Christine Lagarde and Jim Yong Kim write: In just six weeks, world leaders will meet in Paris to negotiate a new global climate-change agreement. To date, 150 countries have submitted plans detailing how they will move their economies along a more resilient low-carbon trajectory. These plans represent the first generation of investments to be made in order to build a competitive future without the dangerous levels of carbon-dioxide emissions that are now driving global warming.

The transition to a cleaner future will require both government action and the right incentives for the private sector. At the center should be a strong public policy that puts a price on carbon pollution. Placing a higher price on carbon-based fuels, electricity, and industrial activities will create incentives for the use of cleaner fuels, save energy, and promote a shift to greener investments. Measures such as carbon taxes and fees, emissions-trading programs and other pricing mechanisms, and removal of inefficient subsidies can give businesses and households the certainty and predictability they need to make long-term investments in climate-smart development.

At the International Monetary Fund, the focus is on reforming its member countries' fiscal systems in order to raise more revenue from taxes on carbon-intensive fuels and less revenue from other taxes that are detrimental to economic performance, such as taxes on labor and capital. Pricing carbon can be about smarter, more efficient tax systems, rather than higher taxes.

Carbon taxes should be applied comprehensively to emissions from fossil fuels. The price must be high enough to achieve ambitious environmental goals, in alignment with national circumstances, and it must be stable, in order to encourage businesses and households to invest in clean technologies. Administering carbon taxes is straightforward and can build on existing road fuel taxes, which are well established in most countries.

Carbon pricing will be in many countries' best interests, owing to the many domestic environmental benefits. For example, burning cleaner fuels helps to reduce outdoor air pollution, which, according to the World Health Organization, currently causes about 3.7 million premature deaths a year.

It is vitally important to address the impact of energy-price reforms on vulnerable groups in every society. So these reforms will need to be accompanied by adjustments to fiscal systems and safety nets, among other things, to ensure that the poor are not harmed.

The World Bank Group is supporting countries and businesses as they develop climate-friendly public policies, invest in carbon markets, and explore financial innovations to ease into low-carbon transitions. The Group is leveraging its experience and global reach for learning and knowledge exchange through programs like the Partnership for Market Readiness.

From that experience, we have developed, alongside the OECD, initial principles to help guide and inspire future carbon-pricing schemes. By drawing on these principles, countries, regions, states, and businesses can move faster to tackle the climate challenge confronting us all. The principles are based on fairness; alignment of policies and objectives; stability and predictability; transparency; efficiency and cost-effectiveness; and reliability and environmental integrity.

To help achieve our climate objectives, we need to promote dialogue about the necessary policy measures before and beyond the climate-change conference in Paris. That is why we are announcing a "Carbon Pricing Panel," which will bring together heads of state, city and state leaders, and representatives of top companies to urge countries and businesses around the world to put a price on carbon.

These leaders have taken steps to price carbon pollution and catalyze greener investment in their own countries and regions. They include German Chancellor Angela Merkel, Chilean President Michelle Bachelet, French President François Hollande, Ethiopian Prime Minister Hailemariam Desalegn, Philippines President Benigno Aquino III, Mexican President Enrique Peña Nieto, Governor Jerry Brown of California, and Mayor Eduardo Paes of Rio de Janeiro.

Carbon pricing policies are already being implemented by some 40 national governments, including that of China, the world's largest emitter, and 23 cities, states, and regions that are putting a price on carbon. Many other governments also are reforming energy prices, and more than 400 companies report using a voluntary, internal carbon price. That makes sense. Top companies must effectively manage exposure to climate risk in order to generate higher profits and ensure more stable earnings.

All of these actions are welcome; but we view them as being only initial steps. Together with the leaders of the Carbon Pricing Panel, we call on governments to seize the moment – for the sake of the planet and future generations – to put a price on carbon pollution that reflects the environmental damage it causes. We stand ready to support governments that act. The longer we wait, the costlier and more difficult it will be for us – and our children and grandchildren – to protect the planet.