

PRICING CARBON TO ACHIEVE CLIMATE MITIGATION

Annual Report

April 2013–2014

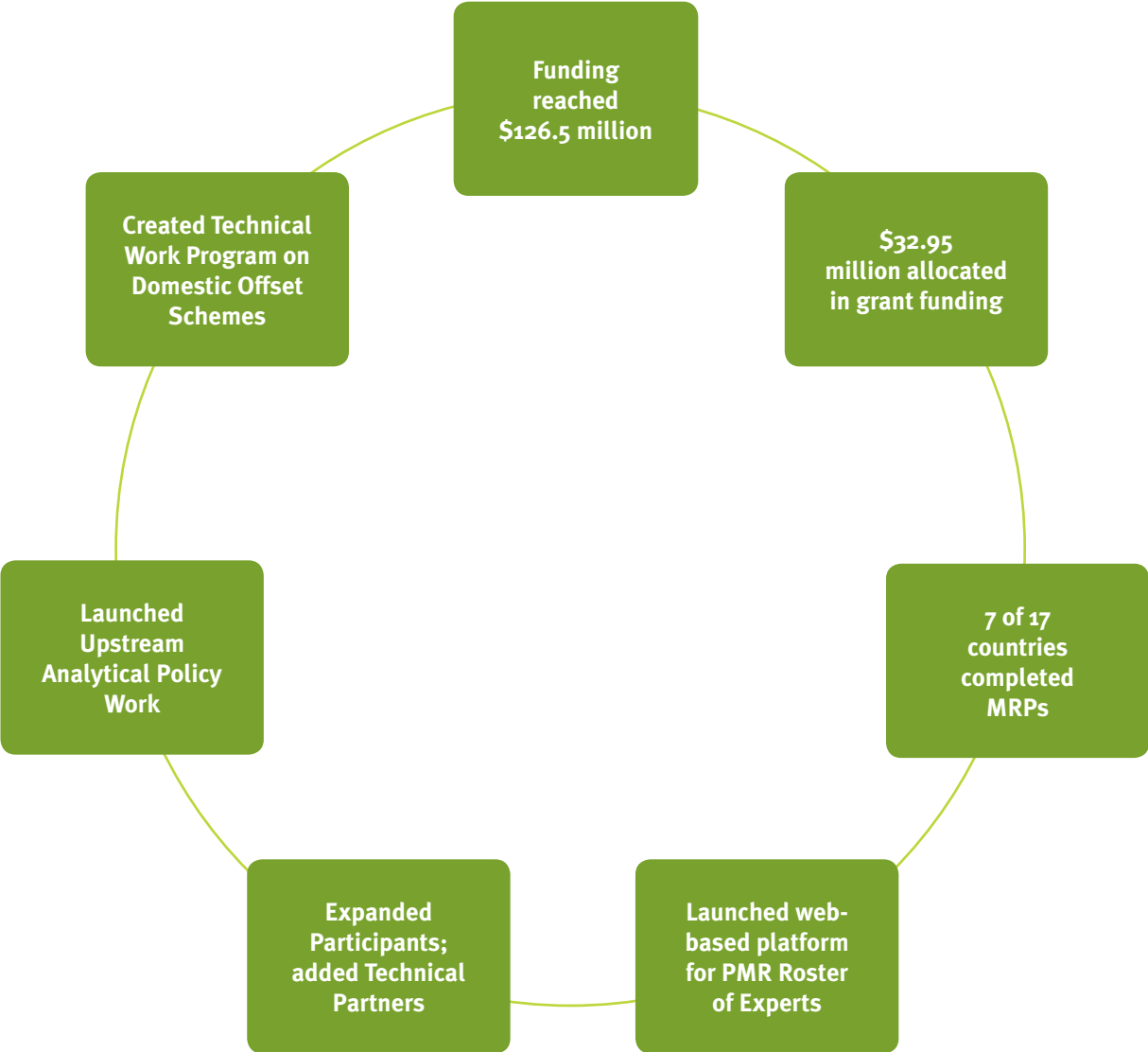
Acronyms

BAU	Business As Usual
EE	Energy Efficiency
EPC	Energy Performance Certificate
ETS	Emissions Trading Scheme
GDP	Gross Domestic Product
GHG	Greenhouse Gas
MBI	Market-Based Instruments
MRP	Market Readiness Proposal
MRV	Monitoring, Reporting and Verification
NAMA	Nationally Appropriate Mitigation Action
NGO	Non-Governmental Organization
PA	(PMR) Partnership Assembly
PAT	Perform Achieve and Trade
PMR	Partnership for Market Readiness
RE	Renewable Energy
REC	Renewable Energy Certificate
UNFCCC	United Nations Framework Convention on Climate Change

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Highlighted Achievements: April 2, 2013–April 1, 2014



Note: All dollar amounts are in U.S. dollars (\$).

- In 2014, with the financial support of Germany, Tunisia formally joined the PMR as an Implementing Country Participant, bringing the total number of PMR Implementing Country Participants to 17.
- All 17 Implementing Country Participants have been allocated preparation phase funding to identify capacity-building gaps and to prepare a roadmap—the Market Readiness Proposal (MRP).
- In the past year, three countries completed a final MRP and received implementation funding (Turkey, Indonesia and Thailand), totaling seven countries by April 2014. Two more are expected to receive funding in May (Morocco and Colombia) 2014. In addition, three more countries—Brazil, Ukraine and Vietnam—have completed their draft MRP and will present them at PA9 in May 2014.
- Final MRPs demonstrated that while domestic action on climate change is robust and the approaches for action vary as much as the countries themselves, the need for support of “readiness” remains strong.
- In October 2013, the PMR created a new category of Participant—the Technical Partner—to include countries and sub-nationals that are developing or implementing a carbon pricing instrument but that require specific technical support either in the form of funding, expert advice, or both.
- The Technical Work Program has seen significant growth, particularly with the launch of the PMR’s first series of technical trainings, development, and delivery of an e-learning course on Emission Trading Scheme (ETS) and the initiation of work on domestic offset schemes.
- The PMR has achieved an important milestone in initiating Upstream Policy Analytical Support. The upstream policy support will help countries identify a package of effective and cost-efficient instruments to achieve mid- and long-term mitigation objectives. The support will complement countries’ ongoing efforts to prepare their “nationally determined contributions” for 2015 agreement under UNFCCC.



Through grant funding and technical assistance, the PMR helps countries explore and address the technical capacity gaps to assessing, designing, and adopting innovative and cost-effective approaches to greenhouse gas (GHG) mitigation. Particular focus is on mitigation approaches that lead to a price on carbon—such as domestic ETS and carbon taxes. Importantly, the PMR supports countries to move forward with national action plans that lower carbon emissions while also stimulating growth and competitiveness.

Countries use PMR support to improve their technical and institutional capacity to mitigate GHG emissions. Such “market readiness” includes strengthening capacity, e.g., GHG monitoring, reporting, and verification (MRV); data management; baseline setting; policy mapping and modeling analysis; and stakeholder engagement.

While a core objective of the PMR is to support those countries that are ready to introduce carbon pricing and other innovative instruments—such as an ETS—not all countries have made a decision about the type of instruments to pursue. Consequently, not all countries will be ready to pilot market instruments; however, all countries can enhance their market readiness. Indeed, building such readiness is a no-regrets measure, regardless of whether a country ultimately implements carbon pricing. Readiness efforts have cross-cutting benefits that support domestic climate change policies and low emissions development strategies.

At its core, the PMR is a country-led partnership that leverages collective action to scale up climate

The PMR’s core objectives are to:

- **Provide grant funding** for building market readiness components that support the implementation of market-based approaches to carbon mitigation;
- **Pilot innovative carbon pricing instruments** e.g., domestic ETS, scaled-up crediting mechanisms or carbon taxes;
- **Provide a platform for technical discussions**, country-to-country exchanges, and collective innovation on cost-effective approaches to GHG mitigation. Share insights and lessons learned with the international community, including the UNFCCC; and
- **Support efforts to establish common standards and approaches** for the use of carbon pricing and other innovative instruments to scale up domestic GHG mitigation.

change mitigation. Recognizing that this scaling up requires a truly global effort, the PMR brings together developed and developing countries, policy experts and multi-lateral development partners, providing a useful platform for knowledge sharing. Nearly every major economy sits at its table.

This annual report provides an update on the PMR’s progress toward its core objectives between April 2, 2013 and April 1, 2014.

The PMR consists of Contributing Country Participants that provide financial support to the PMR Trust Fund, and Implementing Country Participants that receive PMR funding and technical assistance. Together, they make up the Partnership Assembly (PA), the PMR's decision-making body.

Both Contributing and Implementing Country Participants work within their own domestic contexts to bolster GHG mitigation; both groups use the PMR as a place to learn and share relevant knowledge and experience. This knowledge sharing makes the PMR a unique source on the latest thinking on how best to leverage carbon pricing and other innovative instruments to mitigate carbon emissions.

In addition, Technical Partner countries, Observer Countries, multilateral development banks, UN organizations, and experts participate in the PMR as observers and contribute to its assembly meetings and workshops.

The World Bank serves as the PMR Secretariat, trust fund manager, and principle delivery partner to the Implementing Country Participants.

Participants and Other Stakeholders

IMPLEMENTING COUNTRY PARTICIPANTS

PMR Implementing Country Participants		
Latin America	Asia and Sub-continent	Other Regions
Brazil	China	Jordan
Chile	India	Morocco
Colombia	Indonesia	South Africa
Costa Rica	Thailand	Tunisia
Mexico	Vietnam	Turkey
Peru		Ukraine

In 2014, the PMR has welcomed Tunisia as a new Participant, which brings the total number of the PMR Implementing Country Participants

confirmed by the PA between April 2011 and April 2014 to 17. Geographic coverage is broad, as are the approach and type of activities that each country plans to pursue as part of the PMR. Some countries plan to pilot carbon pricing or other innovative instruments to GHG mitigation; others will focus on strengthening readiness for such an instrument and policy analysis and consultations to make a policy decision on what type of instrument to pursue. For more detailed information on the PMR activities of each Implementing Country Participant, see *Section 4*.

CONTRIBUTING PARTICIPANTS

PMR Contributing Participants	
Australia	Norway
Denmark	Spain
European Commission	Sweden
Finland	Switzerland
Germany	United Kingdom
Japan	United States
Netherlands	

Financial support to the PMR Trust Fund comes from the Contributing Participants. As of April 2014, thirteen donors have committed \$126.5 million to the PMR. Many of the PMR's Contributing Participants have experience with innovative and cost-effective approaches to GHG mitigation.

Thus, in addition to making financial contributions, these countries are important knowledge providers on what has worked in the past. Contributing Participants share their technical expertise, best practices, and lessons learned during PA meetings and workshops. For more detailed information about countries' contributions or the PMR Trust Fund and budget, see *Section 8*.

TECHNICAL PARTNERS

In 2014, the PMR created a new category of participant called the "Technical Partner." This category includes countries and sub-nationals that

are already in the advanced stages of developing or implementing a carbon pricing instrument, are willing to engage in PMR collaborative activities and, if needed, will receive technical assistance. In March 2014, Kazakhstan became the first PMR Technical Partner and received funding to support the development of its domestic ETS.

OBSERVERS

The PMR is also open to countries interested in contributing to the dialogue on market readiness and market-based approaches to mitigation and carbon pricing. The PMR is a central platform for country-level discussions on these issues and welcomes any country with insights to share. A number of countries first engage with the PMR as observers before subsequently joining as either Contributing or Implementing participants.

Regular Observer Countries include Italy, New Zealand, Singapore, South Korea, France, and Poland. Representatives from California, Québec, and the Northeastern United States have also attended.

PMR SECRETARIAT

The Secretariat is housed within the World Bank's Carbon Finance Unit and manages the day-to-day operations of the PMR. This work includes providing technical assistance to Implementing Country Participants and supporting them through the PMR funding proposal process; managing and overseeing the delivery of the Technical Work Program; organizing PMR assembly meetings and workshops; maintaining the PMR website; and managing the PMR Trust Fund.

DELIVERY PARTNERS

The World Bank serves as principle delivery partner to Implementing Country Participants, supporting the execution of PMR grants and providing technical support, together with the PMR Secretariat, for the implementation of country proposals. In the case of Vietnam, the World Bank and the Asian Development Bank serve as joint delivery partners.

PMR Process

Implementing Country Participants follow a two-phased process: a Preparation Phase in which they formulate a Market Readiness Proposal (MRP), and an Implementation Phase in which they implement the activities identified in the MRP.

TECHNICAL AND FINANCIAL ASSISTANCE

Countries are allocated \$350,000 each to formulate an MRP. During the MRP process, countries update the PA on their progress and on challenges they face.

Once a country has completed a draft MRP, it goes through a feedback process. A group of independent experts, selected for their expertise on the specific activities included in the MRP, provides suggestions for improvement. The PA also has an opportunity to provide feedback. Implementing Country Participants are encouraged to take into consideration all feedback in finalizing the MRP.

Final MRPs are presented to the PA for allocation of Implementation Phase funding in the amount of \$3, 5, or 8 million. The PA makes all funding decisions.

STATUS UPDATE PMR

As of April 2014, seven countries have completed a final MRP and five more have completed a draft.¹ For details on the specific status of each Implementing Country Participant, see *Section 4*.

Each MRP serves as a comprehensive funding proposal for the design and implementation of market readiness components and/or carbon pricing instruments for the reduction of GHG emissions. In most cases, countries have yet to decide on a particular market instrument and will instead focus on building market readiness capacity.

Each MRP is unique, reflecting the context and goals of the country for which it is crafted; however, all MRPs should provide a thorough and

¹ Two additional countries—Colombia and Morocco—are expected to be allocated implementation phase funding in May 2014, bringing the total number of countries to enter the implementation stage to nine.

PMR Process and Status, April 2014



in-depth analysis of a country's low emissions development strategy and the role that market instruments play in achieving that strategy.

MRP SUPPORT

In October 2011, the PA adopted the Market Readiness Tool, a guidance document and template for Implementing Country Participants to use to formulate their MRP funding proposals. Throughout the formulation of the MRP, Implementing Country Participants update one another, give and receive feedback and share lessons learned.

Each MRP goes through a feedback process in which a group of external experts, PA partici-

pants, as well as the PMR Secretariat and delivery partners, provide recommendations for how to strengthen it. The Tool was revised in October 2012 following practical experience gained from its use.

Partnership Assembly Meetings

The PA meets at least twice per year, and has had three meetings in each of the last three years. PA meetings provide countries with an opportunity to seek feedback on draft MRPs and present final MRPs for funding allocation. Meetings are also an important opportunity for countries to share information and engage in North-South and South-South exchanges.

Table 1. PMR Partnership Assembly Meetings and Key Resolutions, April 2011–April 2014

PMR Partnership Assembly Location	PMR Partnership Assembly Date	Key Resolutions
Organizational Meeting Bangkok	April 2011	<ul style="list-style-type: none"> • Implementing Country Participant Confirmation: Chile, Colombia, Costa Rica, Indonesia, Mexico, Thailand, Turkey, and Ukraine
PA1 Barcelona	May 2011	<ul style="list-style-type: none"> • Implementing Country Participant Confirmation: China, Morocco • Preparation Funding Allocation: China, Chile, Colombia, Costa Rica, Indonesia, Mexico, Thailand, and Turkey • Adoption of PMR FY12 Budget
PA2 Istanbul	October 2011	<ul style="list-style-type: none"> • Implementing Country Participant Confirmation: Brazil, India, Jordan, South Africa, and Vietnam. Asian Development Bank and World Bank to act as co-delivery partners for Vietnam • Preparation Funding Allocation: Ukraine • Adoption of general criteria for the overall assessment of MRPs • Adoption of the MRP Tool Version 1
Extraordinary Meeting Shenzhen	March 2012	<ul style="list-style-type: none"> • Preparation Funding Allocation: Morocco
PA3 Cologne	May 2012	<ul style="list-style-type: none"> • Preparation Funding Allocation: Brazil, India, Jordan, South Africa, and Vietnam • Adoption of PMR FY13 Budget • Adoption of additional criteria for assessment of MRPs and a mode for implementation funding allocation
PA4 Sydney	October 2012	<ul style="list-style-type: none"> • Implementing Country Participant Confirmation: Peru
PA5 Washington, DC	March 2013	<ul style="list-style-type: none"> • Preparation Funding Allocation: Peru • Implementation Funding Allocation: Chile, China, Costa Rica, and Mexico
PA6 Barcelona	May 2013	<ul style="list-style-type: none"> • Implementation Funding Allocation: Turkey • Adoption of PMR FY14 Budget
PA7 Marrakesh	October 2013	<ul style="list-style-type: none"> • Implementation Funding Allocation: Indonesia • Endorsement of Targeted Technical Support to Kazakhstan • Endorsement of the PMR Results Framework
PA8 Mexico City	March 2014	<ul style="list-style-type: none"> • Implementation Funding Allocation: Thailand • Preparation Funding Allocation: Tunisia • Confirmation as Technical Partner and Allocation of Funding: Kazakhstan • Adoption of Amendments to the PMR Rules of Procedure and the Governance Framework

Table 2. Implementing Country Participants: PMR Process Status, May 2014

Status of PMR Implementing Country Participants	Brazil	Chile	China	Colombia	Costa Rica	India	Indonesia	Jordan	Mexico	Morocco	Peru	South Africa	Thailand	Tunisia	Turkey	Ukraine	Vietnam
Expression of Interest Submitted	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Preparation Funding Approval	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Draft MRP Submitted	■	■	■	■	■		■		■	■			■		■	■	■
MRP Feedback Process Complete	■	■	■	■	■		■		■	■			■		■	■	■
Final MRP Presented to PA		■	■	■	■		■		■	■			■		■		
Implementation Funding Approval		■	■		■		■		■				■		■		
Implementation of MRP Activities																	

Nine countries have finalized their MRPs. Chile, China, Costa Rica, Indonesia, Mexico, Thailand, and Turkey have presented them to the PA and received funding to begin the Implementation Phase.

Colombia and Morocco have finalized their MRPs and will present them to the PA in May 2014 for funding allocation.

Brazil, Ukraine, and Vietnam will each present a draft MRP to the PA in May 2014 for feedback and revision.

On the following pages, organized by region, is a summary of the activities that each country proposes to pursue using PMR funding. Countries highlighted in yellow have completed the MRP feedback process; those highlighted in green have presented a final MRP and been allocated Implementation Phase funding.

Latin America

PMR Implementing Country Participants: Proposed Activities in Latin America		
Participant	Country Context	PMR Support to:
Brazil	<ul style="list-style-type: none"> Reduce emissions by 36.1%–38.9% below business-as-usual (BAU) by 2020 as part of voluntary commitment. Mitigation plans cover forestry, agriculture, energy, iron, steel, & other industry, transportation, mining, & building sectors. 	<ul style="list-style-type: none"> Explore options for various types of carbon pricing systems in order to select suitable instrument for implementation. Build modeling capacity and carry out analytical work on carbon tax.
Chile Allocated \$3 million	<ul style="list-style-type: none"> Reconcile economic growth with a commitment to carbon mitigation. Reduce GHG emissions' growth rate by 20% below BAU compared with 2007 by adopting domestic actions, including new carbon pricing instruments that enhance mitigation in a cost-effective manner. 	<ul style="list-style-type: none"> Design and implement an MRV framework and registry. Design and prepare a carbon pricing instrument, such as carbon tax. Engage stakeholders and build capacity within the public and private sectors for design and implementation of the MRV framework, registry, and carbon pricing instruments.
Colombia	<ul style="list-style-type: none"> Low carbon strategy is one of three pillars for climate agenda under National Development Plan (2010–14). Participation in international crediting mechanism is considered a means to attract climate financing and scale up emission reductions. 	<ul style="list-style-type: none"> Develop (i) a credited NAMA in the urban transport sector and (ii) a domestic offset scheme; and introduce a performance standard for vehicles combined with allowances.
Costa Rica Allocated \$3 million	<ul style="list-style-type: none"> Carbon neutrality goal by 2021. Promote and use market instruments domestically to reduce emissions. 	<ul style="list-style-type: none"> Design and develop a domestic carbon market, including building domestic market “infrastructure.”
Mexico Allocated \$3 million	<ul style="list-style-type: none"> Reduce emissions by 51 MtCO₂e/year in 2012 compared to BAU as part of domestic commitment. Voluntary commitment of up to 30% reduction from BAU by 2020, conditional on international support, including carbon markets. 	<ul style="list-style-type: none"> Develop and implement crediting NAMAs in selected sectors (e.g. housing, appliances, and urban transport). Set up registry/tracking system for GHG reductions.
Peru	<ul style="list-style-type: none"> National Strategy for Climate Change focuses on curbing deforestation, increasing renewable and hydro-sourced energy to 40% of national mix, and improving methane capture from waste. 	<ul style="list-style-type: none"> Map readiness needs and capacity gaps in various NAMAs to select suitable sectors for a market instrument. Develop market readiness “infrastructure” and prepare for piloting.

Asia and Sub-continent

PMR Implementing Country Participants: Proposed Activities in Asia and Sub-continent		
Participant	Country Context	PMR Support to:
China Allocated \$8 million	<ul style="list-style-type: none"> Climate change strategy is integrated into social and economic development planning. Action on climate change mitigation acts as catalyst for restructuring key aspects of economy, including the power sector. A national ETS is targeted to launch in 2018. 	<ul style="list-style-type: none"> Design and prepare for a national ETS, including work on cap setting, allocation, MRV, mechanisms for price containment, market oversight, and a legal framework. Analytical work targeted at the inclusion of state-owned enterprises and the power sector into the national ETS.
India	<ul style="list-style-type: none"> Reduce GHG emissions intensity by 20–25% compared with 2005 levels by 2020 as part of voluntary commitment. 	<ul style="list-style-type: none"> Build an integrated GHG data management system and develop an off-grid Renewable Energy Certificate (REC) program. Expand sectoral coverage of the Perform Achieve and Trade (PAT) system.
Indonesia Allocated \$3 million	<ul style="list-style-type: none"> Reduce emissions by up to 26% and 41% with international support by 2020 as part of voluntary target. 	<ul style="list-style-type: none"> Explore various types of market instruments, build domestic carbon market “infrastructure.” Pilot MRV framework in power plants and cement industry.
Thailand Allocated \$3 million	<ul style="list-style-type: none"> Per the National Renewable Energy Development Plan, reduce energy intensity by 8% in 2015; 15% in 2020; and 25% by 2030 compared with 2005 levels. 	<ul style="list-style-type: none"> Create an Energy Performance Certificate (EPC) scheme. Pilot a Low Carbon City Program.
Vietnam	<ul style="list-style-type: none"> Reduce energy consumption per unit of GDP by 2.5–3% per year by 2020 and reduce GHG emissions relative to BAU scenario by 2–3% per year from 2020 to 2030. Increase share of renewable energy to 5.6% by 2020 and to 11% by 2050. Reduce emissions from the energy sector by 10% relative to BAU (and 20% with international support) by 2020. 	<ul style="list-style-type: none"> Design and pilot market instruments in the steel and solid waste sectors as well as establish a GHG registry and MRV system.

Other Regions

PMR Implementing Country Participants: Proposed Activities in Other Regions		
Participant	Country Context	PMR Support to:
Jordan	<ul style="list-style-type: none"> Develop renewable energy and enhance water and waste management as part of national priority. 	<ul style="list-style-type: none"> Explore scaled-up crediting for NAMAs in renewable energy, water (energy efficiency (EE) in pumping, waste water treatment, etc.), and/or solid waste management sectors. Support capacity building for data collection, baseline setting, and an MRV system.
Morocco	<ul style="list-style-type: none"> Implement Morocco's Climate Change Mitigation Policy plan, including using market-based instruments (MBIs). 	<ul style="list-style-type: none"> Pilot carbon market-based approaches in selected sectors and build carbon market infrastructure, including GHG registry and MRV framework. Explore integration with international market.
South Africa	<ul style="list-style-type: none"> Reduce reliance on fossil fuels and on carbon intensity of the growing economy while ensuring economic growth and increased employment as well as reduced poverty and inequality. Reduce domestic emissions by 34% by 2020 and 42% by 2025 from BAU, subject to the availability of adequate financial and technological support. 	<ul style="list-style-type: none"> Refine design features of proposed carbon tax and complementary offset mechanism, and strengthen MRV capacity.
Tunisia	<ul style="list-style-type: none"> Mitigation targets focus on RE and EE: 7% of RE in final energy demand by 2020 and 12% by 2030. National Strategy on Climate Change identifies market-based instruments as key instrument to achieve mitigation. 	<ul style="list-style-type: none"> Develop sectoral crediting mechanisms in the cement and electricity sectors (pilot in at least one of the sectors). Develop a national registry of mitigation initiatives and financing sources.
Turkey Allocated \$3 million	<ul style="list-style-type: none"> Explore options for crediting NAMAs and domestic ETS. National Climate Change Action Plan identifies market-based approaches as a key tool to achieve carbon mitigation. 2012 National legislation requires energy and industry sector installations to report GHG emissions. 	<ul style="list-style-type: none"> Implement robust, installation-level MRV system based on the MRV law. Lay out road map toward implementation of domestic ETS.
Ukraine	<ul style="list-style-type: none"> Reduce emissions by 20% by 2020 and by 50% by 2050. ETS is key part of the proposed Law on Energy Efficiency Regulation. 	<ul style="list-style-type: none"> Design installation-level MRV for energy sector and lay out road map toward implementation of domestic ETS.

In March 2014, Kazakhstan became the first PMR Technical Partner. Kazakhstan was allocated a \$1 million envelope to support the implementation of the country's national emissions trading scheme (ETS).

Technical assistance includes:

- Analytical work and modeling on emissions trends and trajectories, and impact of the ETS on the economy;

- Scoping study on technical, regulatory and institutional barriers to trade in Kazakhstan's ETS; and
- Development of emission benchmarks for allowance allocation in specific sector.

The Secretariat is currently in talks with several jurisdictions that have showed interest in becoming Technical Partners.



Many countries are at a cross roads in their decision to adopt a carbon pricing instrument as a means to deliver mitigation objectives. Country experience shows that introducing a major policy or economic instrument requires solid and comprehensive analytical work to ensure coherence with existing policies. In consultations with

Implementing Country Participants, it is also clear that setting mid- and long-term mitigation goals and understanding the development implications of such goals is critical in any country's choice of mitigation instrument. For this reason, the PMR launched a work stream to support upstream policy analysis in 2014.

Table 3: PMR Countries Expressing Interest in PMR Analytical Policy Support

Country	Activity for Support
Brazil	Determine post-2020 mitigation scenarios for nationally determined contribution
Chile	Implement carbon tax as part of "green tax"; analyze policy options for post 2020 mitigation scenarios
China	Analyze policy options for post 2020 mitigation scenarios
Colombia	Analyze policy options for post 2020 mitigation scenarios
Costa Rica	Target setting and sector selection for assessing carbon neutrality goal
Jordan	Determine post-2020 mitigation scenarios
Mexico	Scope ETS design in power sector; and the role in a post 2020 mitigation scenario
Peru	Determine nationally determined contributions under the UNFCCC and common indicators for assessing ambition and comparability of mitigation efforts
Tunisia	Conduct analysis of cost-effective instruments to scale up mitigation efforts and ensure coherence with existing policies

Knowledge creation and knowledge sharing are key parts of the PMR's work. The PMR seeks to improve countries' access to knowledge as a means to enhance their ability to strengthen market readiness. Simultaneously, it seeks to multiply the impacts of individual PMR readiness processes through effective sharing of lessons learned.

The PMR's approach to knowledge sharing continues to evolve. It currently incorporates a three-pronged approach:

- 1) provide a public repository for the latest thinking and developments on carbon pricing and other innovative approaches to mitigation through the PMR website;
- 2) provide opportunities for knowledge sharing on policy and technical topics during meetings and workshops; and
- 3) develop systematic support, driven by country need, through the PMR Technical Work Program.

PMR Website

The website provides PMR Participants with the information they need on PMR meetings, work-

shops, and processes, while also being a virtual one-stop shop for resources on market instruments and market readiness for the public.

The website is a "living" tool and evolves with the PMR. In September 2013, the virtual iteration of the PMR Roster of Experts launched. This public database includes about 150 experts in climate, energy, environment, and policy fields. PMR Participants use the database to identify technical experts to help facilitate the development and implementation of their MRPs. The PMR Secretariat also uses the roster to seek experts for technical inputs into its work.

The PMR Secretariat has redesigned the format for each PMR participant's web page to make it easier to locate information and for individual participants to monitor the information shared on their respective pages. Participants are encouraged to take ownership of their pages and use the PMR website as a platform for sharing news and developments on climate change action.

PMR TECHNICAL WORKSHOPS, APRIL 2013–2014

May 2013
Barcelona

- **Technical Workshop 6: Building Readiness for Implementation**
- *To provide an opportunity to seek feedback on various elements of the PMR Technical Work Program in order to provide focused and systematic support to PMR countries.*

October 2013
Marrakesh

- **Technical Workshop 7: Stakeholder Engagement and Communication**
- *To share experiences, strategies and lessons for the stakeholder engagement process associated with introducing climate policy, including market-based instruments.*

PMR Technical Workshops, Technical Trainings, and Other Events

PMR Technical Workshops provide an important platform for countries to engage in technical discussions on market instruments from baseline setting to designing a domestic ETS to providing peer feedback on innovative policies. PMR Participants' interests and needs drive the choice of workshop topics, particularly as these relate to the development of MRPs. While PMR workshops are not open to the public, all material is publically available on the PMR website.

In addition to workshops, the PMR has hosted the following events this year to provide targeted training, exchange of ideas and lessons learned on existing experience with market-based mitigation and to foster dialogue on new ideas and approaches.

TECHNICAL TRAININGS AND OTHER EVENTS APRIL 2013–2014

- **Regional Training Workshops on MRV
September 2013 and March 2014:**
Nearly all PMR Implementing Country Participants have identified MRV as an area of focus for PMR funding. In order to provide systematic support on this topic, the PMR

launched a series of regional training workshops designed to build expertise among policy makers, data managers, data verifiers and other relevant entities.

The first training—targeting Asian countries—was held in Beijing in September 2013 and focused on facility-level reporting.

In March 2014, a second training for Latin American countries was held in Mexico City and covered facility-level reporting, NAMA-level reporting, and national inventories. A third training will take place in Turkey in September 2014.

- **South-South Exchange: Developing Domestic Offset Schemes**

March 2014:

The Secretariat hosted a one-day South-South exchange on the development of domestic offset schemes, funded in part by the United Kingdom's Department of Energy and Climate Change.

Several PMR Implementing Country Participants have proposed domestic offset systems; the workshop featured key developments and plans for such systems, and provided a platform for discussion and knowledge

exchange. The target audience for this exchange was PMR Implementing Country Participants.

- **Stepping Up to the Challenges: Domestic Climate Action and Carbon Pricing Instruments March 2014:**

The PMR hosted a public event showcasing countries' innovative and cost-effective approaches to GHG mitigation, including carbon pricing initiatives—such as domestic emissions trading schemes and carbon taxes. This public event featured prominent speakers from Mexico, China, South Africa, Brazil, the European Commission and the United States who discussed key drivers and challenges when generating support for enhanced national action on climate change.

E-LEARNING

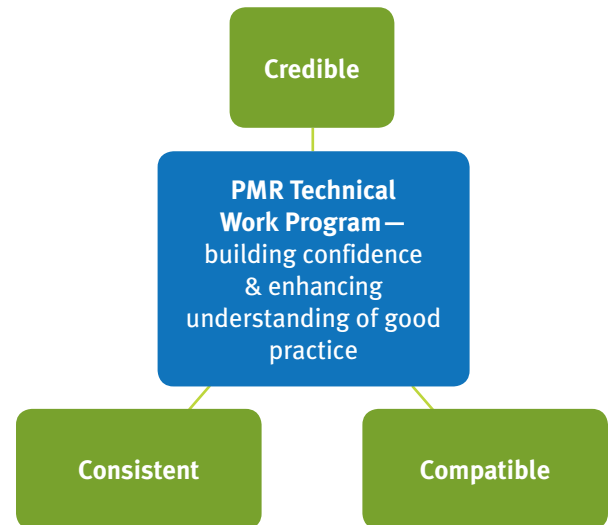
In September 2014, the PMR—in partnership with the World Bank Institute—launched its first e-learning course: *Emissions Trading Schemes—Using Markets to Promote Low Emissions Development*.

The objective of this course was to inform policy planners and climate change practitioners on the rationale behind emissions trading, how ETS work, their key design elements, and the key roles and decisions affecting emissions-trading governance. Discussions also focused on the important trade-offs inherent in ETS design and governance. Based on the success of the course, it was offered for a second time in April 2014.

PMR Technical Work Program

PMR Implementing Country Participants are in the process of building carbon market “infrastructure” essential to mitigation actions in general and carbon markets in particular. This includes the establishment of data management and MRV systems, GHG baselines, offset standards, and tracking/registry systems.

PMR Technical Work Program Guiding Principles



The PMR Technical Work Program supports countries by helping them develop carbon market infrastructure that conforms to the common principles of **credibility, consistency and compatibility** (3C principles), and promotes sharing of experience with others.

These guiding principles refer to the ideas that:

- **Credibility** of a national system encompasses environmental integrity, transparency, and objectivity;
- **Consistency** covers the internal consistency of the rules and procedures; and
- **Compatibility** is important if the system will be linked to other countries or international trading system (now or in the future).

Through the MRP development process, Implementing Country Participants identify gaps in their technical and institutional capacities to scale up mitigation efforts and to design and implement innovative and cost-effective approaches to GHG mitigation. As demonstrated by countries that have already submitted a final MRP, some gaps and needs—in terms of readiness components—are common among countries. The Technical

Work Program provides systematic support to common challenges.

Outputs from the Technical Work Program operate in parallel with the activities scoped in Implementing Country Participants' respective MRPs. Key objectives of the program are to share best practices and lessons learned with countries and to build a common framework around technical areas where countries have shared interest. To the extent possible, the Secretariat will implement the Technical Work Program in partnership with other initiatives and organizations, including relevant agencies within PMR Participant countries.

The Technical Work Program is focused on the following three areas:

FACILITY-LEVEL GHG MRV, DATA MANAGEMENT, AND REGISTRIES/TRACKING TOOLS

The work program on MRV provides comprehensive and programmatic technical support to countries with the objectives of (i) addressing MRV issues and challenges common to Implementing Country Participants, (ii) complementing the MRV-related activities identified by Implementing Country in their MRPs, and (iii) sharing knowledge with a broader community.

Over the past year, the MRV work program activities included establishing the MRV Working Group, two regional technical trainings, three knowledge products, and initiation of the development of an online e-Learning course.

- The **first regional technical training** was held in Beijing, China in September 2013. Participating countries included China, Indonesia, India, Thailand, Vietnam, the State of Rio, Brazil, and Singapore. Focusing on facility-level GHG reporting, the training provided information and instruction on program development and technical issues and promoted knowledge sharing among participants about establishing facility-level GHG reporting programs. It also included

case studies and group exercises to examine practical considerations to identify “readiness” considerations.

- The **second regional technical training** was held in Mexico City, Mexico in March 2014. Participating countries included Argentina, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, Mexico, Peru, and Uruguay. In this workshop, PMR partnered with the International Partnership on Mitigation and MRV and focused on MRV of NAMAs as a key element of national MRV systems.
- **Technical Note on MRV in China’s Pilot ETS** provides an overview of the MRV framework in the seven Chinese pilot programs, and analyzes their key similarities and differences.
- **Design Guide for Mandatory GHG Reporting Programs** is intended to support policy makers with the establishment of reporting programs that reflect country-specific priorities and objectives.
- **Technical Note on Components and Linkages of MRV at Different Levels** identifies opportunities to coordinate and integrate components of MRV frameworks (e.g., data management, regulation) across national, NAMA, and facility levels.
- **Initiation of the development of an MRV e-Learning course.** The objective is to translate present knowledge on MRV to a comprehensive and easily accessible learning tool that will explain the step-by-step process of MRV and how MRV can facilitate in monitoring and achieving mitigation targets. The e-Learning course is expected to be completed by fall of 2014.

BASELINE SETTING

Recognizing that baselines are a critical element of the readiness work for market-based instruments, the Secretariat established a Working Group on Baselines to advise on priorities for knowledge products, and clarify their scope of work on base-

lines. The Technical Work Program on Baselines has delivered the following outputs:

- A Technical Workshop on Baseline Setting in Cologne, Germany in May 2012, explored ways to leverage on experience with baseline setting in the context of scaled-up crediting mechanisms;
- **Technical Note #6: The Nuts and Bolts of Baselines Setting: Why, What and How?, and**
- **Technical Note #5: Options and Guidance for the Development of Baselines.**

DOMESTIC OFFSET PROGRAM DESIGN

The work program on offsets provides support to countries that are developing or implementing a domestic offset program as part of their national climate mitigation strategy. It aims to promote technical exchange and information sharing on country and international domestic offset scheme practices to support the development of domestic policies and technical infrastructure, which are credible, consistent, and potentially compatible to support global climate action.

From April 2013–2014, the following four events marked progress:

- The publication of the PMR technical note *Overview of Carbon Offset Programs: Similarities and Differences*, released in May 2013, outlines and compares the key design features of eight international and domestic offset programs. This report concludes that considered offset programs build on many common elements in terms of governance structure, methodologies, and processes. While there are important similarities among the various offset programs, the variability of

approaches confirms that there is no absolute one-size-fits-all model.

- In October 2013, the PA established the **PMR Offset Working Group** to act as a steering body, reviewing deliverables in this program. The Offset Working Group brings together nominees from PMR member countries, offset standard setting organizations, and the PMR's pool of experts. Together, the working group develops a knowledge and information exchange platform for PMR Implementing Country Participants that is focused on enhancing common understanding of the “nuts and bolts” of offset program design, development, and implementation.
- In February 2014, a **Webinar** featured the California Air Resources Board offset program, in response to requests for more information on this program from implementing countries.
- **Consultations** identified the needs of implementing countries to discuss concerns regarding the design of domestic offset programs. In March 2014, a South-South exchange took place and topics included GHG calculations, project governance, and the 3C principles.

The PMR knowledge management aspect (through the website, technical workshops, trainings and other events, e-Learning and several technical program streams) complements the work that countries are undertaking as they implement their MRP activities by serving as a global platform for country-to-country exchanges that support collective pioneering of cost effective instruments.

The World Bank serves as trustee for the PMR Trust Fund, including preparing an annual budget and long-term business plan, and managing the administrative agreements for pledged contributions from Contributing Participants and grant distributions to Implementing Country Participants.

PMR Sources of Funding

PMR funding comprises contributions from Contributing Participants and interest income. As of April 2014, total contributions are about \$126,500,000² from 13 donors while total investment income earned is \$730,000. Spain contributed \$5.4 million to the PMR in October 2013

² Not all contributions are made in U.S. dollars. This total is based on an estimated exchange rate. The exact exchange rate will vary depending on the date at which pledges are transferred to the World Bank.

and Germany increased its contribution this year, adding an additional \$6.68 million, bringing its total contribution to \$13.3 million.

Budget Approval Process

In line with the PMR Governance Framework, the Secretariat is responsible for proposing a budget for the annual operations of the PMR and for presenting it for approval to the PA prior to the start of the financial year.³ The Secretariat uses activity-based budgeting—it tracks activities using a coding system—to monitor spending and prepare the PMR budget. Historically, the Secretariat presents the annual budget during the PMR's May meeting.

³ The World Bank's fiscal year runs from July 1 to June 30.

Table 4: Commitments to the PMR by Contributor

Commitments to the PMR Trust Fund as of April 2014 (\$ millions)		
Contributor	Commitment	Received
Australia	12.5	12.5
Denmark	5.1	5.1
European Commission	19.7	3.2
Finland	5.4	5.4
Germany	13.3	13.3
Japan	13.6	13.6
Netherlands	7.1	7.1
Norway	5.8	5.8
Spain	5.4	5.4
Sweden	7.6	7.6
Switzerland	12.5	9
United Kingdom	11	11
United States	7.5	7.5*
Total	\$126.50	\$106.50

* The US funds in the amount of \$7.5 million are expected to be received in May 2014.

There are five core cost elements to the PMR budget:

1. **PA Meetings, Workshops, and Trainings:** Costs associated with PMR meetings, workshops, and trainings include meeting venue hire and catering; audio-visual equipment hire; and travel and accommodation expenses for Implementing Country Participant representatives, invited PMR experts, and the Secretariat.
2. **Country Delivery Support and Advisory Services:** These costs comprise (i) MRP Expert Feedback groups; and (ii) the technical assistance provided by Delivery Partners and the Secretariat to Implementing Country Participants for the preparation and implementation of their MRP. The costs include staff time from both the Secretariat and World Bank Regional offices, consulting fees associated with the MRP Expert Feedback Process, and associated travel costs.

3. **Knowledge Management:** These costs cover those associated with the PMR's Technical Work Program, including the preparation of technical notes, organization of working group(s)⁴ and expert meeting(s), and other events.⁵ In addition, they cover expenses for design and maintenance of the PMR website.
4. **Management and Communications:** These costs comprise day-to-day operating costs of the Secretariat in managing and coordinating PMR activities.
5. **Trust Fund Management:** These costs are associated with setting up and managing the PMR Trust Fund, including legal, budgeting, and accounting services.

For FY14, the PA approved a budget of \$4.744 million; actual expenses totaled \$4.410 million. For complete analysis of the FY14 budget, see PMR Note PA9-2014-3.

Table 5: FY14 PMR Budget: Use of Funds (In \$ Thousands)

Use of Funds	FY14 Budget	FY14 Actual Expenses*
PA Meetings and Workshops	696	830
Country Delivery Support and Advisory Services	2,143	1,919
<i>MRP Expert Feedback Process</i>	490	271
<i>Country Delivery Support o/w: Secretariat Country Support</i>	1,653	1,648
<i>World Bank Regional Support</i>	900	688
	753	960
Knowledge Management	1,000	958
Management and Communications	690	615
Trust Fund Management	65	88
Contingency	150	0
Total FY13 Use of Funds	4,744	4,410

*These figures represent actual expenses through March 31, 2014 and estimated expenses from April 1 through June 30, 2014.

⁴ The PMR currently has three technical working groups: one each on Baselines, MRV, and Offsets.

⁵ Examples of other events include the South-South Exchange: Developing Domestic Offset Schemes and Stepping Up to the Challenges: Climate Action and Carbon Pricing Instruments, both held March 2014.

Looking to the year ahead, the PMR will focus on the following three core objectives: helping all Implementing Country Participants finalize an MRP, strengthening Technical Work Program meant to support MRP implementation, and launching Upstream Policy work to support countries' efforts to prepare post 2020 mitigations goals.

All 17 Implementing Country Participants are expected to have completed draft MRPs by end-2014. For early movers—Chile, China, Costa Rica, Mexico, and Turkey—the secretariat will focus on finalizing funding agreements and beginning to implement components of each MRP. The Secretariat anticipates that another three to five countries will reach the final MRP stage within 2014, thus focus will be on jumpstarting the Implementation Phase in these countries as well. It will be important to demonstrate early results from MRP activities, including from piloting, and share the lessons from these results with others.

The proposed PMR Technical Work Program covers activities over a two-year period. Participants will

have an opportunity to provide feedback on the program and on specific activities for priority in the coming year. Immediate focus will be to build on existing work by the PMR in the three identified areas of technical assistance: facility-level MRV, data management, and registries/tracking tools; baseline setting; and offset standards.

More broadly—and building upon the network it has created—the PMR will continue to work to facilitate the emergence and convergence of a globally networked carbon market, one that recognizes comparable mitigation systems. Working through two channels—the market readiness work it supports among Implementing Country Participants and its convening power to bring stakeholders together to inform the next generation of carbon markets—the PMR will continue to provide a platform to inform the design of new iterations for market-based approaches to GHG mitigation.





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