

WHAT IS CARBON PRICING AND HOW DOES IT WORK

Carbon emissions represent a negative externality that impacts society as a whole.

Internal Carbon Pricing is a pricing mechanism used by companies to assign an economic value to their emissions, internalizing the cost of carbon into the decision-making process and promoting alignment with decarbonization goals.

Internal Carbon Pricing considers different factors such as the economic cost of carbon emissions, Carbon Tax scenarios, and changes in user behaviour driven by new social habits and demands. This way, the risks associated with the **climate transition** are accurately reflected, allowing for the **identification of short-, medium- and long-term risks**.

THE MOST COMMON TYPES OF INTERNAL CARBON PRICING

Shadow price

Companies assign a price to GHG emissions to incorporate them into economic decisions, encourage investments in low carbon technologies, and/or manage the risk of increased costs due to regulations (e.g., Emissions Trading System). However, the shadow price does not involve actual financial flows.

Approach adopted by ASPI

Carbon Fee

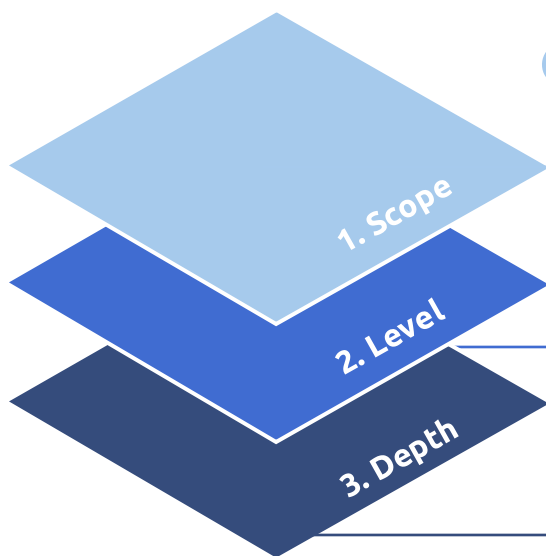
A company charges itself a fee for every ton of GHG emissions generated, creating an internal fund that can be allocated to decarbonization projects. Additionally, this fee discourages decisions that lead to increased company emissions.

Cap and trade

The company sets a limit (cap) on emissions for its business units, which internally trade emission allowances to comply with their assigned limits, based on a price set annually by the company or negotiated among the business units.

DESIGNING AN INTERNAL CARBON PRICING SYSTEM: THE ASPI MODEL

Autostrade per l'Italia has developed its **ICP** by defining **3 essential elements**:



Emission Coverage

Scope refers to the range of activities, operations, and emission sources covered by the pricing mechanism, indicating how broadly the ICP is applied within the company. For ASPI, it represents the total emissions related to investments included in the [Climate Transition Plan](#).



Price level (€/tCO₂e)

Level refers to the price level assigned to emissions covered by the pricing mechanism; by assigning an economic value to emissions, the company internalizes their cost. The ICP is aligned with the external carbon price set by the EU Emission Trading Scheme (ETS).



Influence on Business Decisions

Depth refers to how the pricing mechanism is applied and integrated into decision-making processes and business operations. ASPI can apply the use of ICP in strategic, financial, and environmental areas.

Internal Carbon Pricing represents a strategic tool for **Autostrade per l'Italia** to integrate sustainability into business decisions, ensuring alignment with the requirements of the European Taxonomy and supporting the transition to a low-emission business model, while ensuring the mechanism remains consistent with evolving market trends and new regulations.