

Comparison of different governance and institutional arrangements

Partnership for Market Readiness (PMR) Technical Workshop

» Different Market-based Approaches & Implications for a Future Carbon Market «

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- **Different carbon pricing instruments have different needs for governance and institutional arrangements**
 - Carbon tax
 - Cap-and-trade instruments
 - Baseline-and-credit instruments
- **Governance and institutional arrangements depend on a broad range of specific conditions**
 - The general institutional and legal framework of a specific country
 - Governance traditions (and preferences)
 - Political windows
 - Specific (but extremely important) legal decisions
 - Legal nature of carbon pricing-related assets
 - Legal nature of non-compliance instruments
- **There are however some more generic lessons learned from existing and emerging carbon pricing policies**

- **Institutional arrangements**
 - Generic issues
 - data monitoring, reporting & verification
 - compliance
 - Specific issues
 - cap
 - baseline setting
 - allocation
 - trading
 - market transparency

- **Strong links to legal arrangements and/or legal and political traditions exist und must be reflected**
 - Range of issues directly ruled by legislation
 - Range of issues ruled by administrative acts
 - Range of issues delegated/left to private entities
- **A clear separation, task and responsibility sharing is important**
 - Rule-setting entities
 - Operating entities
 - Supervising entities
 - Regulated entities

- **Common experience**
 - Quality and reliability of data collected within existing institutional arrangements did not meet expectations/requirements
- **New institutional arrangements need to be found**
 - Emissions (and other) data monitoring and reporting
 - methodological framework: guidelines
 - reporting: usually electronically (often piloting e-government)
 - Verification (in general: third party verification)
 - linking to existing verification infrastructures
 - specific methodological framework: guidelines
 - accreditation and oversight of third party verifiers is important
 - (Relatively) new challenges
 - confidentiality and data security of registries
 - synergies with other reporting (energy balances etc.) exist and could/should be addressed

- **Determination of compliance**
 - Consistency with the respective (general) institutional arrangements of a specific jurisdiction
 - Many different options
 - administrative acts by public entities
 - delegation to private entities
- **Penalization of non-compliance**
 - Often but not exclusively administrative acts by public entities
 - institutional arrangements for (and legal nature of) economic measures
 - institutional arrangements for other legal measures

- **Key institutional challenges**

- Core of cap-and-trade or baseline-and-credit instruments and key determinant of its integrity
- Clear separation of responsibilities and processes for cap and/or baseline setting from distributional processes (allocation etc.) is urgently needed
 - with regard to institutional arrangements and/or
 - with regard to sequencing of decision making
- Needs to be under the (pro-active) auspices of a law maker or rule maker

- **Key institutional challenges**
 - Clear separation of responsibilities and processes of rule making and implementation
 - Different nature of allocation and issuance needs to be reflected
 - Clear definition of the legal nature of allowances, allocation and issuance is key for many dimensions of institutional arrangements
 - taxation
 - market oversight
 - etc.

- **Key institutional challenges**
 - Arrangements for the market place
 - Decentralized/centralised approach
 - eligible participants
 - Taxation
 - Market oversight, liability and monitoring
 - allowances or credits as financial tools or commodities
 - Market transparency
 - centrally organized
 - decentrally organized
 - Market monitoring
 - Prevention of fraud
 - Using existing (market) rules and (market) procedures as well institutions and infrastructures – as far as suitable & possible

**Thank you
very much**

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