

PMR TECHNICAL WORKSHOP

Building Registries to Support the Next Generation of Carbon Markets

Day 2: Aligning Registries with Specific Policy Needs

Break-out Group Exercise: What Registry Framework for What Mechanism?

□ Objective:

Drawing upon the guidance and insight shared by experts during the workshop, this break-out group session aims to facilitate a better understanding of, and an exchange of views on, how to build registry frameworks taking into account the specifics of the market mechanism(s) and jurisdictions they support.

□ Instructions:

Participants are asked to join one of four break out groups. Groups will have approximately one hour to discuss the following exercise. Each group will nominate a scribe and a person to report back on their discussions related to any one of the exercises. Groups will be facilitated by an expert or member of the PMR Secretariat.

□ Exercise:

In March 2015, the Republic of Registan (a fictional country) submitted its Intended Nationally Determined Contribution (INDC) to the UNFCCC Secretariat. Several measures are laid out for the country to achieve its 2030 emissions reduction target, in particular the gradual establishment of a National Emissions Trading System (ETS) regulating Greenhouse Gas (GHG) emissions from major emitters in the power generation and industrial sectors. Further details on the country’s ETS plan are provided in Table 1.

Table 1 – Overview of ETS plans in the Republic of Registan

	PILOT ETS	NATIONAL ETS
Regulator	Ministry of Environment & Energy (Climate Change Department)	
Start year	2018	2020
Geographical scope	Provincial (one)	National
GHG emissions coverage	120 million tCO _{2e} per year	500 million tCO _{2e} per year
Sectoral scope	Energy producers	Energy producers and industrial producers
Number of facilities covered	30	450
Offsets	No	Yes (domestic, forestry projects)
Linking	No	No, but in discussion with regional partners
Authorized Participants	Covered entities	Covered entities and Non-covered entities (e.g. banks)
Market forecasts	Transaction volumes: 25 million units per year Price: 2\$/tCO _{2e}	Transaction volumes: 1 billion units per year Price: 12\$/tCO _{2e}

PART A – Development of the “Registry Plan” (45 minutes)

In September 2015, the Climate Change Department at the Ministry of Environment & Energy is requested by its Minister to prepare a Registry Plan for the development of a National Registry to support the efficient and robust operation of the ETS – taking into account current severe budget constraints. The document should include concrete recommendations on the following aspects:

- Overall architecture and key functional features of the registry;
- Administrative arrangements (incl. financials);
- Regulatory oversight;
- Procurement approach.

A Registry Working Group (R-WG) is formed to support the Climate Change Department with the preparation of the Registry Plan. The R-WG brings together a range of stakeholders including representatives from government agencies, covered entities, financial organizations, and IT specialist from the energy and banking sectors. A meeting of the R-WG is organized on September 24, 2015 to help prepare the Registry Plan.

➤ As Members of the R-WG, you have 45 minutes to discuss and report on the following items to be included in the Registry Plan:

- 1. Key recommendations for the development of the National Registry.*
- 2. Points of disagreement within the R-WG.*

Useful references:

Background Paper No.1	<ul style="list-style-type: none"> ▪ Section 5 “Common recommendations and guidance on the development of a legal framework for registries” (p15) ▪ Section 2 “Factors influencing the choice of platform” (p5-6) ▪ Section 3 “The Building Blocks of the legal framework” (p7)
Background Paper No.2	<ul style="list-style-type: none"> ▪ Section 5 “Common recommendations and guidance on the development of an institutional framework for registry administration” (p29-30) ▪ Section 1 “Before you begin: assessing registry administration needs” (p4-12) ▪ Section 2 “Mandating a registry administrator” (13-14) ▪ Section 3 “Administering a registry: operations and resources” (p14-25)
Background Paper No.3	<ul style="list-style-type: none"> ▪ Section E “Common recommendations and guidance on the development of the registry technical infrastructure” (p69) ▪ Figure 2 “The registry in its environment: potential connections and interfaces” (p17) ▪ Section 1 “Different registry procurement options: develop, adapt, share, or outsource” (p13-15) ▪ Section 4 “Registry security: issues and options” (p19-25)

PART B – Amendment to the “Registry Plan” (30 minutes)

Following the national elections of February 2016, a new Minister for Environment & Energy is nominated. The new Minister does not intend to repeal the country’s ETS Plan – which was much applauded by the international community at the COP21 in Paris last December (his predecessor is now UNFCCC Secretary!). However, his priorities focus largely on improving energy security in the country. In order to tap energy efficiency potentials, the new Minister plans to set energy use intensity-based targets for certain industrial sectors and design an Energy Saving Certificate Trading System (ESCTS) to allow covered facilities to comply at least cost (where facilities that overachieve their ESCTS target are credited with an energy saving certificate that can be sold to those facilities that have not achieved their ESCTS target)

Both the ETS and the Energy Saving Certificate Trading System (ESCTS) will put obligation on energy-intensive industries. Therefore, a number of facilities will be subject to both systems. However, where there is an overlap in the same obliged facility. This will allow the country to have co-existing systems in which one focuses on GHG emissions (ETS) and the other on reductions in energy use at the same facility (ESCTS). More detail on the different policies is provided in Table 2.

Table 2 – Comparison between the National Emissions Trading System (ETS) and the Energy Saving Certification Trading System (ESCTS)

	NATIONAL ETS	NATIONAL ESCTS
Regulator	Ministry of Environment & Energy (Climate Change Department)	Ministry of Environment & Energy (Energy Efficiency Department)
Sectoral scope	Energy producers and industries	Energy producers and industries
Number of facilities covered	450	2000 (incl. 100 under ETS)
Geographical scope	National	National
Start	2020	2020
Compliance timeframe	Yearly	Every three years
Authorized Participants	- Covered entities - Non-covered entities (e.g. banks)	- Covered entities - Non-covered entities (e.g. banks)

As stakeholders are keen to further explore potential synergies and overlaps between ETS and ESCTS, the new Minister convenes the R-WG and asks for the Registry Plan to be amended with recommendations on whether to develop a single registry to manage both policies, or have two separate systems.

➤ As Members of the R-WG, you have 30 minutes to discuss and report the following items to be included in the amended Registry Plan:

- 1. Key criteria to be considered – from a technical, institutional, legal and operational perspective.*
- 2. List of the pros and cons of each option, considering the respective specificities of the two policies.*