



Overview of previous PMR discussions and objectives for the day

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Objectives for today

◆ One in a series of PMR workshops designed to:

- Build knowledge on key technical market related issues discussed at the international level
- Exchange views and facilitate a common understanding for how the carbon market(s) will develop
- Bridge the gap between carbon market practitioners and negotiators
- Inform PMR activities accordingly

◆ Specifically today we will:

- Hear about latest developments and expectations for Paris
- Understand implications for PMR readiness activities and post 2020 carbon markets
- Gather insights from PMR that could help shape discussions elsewhere
- Make recommendations for PMR future work program

Agenda

1. Stock-taking on the status of carbon markets in the UNFCCC negotiations
 - Presentation from UNFCCC Secretariat
 - Open discussion to share views
2. Role and scale of carbon markets
 - Overview of INDCs and implications for post-2020 carbon markets
 - Emerging trends and role of international cooperation
3. PMR insights to help elaborate arrangements for post-2020 carbon markets
 - Breakout group exercise

Build on previous discussions

- PMR workshop: Different Market-based Approaches & Implications for a Future Carbon Market (Santiago, November 2014)
- PMR workshop: Carbon Markets: From Current Practices to their Role in the New Climate Regime (London, March 2015)
- PMR dinner and roundtable discussion, focus on the characteristics, approaches and requirements appropriate to support international trade (Bonn, June 2014)
- PMR dinner and roundtable discussion, focus on role and likely scale of international trade (Bonn, August 2014)

Some shared objectives

- ◆ Policy makers seek to implement mechanisms that are:
 - **Credible** – mechanisms that are effective and trusted
 - **Consistent** – mechanisms that are internally consistent (incl. with domestic laws), consistent over time, and international norms and standards
 - **Compatible** - with other mechanisms to minimize duplication of effect and costs, support credibility, address competitiveness concerns and retain the option for future linking.
 - But also **cost-effective**

Common building blocks

- ◆ Although mechanisms are varied there are some common building blocks
- ◆ Actual design choices reflect national priorities and circumstances
- ◆ More than one approach to achieve robust outcomes



Benefits of linking or trading internationally

- ◆ Can increase liquidity and improve efficiency, as well as drive innovation.
 - Comparing carbon assets originating in different jurisdictions and from different mechanisms will be key.
- ◆ Benefits of trade balanced with desire to design policy to best suit national circumstances

Options for a future global carbon market

- ◆ For countries and jurisdictions to decide
- ◆ Post 2020, countries will have INDCs and may want to transfer mitigation outcomes / carbon assets
- ◆ Could be bottom-up linking of different domestic arrangements
 - Several options for how this could be operationalized on a global scale
- ◆ Could include some 'default' international mechanisms
- ◆ Could be supported by an international framework that is more or less prescriptive

Accounting for trade in carbon assets

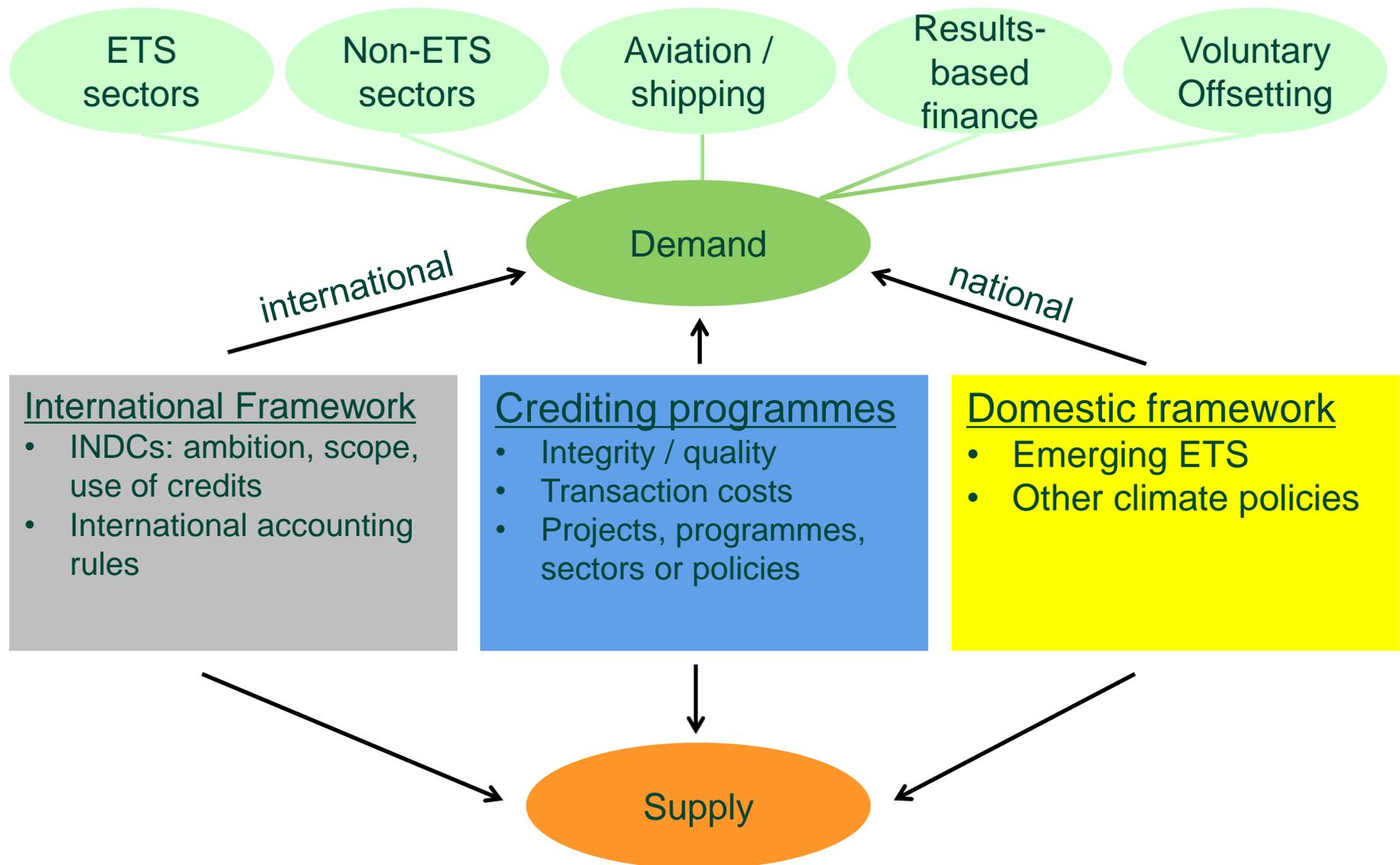
◆ Two important challenges to be resolved:

- greater variety of carbon asset flows – different types of units, arising from emissions sources inside and outside INDCs, and multi-directional with some developing countries also potential buyers.
- greater variety in the type of national commitments – absolute, intensity, compared to BAU, etc.

◆ 3 accounting issues to be address in the post-2020 arrangements

- registries and tracking systems
- governance of unit issuance
- systems or rules for accounting

Role of crediting post-2020



Ensuring the quality of carbon assets traded

- ◆ Some shared principles at the international level could be helpful
 - E.g. markets to deliver real, permanent, additional and verified mitigation outcomes
- ◆ Oversight of the ‘quality’ of carbon assets traded will depend on nature of agreement
 - i.e. the accounting and transparency aspects in the new agreement
 - Could be more or less prescriptive
- ◆ Minimum or common standards could be developed to help with mechanisms design
 - But countries will always have flexibility to apply their own additional criteria

Design characteristics that determine quality

- ◆ Cap setting or baseline for crediting
- ◆ System for MRV
- ◆ Registry
- ◆ Coverage and allocation
- ◆ Measure to address risk of reversal (sinks only)
- ◆ Compliance and enforcement

Potential role and scale of international trade post 2020

- ◆ Trade has potential to decrease cost of achieving global environmental goal and to contribute to finance flows
 - International trade in carbon assets is an effective way to mobilize finance flows from one country to another
- ◆ Scale of trade to 2020 likely to be limited
 - with implications for the responsiveness of the market in post-2020 period
- ◆ Prospects beyond 2020 for international trade better
 - Some have expressed intention and/or potential interest in trade in the INDCs, but large emitters have not
- ◆ Beyond 2030 trade could become more important as ambition increases and higher cost abatement targeted

For discussion today

- ◆ Hear about latest developments and expectations for Paris
 - What are your views and expectations?
- ◆ Understand implications for PMR readiness activities and post 2020 carbon markets
 - How will potential outcome(s) impact on your activities and plans?
- ◆ Gather insights from PMR that could help shape discussions elsewhere
 - Summary will be prepared and made publically available
- ◆ Make recommendations for PMR future work program

Thank You

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