

# The International Climate Dividend Alliance

INTRODUCTORY BRIEF — APRIL 2019

The International Climate Dividend Alliance (ICDA) is a multilevel multilateral partnership, including nonprofit foundations and advocacy organizations, businesses, governments, universities, and international organizations. ICDA's mission is to spread and deepen the understanding of climate dividend frameworks, and expand opportunities for their implementation, as a key and pragmatic policy tool to enable the just as well as exponential decarbonization necessary to reach the targets set in the Paris Agreement on climate change.

A Climate Dividend Framework (CDF) — also referred to as ‘carbon dividends’, ‘fee and dividend’, ‘tax and dividend’ or ‘climate action incentive rebates’ — is an innovative policy mechanism designed for administratively simple deployment and fast-paced, tangible climate action. In a CDF, a legislature or fiscal authority assesses a fee on all GHG-emitting fuels. Revenues are collected as far upstream as possible, to ensure maximum economic efficiency and the broadest possible coverage. Revenues are then distributed in equal amounts to all households, making CDFs budget neutral. Instead of shifting resources to government, the CDF sustains and expands purchasing power in the economy.

A vitally important feature of the CDF is that both the fee and the dividend steadily rise over time. (Both will ‘sunset’ on their own, when carbon fuels are no longer in use.) This means that while purchasing power in the everyday economy expands, those who seek to profit from resources that pollute and disrupt the climate will see a clear, and steadily intensifying price signal, requiring them to innovate, diversify, and move away from climate pollution.

Like other emission pricing schemes, a climate dividend framework is a market signal policy that affects all market actors. Different from other emission pricing policies, a CDF avoids routine political struggles over the use of revenues. It also offers advantages with respect to just transition and thus the feasibility of policy implementation (as low-income households will experience a net-gain, given that high income households have much larger emission footprints).

Through convenings, reports, policy summaries, consulting and advocacy with business and political leaders, ICDA seeks to serve the following aims:

- To promote understanding, awareness of the advantages, and interest in implementation of CDFs.

- To deepen policy-makers’ learning, regarding climate dividend policy design and deployment — from an economic, technical, and communications point of view.
- To build a shared vision and global movement around the implementation of CDFs.
- To evaluate legal and technical infrastructure options for CDFs.
- To prepare and support CDF-related border adjustments.
- To ensure CDFs are sound, effective, and in line with the Paris Agreement and its implementation protocols (‘Paris Rulebook’).

ICDA shares the views of many that the pricing of GHG emissions represents a key policy strategy necessary to fight climate change. In the opinion of ICDA, however, the prevailing emphasis on policies relating to emission trading systems (ETS), and, to a lesser extent, consumer-focused emissions taxes, leaves important practical and political problems unresolved. As evidenced by both the effective carbon rates achieved to date as well as various cases of public resistance to pricing policies with sub-optimal design (e.g. the recent defeat of a carbon tax in Washington State, France’s Yellow Vests), neither ETS nor consumer-focused emissions taxes come close to the exponential change needed to fully decarbonize by 2050.

ICDA’s objective is to position CDFs as the strongest, most efficient emission pricing policy option, support their implementation through national climate action plans (the ‘NDCs’ driving Paris Agreement implementation) and thereby accelerate the transition to zero-emission technologies and practices in all economic sectors, while making sure the economically vulnerable are empowered to gain from the transition.

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**Climate Dividend White Paper**

<http://ctzn.earth/icda-whitepaper>