



# CO<sub>2</sub> pricing as an important instrument on the path to climate neutrality

Mercedes-Benz



CO<sub>2</sub> pricing is seen by many climate researchers as an important instrument for effectively reducing emissions and thus achieving climate targets. Mercedes-Benz supports regulatory measures on pricing mechanisms that simultaneously take into account the aspect of competitiveness worldwide.

In general, a distinction is made between two types of CO<sub>2</sub> pricing mechanisms: CO<sub>2</sub> taxation systems and CO<sub>2</sub> emissions trading systems. The CO<sub>2</sub> price can be set directly by the state through a CO<sub>2</sub> tax on the one hand and indirectly through an emissions trading system with a market for emission rights on the other. In this way, the price signal is intended to provide an economic incentive for behavioural changes on the part of the CO<sub>2</sub> emitter.

Mercedes-Benz sees these pricing mechanisms as useful for decarbonising the economy. From our point of view, it is crucial to focus on implementable measures in the short term, to strengthen the regional mechanisms for CO<sub>2</sub> pricing and at the same time to establish a global emissions trading system in the long term.

### **Expansion and strengthening of regional mechanisms**

We consider it sensible to rapidly expand and strengthen the already existing regional mechanisms for CO<sub>2</sub> pricing. The CO<sub>2</sub> price must be high enough to create incentive effects for investments in climate-neutral technologies and energy efficiency. In addition, the social and economic impacts of tightened CO<sub>2</sub> pricing mechanisms, such as rising energy prices, must also be taken into account by political decision-makers.

### **Expansion of a global emissions trading system**

A promising regulatory approach for global decarbonisation is a quantity-based global emissions trading system that should include as many sectors as possible, such as energy, industry, transport, buildings, agriculture and others. Due to its complexity, we consider such a political measure as a long-term option. The decisive advantage would be that with this instrument an economically optimised solution can be achieved across individual sectors.