managing carbon-related risks and opportunities that may arise from the transition to a low-carbon economy. In 2025, over 5900 companies disclosed to CDP that they use an internal carbon price or anticipate doing so in the next two years.

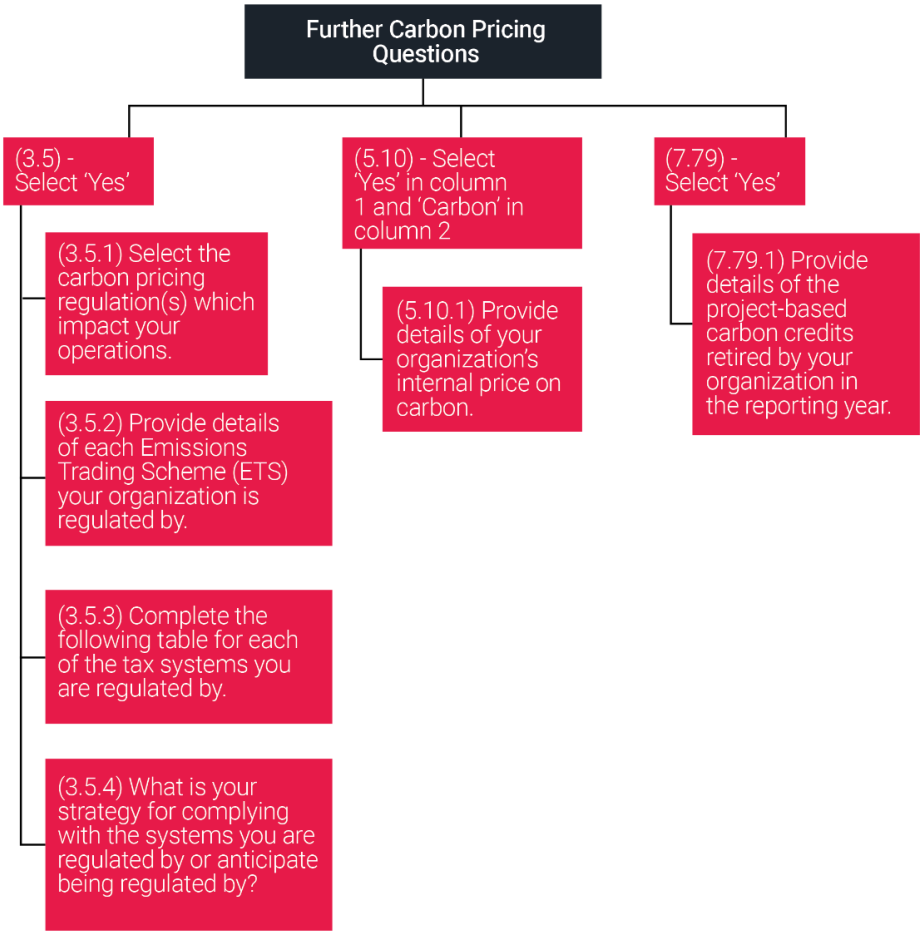
For many organizations, the most significant consequences of climate-related risks will emerge over time, and their magnitude is uncertain. Assigning a monetary value to the cost of carbon emissions helps companies monitor and adapt their strategies and financial planning to real-time and potential future shifts in the external market. As shifting regulatory and market dynamics influence the present and future cost of carbon, investors are demanding more consistent disclosure around a organization's approach to embedding this potential risk within their business decisions.

Policy developments such as Emissions Trading Schemes (ETSs) have placed a price on carbon in many jurisdictions. With the implementation of the European Union's carbon border adjustment mechanism (CBAM) in 2026, even companies outside of the EU have a carbon price (aligned with the EU ETS) applied to some of their goods when sold to the EU. As more CBAMs emerge, more companies will be affected. This strengthens the case for internal carbon prices to guide the decarbonization of the production of these goods to avoid these additional costs when selling to relevant regions.

Since 2013, CDP's Corporate Questionnaire has included questions dedicated to carbon pricing – requesting companies to disclose their exposure to regulations that put a price on carbon and the company's risk management strategy against such regulations. For companies applying an internal carbon price for other reasons, there is also space to disclose these. This technical note provides additional guidance for companies to understand and effectively respond to CDP's carbon pricing questions.

In 2024, CDP expanded its existing questions on carbon and water pricing to collect data on internal pricing of any environmental externality. As consideration of environmental risks and opportunities broadens beyond climate change, pricing of other environmental externalities allows companies to account for these. For detailed guidance on internal water pricing, please see CDP's Internal Water Price Technical Note.


Carbon Pricing Questions
(3.5) Are any of your operations or activities regulated by a carbon pricing system (i.e. ETS, Cap & Tade or Carbon Tax)?
Yes (see 3.5.1, 3.5.2, 3.5.3, and/or 3.5.4)
No, but we anticipate being regulated in the next three years.
No, and we do not anticipate being regulated in the next three years.
(5.10) Does your organization use an internal price on environmental externalities?
Yes, Carbon (see 5.10.1)
No, but we plan to in the next two years.
No, and we do not plan to in the next two years.
(7.79) Has your organization retired any project-based carbon credits within the reporting year?
Yes (see 7.79.1)
No

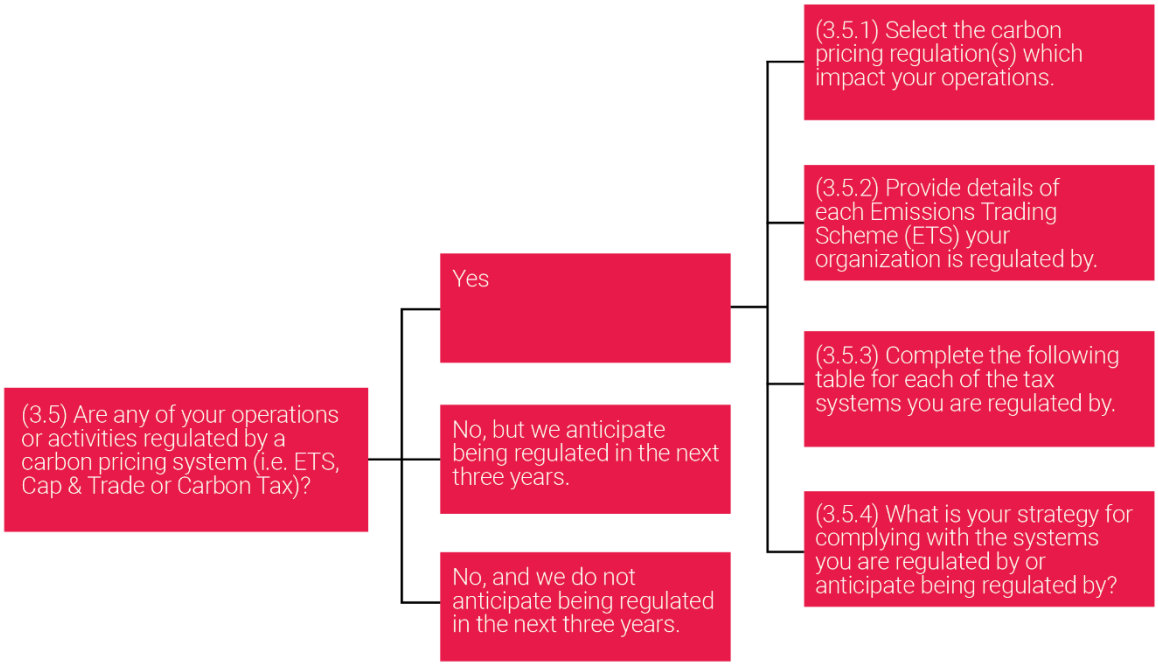

Further Carbon Pricing Questions
(3.5) - Select 'Yes'
(3.5.1) Select the carbon pricing regulation(s) which impact your operations.
(3.5.2) Provide details of each Emissions Trading Scheme (ETS) your organization is regulated by.
(3.5.3) Complete the following table for each of the tax systems you are regulated by.
(3.5.4) What is your strategy for complying with the systems you are regulated by or anticipate being regulated by?
(5.10) - Select 'Yes' in column 1 and 'Carbon' in column 2
(5.10.1) Provide details of your organization's internal price on carbon.
(7.79) - Select 'Yes'
(7.79.1) Provide details of the project-based carbon credits retired by your organization in the reporting year.

1. Carbon pricing systems

CDP requests companies subject to mandatory carbon pricing regulations to report on these in section 3.5. This section has evolved to include whether companies are currently regulated by a carbon pricing system – including carbon markets or taxation – or whether they expect to be regulated in the future. Companies responding with "Yes" in question 3.5 will be prompted to identify the systems they are regulated by and to provide additional details about their exposure to these systems.

Although this section currently covers ETSs, it has yet to be expanded to cover companies affected by CBAMs. Disclosure of being affected by CBAMs is not currently requested by CDP. This is being reviewed and may be included in the future.

The information disclosed will enable investors to consistently track and analyze an organization's current and expected exposure to carbon pricing regulations and start to quantify their associated costs. CDP aims to encourage unregulated companies to consider potential future exposure.



1.1. Question 3.5: Are any of your operations or activities regulated by a carbon pricing system (i.e. ETS, Cap & Trade or Carbon Tax)?

Carbon pricing policies primarily manifest in one of two ways, or in some countries and regions in both ways. An **emissions trading scheme**, also known as a 'cap and trade' system, is a market-based allowance system in which participants can buy and sell a set amount of allowances based on their emissions levels. Low emitters will have allowances left over for sale, which higher emitters can buy to offset their own emissions – operating in a demand and supply scenario. A **carbon tax** attaches a fee to carbon emissions.

As of 2026, carbon pricing policies exist in 55 national jurisdictions and 44 subnational jurisdictions. These initiatives cover 14.7 GtCO2e, representing 28% of global GHG emissions (World Bank, 2025).

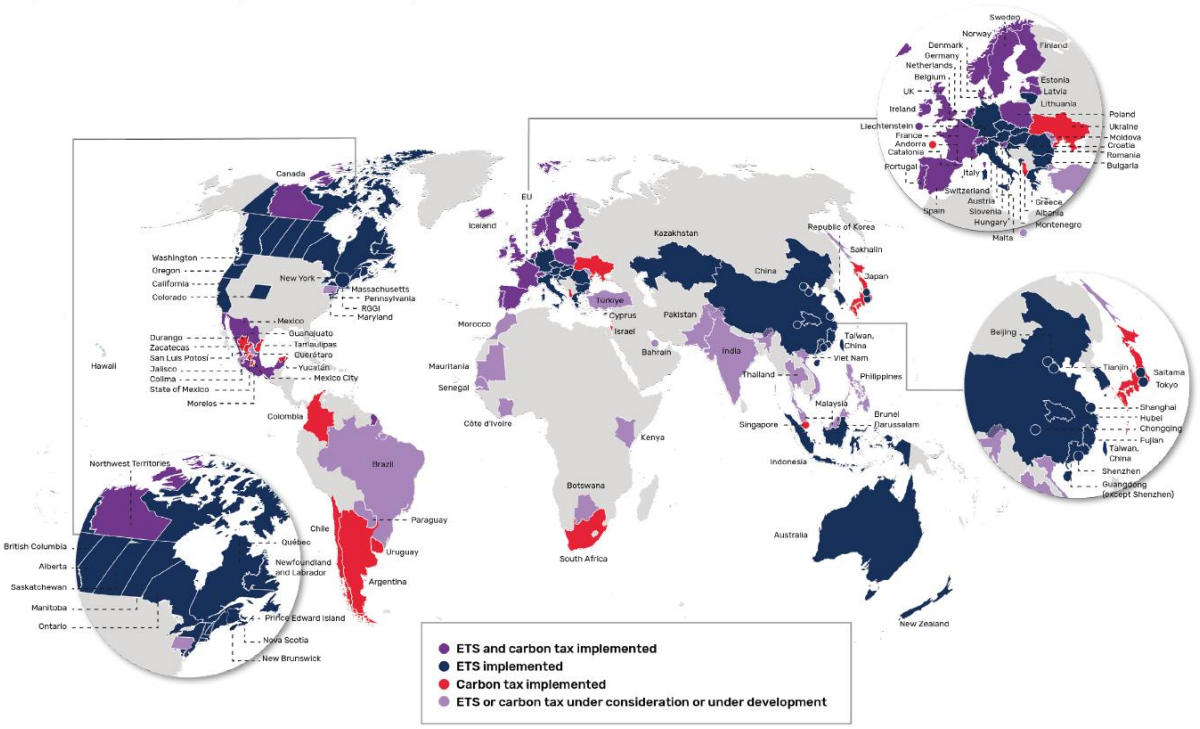


Figure 1. ETS and carbon pricing initiatives implemented, under consideration or under development. Source: "World Bank. 2025. State and Trends of Carbon Pricing 2025. Washington, DC: World Bank. DOI: 10.1596/978-1-4648-2255-1. License: Creative Commons Attribution CC BY 3.0 IGO."

As the leading researcher/tracker of global carbon pricing mechanisms, please see the World Bank's Carbon Pricing Dashboard for more detailed information about existing and emerging carbon pricing regulations.

1.2. Question 3.5.1: Carbon pricing regulations

This question prompts companies to select the carbon pricing regulation(s), ETS and/or tax, that affect their operations. Note that this is not limited to the country in which your company is incorporated and should include all global regulations to which your operations are subject.

This list of carbon pricing regulations in 3.5.1 is taken from the World Bank's annual publication, the State and Trends of Carbon Pricing and the accompanying Carbon Pricing Dashboard. If you cannot find a system you would like to reference, you can use the "Other carbon tax, please specify" or "Other ETS, please specify" options to provide the name and location of the regulation. The ETSs/carbon taxes you select will appear questions 3.5.2/3.5.3, respectively.

1.3. Question 3.5.2: Emissions trading systems

Companies are prompted to include details of their compliance in each emissions trading system selected in the previous question, such as the percentage of Scope 1 and Scope 2 emissions covered, allowances allocated and/or purchased, facilities ownership status, etc. Note that the period for which data is supplied should overlap with the reporting year.

This question requests details of ownership regarding the facilities subject to the scheme identified. Although some emissions trading schemes may apply solely to the operators of facilities, the financial position of

facility owners is also affected indirectly by the scheme. This question therefore applies to both owners and operators of facilities covered by trading schemes. Even if your company does not wholly own facilities, please give the total number of emissions and allowance.

You can find an example of an emissions trading scheme below:

The **European Union ETS (2005)** is currently the largest and most comprehensive ETS in place. It covers medium and large emitters from the most energy-intensive sectors (e.g. power generation, cement) and future proposals would expand it to include other industries such as road transport. Allowances are allocated to companies based on National Allocation Plans determined by individual countries. Since 2013, allowances have been centrally coordinated by the European Commission. Companies that emit more than their allocated allowances need to purchase allowances from other companies that wish to sell theirs. As directed above, companies should use question 3.5.2 to report the allowances that they have been allocated and those that they have needed to purchase.

1.4. Question 3.5.3: Tax systems

Companies are prompted to include details of their compliance with each carbon tax selected, such as the percentage of emissions covered, total cost paid, etc. While carbon taxes are generally intended to directly charge emitters for the cost of pollution, the policy application of this definition depends on a system-by-system basis and may affect sectors differently. For example, some policies may tax producers directly; others may attribute the cost to consumers of the processed fossil fuels (i.e. utilities); and others may tax users such as in the form of big businesses.

Examples of carbon taxes

The British Columbia Revenue-Neutral Carbon Tax (2008) applies to a broad range of sectors aiming to drive business towards more energy and cost efficient operations. Revenue from this tax is distributed back to taxpayers in the form of other reductions or returns. Fossil fuel producers and importers are liable for a monthly payment of the tax.

Japan's Tax for Climate Change Mitigation (2012) applies to all sectors and even with some exemptions captures almost 70% of the country's GHG emissions. The tax aims to fairly distribute the cost of fossil fuel usage and incentivize the transition to a low-carbon economy. Costs are incurred by the fossil fuel producers, expected to pay the tax on a bimonthly basis. The carbon tax is revenue neutral. Revenue generated with this tax is directed to supplement renewable energy projects and to enhance energy-saving measures.

The UK's Carbon Price Floor (2013) sets a price minimum carbon price for UK power generators, above what they may need to pay under the UK ETS. The price floor is comprised of the price of emissions allowances and a variable Carbon Price Support (CPS) rate, set so that emitters in the power sector pay at least the minimum carbon price.

1.5. Question 3.5.4: Compliance strategies

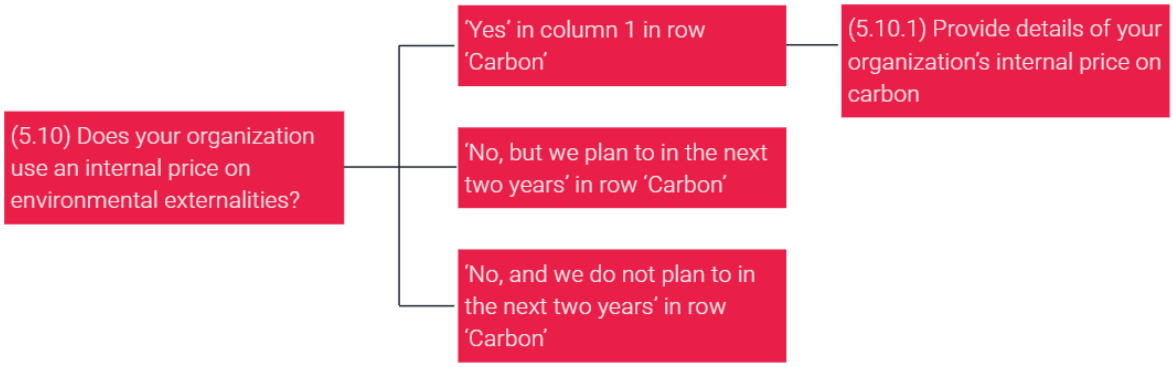
This question prompts companies to consider their long-term strategies against climate change. Some of the options for compliance include emissions reductions strategies, efficiency upgrades, and purchases of allowances and/or carbon credits. Depending on how long your company has been regulated by a carbon pricing system, efficiency upgrades may not provide the number of reductions necessary to comply with regulations. If that is the case for your company, then you are also encouraged to detail your company's long-term compliance and regulatory risk management strategy – including the specific metric(s) or mechanism(s) used – for example, a dedicated carbon risk management team or the use of an internal carbon price. If you use an internal carbon price, please provide specific details in question 5.10.1.

2. Internal Carbon Price

CDP has collected data on internal carbon prices on behalf of investors and other data users since 2013.

Figure 2. CDP's data on internal pricing (2022)

To assess the quality of a company's internal pricing approach, investors need to understand why and how internal pricing of environmental externalities is used as a tool to assess and manage related risks and opportunities within a business's operations, supply chain, and investments.



2.1. Question 5.10: Does your organization use an internal price on environmental externalities?

Over several years, CDP has tracked a steady increase in the number of organizations embedding an internal carbon price into their business strategies. From 150 global companies in 2014, the number has grown to

over 3600 companies in 2022 disclosing that they use an internal carbon price or are planning to do so within the next two years.

This growth is steady across all sectors and regions – largely driven by the parallel development of regulations that directly or indirectly price carbon and the increasing pressure from shareholders and customers for companies to adequately manage their climate-related risks.

Internal carbon pricing has emerged as a multifaceted tool that supports companies in assessing climate-related risks and opportunities. By attributing a monetary value to these risks and translating them into a uniform metric, financial decision makers within an organization are enabled to make the low-carbon transition an integral part of business strategy.

For more information, please refer to the following documents:

- How-To Guide to Corporate Internal Carbon Pricing: Four dimensions to best practice approaches, Ecofys, The Generation Foundation and CDP, 2017.
- Putting a price on carbon: Integrating climate risk into business planning, CDP, October 2017.
- Putting a price on carbon: A handbook for Indian companies 2.0, CDP, October 2017.
- Putting a price on carbon: The state of internal carbon pricing by corporates globally, CDP, April 2021

2.2. Question 5.10.1: Provide details of your organization's internal price on carbon.

2.2.1 Objectives

In many cases, companies report multiple objectives for their internal carbon price – particularly as internal and external developments occur that require a readjustment of the pricing approach to maximize its effectiveness. The table below shows three common purposes for implementing internal carbon pricing and the associated objectives/outcomes.

Purpose	Potential objectives/outcomes
Tool to assess and manage carbon-related risks	• Assess risk exposure; • Inform strategic response & future-proof assets and investments against regulatory risk (ETS, carbon tax, or implicit carbon pricing policy), including investment in new technologies or energy efficiency to decrease costs; • Demonstrate management of risk to shareholders.
Tool to identify carbon-related opportunities	• Reveal cost-cutting and resiliency investment opportunities throughout value chain in the transition to a low-carbon economy; • Change employee and supplier behavior; • Discover new market and revenue opportunities; • Influence R&D investment decisions.
Transition tool	• Align investment strategy with 1.5-degree scenario and align business with the Paris Agreement; • Accelerate reduction of GHG emissions and drive investment in energy efficiency initiatives, renewable energy procurement, and R&D of low-carbon products/services; • Generate revenue to re-invest in low-carbon activities.

2.2.2 Types of internal carbon pricing mechanisms

Popular 'types' of internal carbon pricing approaches have emerged in recent years and are commonly referenced in corporate disclosure. Definitions of the main types are outlined below with illustrative examples of approaches to application (Ecofys, The Generation Foundation and CDP, 2017).

Over 60% of companies that responded to the CDP questionnaire in 2022 utilize a **shadow price** – attaching a hypothetical cost of carbon to each ton of CO_2e – as a tool to reveal hidden risks and opportunities throughout its operations and supply chain and to support strategic decision-making related to future capital investments.

> "Alberta's Climate Leadership Plan (which came into effect January 1, 2017) announced an escalating carbon levy beginning at $20/ton. [While] as an upstream oil and gas producer, 7G is exempt from this carbon levy until 2023…adopting a **shadow price** of carbon that reflects the escalating levy into project economics is critical to forward planning and investments. 7G recognizes that its operations will be in a carbon-taxable position (either provincially or federally) in the mid-term. Consequently, capital planning and strategies for market integration (vertical and horizontal) consider the potential implications of carbon taxes/levies across the company's markets."
> **Seven Generations**
> **Canada, Energy**

> "Viña Concha y Toro views this internal price of carbon as a key strategic element, a practice that will make all of our business units aware of the impact we have and how we can help fight climate change. We also hope to help them understand how climate change can affect our own business. Naturally, we expect this internal carbon price to stimulate innovation in our products and processes, driving competition and stimulating investment in low carbon technologies. Internally, this carbon pricing works as a **fund**."
> **Viña Concha y Toro**
> **Chile, Consumer Staples**

Internal fee mechanisms take this approach a step further by charging responsible business units for their carbon emissions. These programs frequently reinvest the collected revenue back into clean technologies and other activities that help transition the entire company to low-carbon activities. **Internal trading** takes this model a step further, allowing the business units within a company to trade their allocated carbon credits based on respective emissions.

Some companies with emissions reduction or renewable energy targets calculate an **implicit price** by dividing the cost of abatement/procurement by the tons of CO_2e abated. This calculation helps quantify the capital investments required to meet climate-related targets and is frequently used as a benchmark for implementing a more strategic internal carbon price.

> "Our internal price on carbon is dependent on the **cost** of RECs and carbon offsets as well as the **cost** of managing TD's GHG inventory. Our internal price on carbon has decreased from $10 to $8 since 2010 due to the implementation of energy and carbon reduction initiatives across our business. The price is calculated on an annual basis and charged back to our business groups based on the relative contribution of those groups to our overall carbon emissions…Our total GHG emissions from energy have decreased 25% from 2008, despite having a 23% growth in the space we occupy and more than doubling our revenue."
> **TD Bank Group**
> **Canada, Financials**

2.2.3 Factors considered in the price

When reporting an internal carbon price, it is important to disclose the factors considered in determining it. This helps data users understand whether the organization has taken into account the elements required to meet its climate-related objectives.

Examples of factors to consider include:

- alignment with scientific guidance;
- alignment to international standards;
- alignment with the price of a carbon tax;
- existing or pending legislation;
- scenario analysis;
- social cost of climate-related impacts.

For example, an organization seeking to encourage the consideration of climate-related risks can use scenario analysis to assess how carbon pricing may evolve under different transition pathways. Future policies may result in higher carbon taxes. This can be reflected in the internal carbon price. The organization can factor this into an internal carbon price, which is then used to guide long-term investment decisions.

2.2.4 Price variance

It is important for companies to disclose the temporal and spatial variance of the prices used and the scope of application within business decision-making processes. This information can help an investor gauge the efficacy of a company's application of the carbon price in terms of meeting its objectives. Common types of pricing are outlined as follows:

Uniform pricing: a single price that is applied throughout the company independent of geography, business unit, or type of decision.

> "IVL currently uses an internal shadow cost of carbon, primarily at this stage for scenario analysis of potential financial risks to the business from expanding number of cap-and-trade and carbon tax systems globally. IVL currently uses a shadow cost of carbon at $15/ton of CO_2e. Few of our business facilities exist in jurisdictions with external carbon prices, and only three locations have direct carbon compliance costs. However, IVL is aware of a number of new regulations that will impose a cost of carbon and may cover the types of processes and activities of our businesses. As such, we are using a global shadow price to evaluate site level risks."
> **Indorama Ventures PCL**
> **Thailand, Materials**

Differentiated pricing: a price that varies by region, business unit, or type of decision.

> "Vermilion currently considers the reasonable price for carbon in the short term (1-2 years) impacting our Canadian operations to be $30 CAD per tCO_2e. This is based on the commitments made by the government relating to the economy wide tax. In our European operations in the near and long term, we believe that a carbon price of 20-30€ per tCO_2e, which aligns with government assertions relating to a floor on carbon pricing in France, and represents carbon pricing assumptions also reasonable for our Netherlands and German assets. For our Australian operations, though we are not being impacted by carbon taxation, we believe the previously asserted cost of $20AUD per tCO_2e to be reasonable. Based on assertions made by the USA government, we do not believe our operations will be impacted by carbon pricing in the form of taxation, however, we consider $20USD per tCO_2e to be reasonable from a planning perspective."
> **Vermilion Energy, Inc.**
> **Canada, Energy**

Static pricing: a price that is constant over time.

> "In 2010, DANONE put a price on carbon in its capital expenditures approval process to redirect investments toward lower carbon solutions, clean technologies, renewable energy, any project contributing to cut emissions. In 2016, after a benchmark study and a regulatory watch, DANONE updated its internal price of carbon and decided to set it at a relatively high level, 35€/t to internalize potential future cost of carbon in long term. The return of investments is assessed with the impact of the carbon implication. It enables the management to arbitrate between different options, to choose the most virtuous and efficient ones to achieve the goals of Danone's Climate Policy."
> **DANONE**
> **France, Consumer Staples**

Evolutionary pricing: a price that develops over time.

> "ACCIONA stays ahead of the creation of new carbon pricing mechanisms and the price increase in existing markets by establishing an internal price for its medium to long term projects. This shadow price drives investments in technology and low carbon production processes so as to mitigate the risk created by the possible inclusion of certain activities of ACCIONA in systems that tax emissions with high prices, such as those estimated by the European Investment Bank or the European Bank for Reconstruction and Development of €36/tCO_2 in 2016, €45/tCO_2 in 2030 and €72/tCO_2 in 2050. The Company uses shadow prices to promote the choice of energy efficient options and clean fuels. For example, the price has been used in the bid for a public tender in Australia which valued actions to minimize GHG emissions."
> **ACCIONA**
> **Spain, Utilities**

2.2.5 GHG scope coverage

Each company has both a unique GHG emissions profile and a unique decision-making process. These factors combined determine the degree of influence that individual business units have over GHG emissions spread throughout the value chain. Examples of how different GHG emissions relate to different types of business decisions are provided in the table below.

GHG emissions	Examples of relevant decisions
Scope 1	Investment and production decisions
Scope 2	Energy purchasing decisions
Scope 3 (upstream)	Materials sourcing and procurement decisions
Scope 3 (downstream)	R&D decisions for innovative products for the current/future market

2.2.6 Business application

An internal carbon pricing mechanism can be integrated into a company's business decision-making process in a variety of ways. Each company has a unique application approach based on multiple factors, such as a company's internal corporate governance structure, emissions profile, position in the value chain, and intended objective(s). In fact, some companies deploy multiple mechanisms within their organization to achieve distinctly different outcomes.

Assessing a company's pricing approach involves understanding how the tool is **applied to business decisions**, and the level of influence it has on the decision-making process (i.e. to what degree does a company enforce the use of the price).

Commonly disclosed operational applications include capital expenditure decisions, operational decisions, procurement decisions, product and R&D decisions, and remuneration decisions.

Capital expenditure decisions
"In 2015, the Group joined the World Bank's Carbon Pricing Leadership Coalition and concomitantly made the decision to introduce its own internal carbon price. Starting in April 2016, an internal shadow price set at 50€/ton was effectively introduced in ROI analyses for all projects requiring major capital expenditure, such as production capacity increases, boiler upgrades and logistics operations. In this way, each project sponsor can compare the payback calculated with a carbon market price (currently zero in most regions) with the payback calculated with the projected carbon price over the lifetime of the equipment purchased today. The final aim is to direct investments towards low carbon solutions. Practically, this will also help to prepare activities in zones where no carbon market price exists by practicing carbon pricing and taking potential future costs into account in their investment decision. As the internal price was set out higher than current market prices in Europe and China, it is also challenging in these zones."
Michelin
France, Consumer Discretionary

Operational decisions
"We consider Scope 1, 2 and 3 emissions, and have both internal and externally published reduction goals. We use our aligned and committed reduction goals to drive strategy and action, not an actual carbon charge such as an internal carbon tax. For use in internal decision making and risk analysis, we place an economic value on carbon emissions to help frame the challenges and opportunities in monetary, more broadly understood terms than simply tons of emissions. This includes considering the impact on our operations and our supply chain. Quantifying these added costs, in the event that a price is put on carbon in regions around the world where a current price or trading scheme is not in place, provides additional insight into our business decisions. We bracket this analysis, on the low end at $10/metric ton and a high of $60/metric ton."
Owens Corning
USA, Industrials

R&D decisions
"The Group uses two levels of prices. The first one, 30€ per ton, is applied to the most substantial investments such as the construction of a new plant or energy-related projects on existing plants. This tool has already had tangible decision-making effects. For example, gas was chosen in place of coal to power a new plant in a developing country. Without this high internal price of carbon, coal would have been chosen. The other internal price of carbon is much higher (100€ per ton) and is used to guide R&D budgets with a long-term orientation (further than 2030). The internal carbon price is a decision support tool for industrial investment and R&D to prioritize and manage actions to reduce CO_2 emissions and achieve our goals. It is part of the Group's risk management strategy to anticipate the effects of carbon regulations. The internal carbon price covers scope 1, scope 2 and scope 3 CO_2 emissions of the Group."
Saint-Gobain
France, **Industrials**

Degrees of influence can range significantly – from including the internal carbon price in cost calculations as a passive indicator, to imposing it as a passing criterion in project decisions. The examples below demonstrate some of the different applications of an internal carbon pricing mechanism and the associated level of influence on day-to-day business decisions (see also the following section on types of internal carbon pricing mechanisms).

Collected fees used for climate action or rewarding low-carbon decisions

Passing criterion in business decisions

Embedded in overall cost calculations as a financial indicator

Included qualitatively in the decision-making process

Tracking compliance prices without directly affecting business decisions

2.2.7 Monitoring & evaluation

Finally, it is important to monitor and evaluate the pricing approach against its objectives and its contribution to the implementation of your company's commitments and transition plan. For example:

- For companies using the tool to assess and manage carbon-related risks - did it reveal material risk within your business?
- For companies implementing an internal carbon price as a tool to achieve a climate-related goal - has there been a tangible impact? Has the tool shifted investments toward energy efficiency measures, low-carbon initiatives, energy purchases, or product offerings?

If the internal carbon price has not impacted your business in any way, it is equally important to explain why – are there specific challenges associated with your current mechanism?

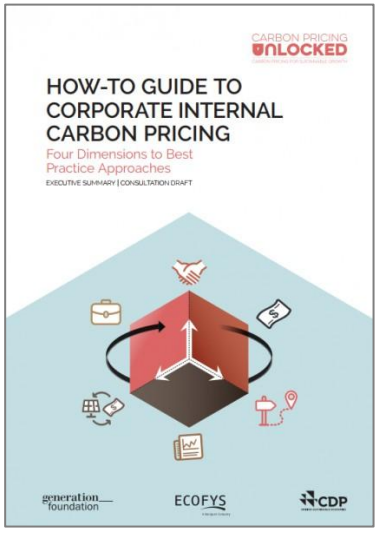
Reflecting on the impact, or lack thereof, it is also important to report any plans to refine or evolve your approach to internal carbon pricing in the future.

"…The impacts of carbon pricing scenarios on the new investment projects proposals are reviewed in light of the specific context of the host country and of its regulatory framework and inform decision making. The Group has decided to no longer pursue new developments in coal, believing that a carbon price will steadily be established in the world's various regions and that coal-fired power plants will be adversely affected in the future. ENGIE announced in 2016 that it will close/ sell coal assets progressively."
ENGIE
France, Utilities

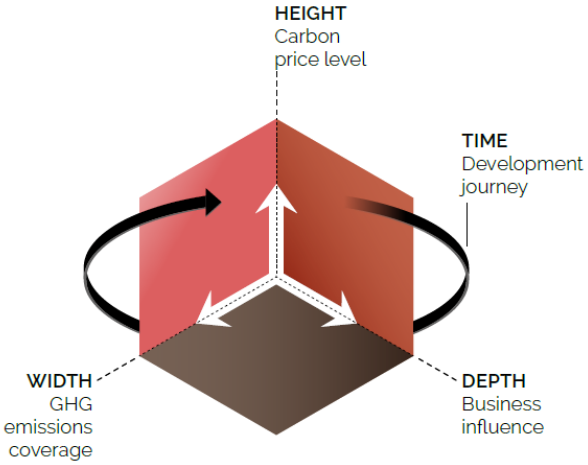
"…We also calculate and consider our carbon exposure in terms of absolute costs incurred on an annual basis and projected out to at least 2020. Where a clear and certain carbon price is present, we incorporate that price and any known and/or planned changes to the carbon price. Where uncertainty exists, we conduct sensitivity analyses to better understand what our exposure and risk are under different carbon pricing and regulatory scenarios. For example, forecasting using a variety of scenarios that span a $30/tonne carbon tax to a $50/tonne carbon tax suggests carbon costs in 2022 will range from $45 million to $80 million for our BC Operations. In Alberta, based on scenarios which include reduction requirements ranging from 12% to 40%, and carbon costs ranging from $15 to $40 per tonne of CO_2e, we estimate that our compliance costs might be $0.5 million-4.5 million/year for our Cardinal River operations. Assessing the same scenarios for our Fort Hills project, compliance costs could range from $1 million-$8 million/year…As details of these policies become more clear, our forecast will be updated to reflect a range of possible carbon costs."
Teck Resources
Canada, Materials

3. Best Practice

Internal carbon pricing is a multifaceted tool recommended by the TCFD that can help companies identify and act on the risks and opportunities associated with a low-carbon-transition. However, the full potential of internal carbon pricing is insufficiently embedded in the daily decision-making process of most companies. Based on findings from the Carbon Pricing Unlocked research partnership, Ecofys, a Navigant company, the Generation Foundation and CDP published practical guidance to enable wider use of best practice approaches to internal carbon pricing globally.



The how-to guide provides step-by-step guidance for designing and implementing an internal carbon pricing approach, while a special C-suite version helps board members to identify the most appropriate solution for their company. The guides complement existing research by providing a new four-dimensional framework (4D framework) to approach internal carbon pricing, combined with the latest insights and experiences gathered through interviews with leading companies. Read the full guides for more information.



3.1 Four dimensions to design a best practice

The 4D framework was developed to support the implementation of best practice approaches to internal carbon pricing. This framework aims to provide companies with a structure to align their existing approach to best practices or establish their internal carbon pricing approach in a best practice way from the outset, as described in the table below. A best practice internal carbon pricing approach must have clear objectives and find the optimal combination of the four dimensions of internal carbon pricing.

Dimension	ICP Parameter	Best Practice ICP Approach
Height	Price level per unit of GHG emitted (e.g. US$/$tCO_2$) that the company uses in business decisions	Rise to a carbon price capable of changing decisions in line with the ICP objectives
Width	The GHG emissions covered throughout the value chain by the ICP approach	Grow to cover all GHG emissions hotspots in the entire value chain that can be influenced
Depth	The level of influence the ICP approach has on the business decisions of a company and its value chain partners	Become increasingly influential to have a material impact on business decisions
Time	The development of the first three dimensions over time	Be evaluated regularly to bring the company's business strategy in line with a low-carbon economy

4. Take Action

4.1. Join the Coalition and advance the dialogue on carbon pricing, climate risk, and business opportunity

The Carbon Pricing Leadership Coalition (CPLC) brings together leaders across national and subnational governments, the private sector, and civil society with the goal of putting in place effective carbon pricing policies that maintain competitiveness, create jobs, encourage innovation, and deliver meaningful emissions reductions. The Coalition aims to drive action through knowledge sharing, targeted technical analysis, and public-private dialogues that guide successful carbon pricing policy adoption and accelerate implementation. The CPLC formed in the wake of a groundswell of support for carbon pricing at the 2014 United Nations Climate Summit, where 74 countries and more than 1,000 companies expressed support for carbon pricing. The Coalition now consists of over 320 partners including governments, businesses, and civil society organizations—committed to promoting carbon pricing as a cost-effective policy tool for economic development and climate action.

The CPLC engages the private sector to advocate for successful carbon pricing by deepening understanding of the business case for carbon pricing, sharing pathways for expanding carbon pricing as a climate change solution, and encouraging, where appropriate, corporate adoption of internal pricing. The work of the Corridors will be shared with the CPLC network – helping spur dialogue, informing policy design, and shaping business strategy as companies aim to measure and manage their climate risk – not to mention unlocking new investment opportunities. For more information on how to get involved, visit www.carbonpricingleadership.org.

CARBON PRICING LEADERSHIP COALITION

4.2. Put a price on carbon

By making this commitment, companies are agreeing to align with the UN Global Compact's Business Leadership Criteria on Carbon Pricing:

- Set an internal carbon price high enough to materially affect investment decisions to drive down greenhouse gas emissions.
- Publicly advocate the importance of carbon pricing through policy mechanisms that take into account country specific economies and policy contexts; and the Carbon Pricing Leadership Coalition (CPLC).
- Communicate on progress over time on the two criteria above in public corporate reports.

4.3. Map the Corridor: a 2-degree reference scenario

In 2017, the Carbon Pricing Leadership Coalition, We Mean Business Coalition, and CDP launched the Carbon Pricing Corridors: an industry-led initiative aimed at defining the carbon prices needed for industry to meet the Paris Agreement. It is being delivered through an ongoing inquiry with a high-level panel drawn from industry, the finance sector, and international experts. Over year, they will shape and create an informed view of the range of carbon-related price signals that are needed to decarbonize electricity generation and heavy industry through the short to medium-term.

In the initial report released in May 2017, Carbon Pricing Corridors: The market view, the corridor focuses on the power sector, with the subsequent report expanding to include the chemical sector.