



Options for how an integrated carbon market could emerge in the future

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their Role in the New Climate Regime
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Introduction

- ◆ Discuss the objectives for the day
- ◆ Recap on previous PMR discussions
- ◆ Introduce some concepts and idea's that will be further developed and discussed throughout the day

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

◆ Build on previous discussions

- PMR workshop: Different Market-based Approaches & Implications for a Future Carbon Market, Santiago

A broad range of market mechanisms

- ◆ **ETS** - cap & trade, baseline and credit trading, single sector, multiple sectors, direct emissions only or direct and indirect emissions
- ◆ **Carbon tax** – on emissions, on fuel
- ◆ **Offsets** – project based, POA, domestic and international
- ◆ **Scaled-up crediting** – POA, sector specific, policy and measures, REDD+
- ◆ But also
 - Energy efficiency and renewable energy trading schemes

Some shared objectives

- ◆ Policy makers seek to implement mechanisms that are:
 - **Credible** – mechanisms that are effective and trusted
 - **Consistent** – mechanisms that are internally consistent, consistent over time, consistent with domestic laws, as well as, 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.

Benefits of linking

- ◆ Linking 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 to linking.
 - A framework and methodologies to determine the value of different carbon assets will be needed.
- ◆ 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, most 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

Options for a future carbon market

- ◆ Four possible options for the governance:
 - **Use any units:** each country is able to use any international units it chooses for compliance
 - **Standards as guidance:** some minimum standards for the use of international units provided as guidance only
 - **Standards that must be demonstrated:** standards must be observed, but no approval required for the units used for compliance
 - **Units must be approved:** the units, or systems that produce units used for compliance, must be approved under the UNFCCC

Issues for discussion during the day

- ◆ What is the role of carbon market(s) beyond 2020
 - How might an integrated carbon market develop
 - How can this be facilitated in the new climate change agreement.

- ◆ Technical discussions on two specific market related issues:
 - Accounting and “avoiding double counting”
 - The role and form of crediting mechanisms beyond 2020

- ◆ How does this relate to the activities of PMR countries today in planning and designing market-based approaches?

Thank You

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