

SECTION 4: RETHINKING MARKET FORCES

Article 8 *Create Market Incentives*

What is incentivized happens. We must reverse perverse subsidies and improve incentives for sustainable alternatives. To achieve scale within sustainable markets we must not be afraid to adapt our long-standing incentive structures if we are to reap the benefits afforded by a more sustainable world. Re-orientating economic subsidies, financial incentives and regulations can have a dramatic and transformative effect on our market systems. It is time to level the playing field and to think about how we properly deploy taxes, policies and regulation in a way that catalyzes sustainable markets.

Actions that the private sector and economic actors could adopt that will further the ambition and deliver the results required include:

1. *Improving* industry understanding and exploring how to further the application of a carbon price to correct the market failure that exists in favor of fossil fuels. A \$100/tonne of CO₂ is widely viewed as the current minimum effective price to see market correction. To encourage the accelerated transition away from fossil fuels to renewables, it may be desirable to set a price above this level. A phased-in transition over the decade could be explored to both send the market signals necessary and allow industry to adapt.
2. *Exploring* what role industry can play to encourage the adoption of a carbon price, including exploring how an internal carbon price could impact on company operations and supply chains. This includes exploring how to improve industry understanding of carbon pricing, incentive, and cross-border models.
3. *Ensuring* revenue generated from carbon pricing is invested transparently into sustainable transition efforts, the green economy, green technology development and Natural Capital – this would help to fuel and accelerate the global transition to a sustainable future. Consumers should be educated on where these revenues are invested.
4. *Exploring* how to tackle perverse subsidies, lending and investment (e.g. fossil fuel, forestry, fisheries and agriculture). Reversing these perverse practices has the potential to rapidly redirect resources to accelerate the transition to sustainable industries and a sustainable future. This shift would also transform the lives and livelihoods of millions of small farmers, landowners and fishermen, along with rural and coastal communities around the world while helping to improve food security and employment.
5. *Examining* and improving lending practices, particularly within the financial services industry, in line with net zero and Nature-positive practices, targets and opportunities.