



PARTNERSHIP FOR MARKET READINESS (PMR)

Lessons Learned on Stakeholder Engagement and Communication

Summary of 7th PMR Technical Workshop

October 24, 2013

Marrakesh, Morocco

1. Background and objectives

This note summarizes the key lessons and recommendations drawn from the [PMR Technical Workshop on Stakeholder Engagement and Communication](#), which took place in Marrakesh on October 24, 2013. The workshop featured country case studies, presentations and panel discussions, and involved representatives from governments, sub-nationals, the private sector, think-tanks and other non-governmental organizations. The purpose of the workshop was to share experiences, strategies and lessons for the stakeholder engagement process associated with introducing climate policy, notably market-based instruments.¹

The workshop agenda, list of participants, and all presentations are accessible from the PMR website: <http://www.thepmr.org/events/eventlist/workshop/technical-workshop-7-stakeholder-engagement-and-communication>

2. Summary and highlights of the workshop

Ms. Sarah Moyer (PMR Secretariat) welcomed participants and introduced the objectives of the workshop. Ms. Joëlle Chassard (Manager, World Bank's Carbon Finance Unit) moderated the first session on "Approaches to Stakeholder Engagement: Good Practices and Lessons Learned". Mr. Dirk Forrister (CEO, IETA) moderated the second and last session on "Stakeholders' Perspectives". Mr. Pierre Guigon (PMR Secretariat) provided concluding remarks and opened the discussion on next steps. The [agenda](#) is attached in Annex I.

I - APPROACHES TO STAKEHOLDER ENGAGEMENT: GOOD PRACTICES AND LESSONS

Four in-depth case studies were presented - namely [EU ETS](#), [Tokyo ETS](#), Australian ETS, and [South Africa's carbon tax](#) - and provided the basis for broader discussions on good practices and lessons learned from stakeholder engagement process and communication. The case studies were followed by a panel discussion made up of country representatives.

The case study on the [European Union Emissions Trading System \(EU ETS\)](#) was presented by Mr. Felix Matthes (Oeko Institute). The following key lessons and recommendations were shared:

- The **design and introduction of climate policies and carbon pricing instruments are politically sensitive and technically demanding**. Broad, comprehensive, and early stakeholder engagement is therefore important to:
 - Create transparency;
 - Raise, broaden, and maintain public support;
 - Incorporate a broad range of expertise; and
 - Diffuse political conflicts by informing the political process and maintaining dialogue structures.
- Providing initial information, such as through background and explanatory documents on the new climate change policy (e.g., EU's Green Papers and Communications), can be useful to lay out its purpose, options, and implications. Comprehensive and well-prepared impact assessments or comparable analysis can significantly help set the scene. **Listing questions and answers addressing**

¹ See Annex I for the workshop's agenda.

potential concerns of the various stakeholders may be relevant to the stakeholder consultation preparation strategy.

- **Conflict arises more often from the general policies than the specific instrument.** It may be relevant to separate these two dimensions – to the extent possible.
- As conflict over new policies often results from distributional issues, it may be helpful to bring potential winners and losers into a structured engagement where they are able to listen and respond to one another face to face.
- The need for comprehensive stakeholder engagement and communication – initially driven by complexity of new policies – can change countries’ political culture and institutional arrangements. To illustrate, early discussions on the EU ETS in Germany led to the establishment of the “Arbeitsgruppe Emissionshandel” in 2001. This entity operates on its own budget and secretariat - strictly separated from the federal government. It consists of 75 members (e.g. federal government and states, political parties, industry associations, NGOs etc.) engaged in regular, plenary or sub-working group dialogues on a range of technical and political challenges and cross-cutting issues.
- **Costs for engagement activities may be mitigated if public authorities provide necessary meeting infrastructure and stakeholders rely on own resources to contribute.**
- Internet resources (e.g., information dissemination platforms) and online consultation offer new opportunities to reach out to stakeholders, including the public.

The case study on [Tokyo’s Cap-and-Trade Program](#) was presented by Ms. Yuko Nishida, Tokyo Metropolitan Government. Ms. Nishida shared these lessons and recommendations:

- **A range of different engagement forums, materials, and channels can be used to convey information**, address issues, and collect feedback to reflect and accommodate the range of stakeholders concerned – as illustrated in Table 1 in the case of Tokyo’s cap-and-trade program:

Table 1 – Stakeholders and engagement format in Tokyo’s cap-and-trade program

	STAKEHOLDERS ENGAGED	FORMAT
Pre cap-and-trade reporting	<ul style="list-style-type: none"> - Facility managers - Engineers 	<ul style="list-style-type: none"> - Publications - Report submission and feedback - Seminars
Draft program design and proposal	<ul style="list-style-type: none"> - Experts - Facility managers - Engineers - Local business groups 	<ul style="list-style-type: none"> - Expert panels - Environmental councils - Questionnaires
Introduction	<ul style="list-style-type: none"> - Business groups (local and international) - NGOs - General public 	<ul style="list-style-type: none"> - Stakeholder meetings - Collection of public comments - Forums
Detailed program design	<ul style="list-style-type: none"> - Local business groups - Leaders in real estate 	<ul style="list-style-type: none"> - Negotiations - Discussions (one-to-one, one-to-

	- Engineers - Experts	some) - Seminars and forums
Implementation and improvement	- Facility managers - Engineers	- Report submissions and feedback - Call center

Source: Tokyo Metropolitan Government

- **Stakeholder meetings must foster open and intensive discussions, and involve a wide range of participants, at various levels, as well as the public and media.** This alleviates general skepticism, promotes transparent discussions on fairness issues, and fosters the emergence of consensus.
- **Policy makers can inform industry and industry can inform policy.** Discussions and negotiations with industry groups on specific matters are necessary to improve program design.
- Advance drafting of the program design as much as possible, in order to dissipate key concerns and issues.
- The introduction of a mandatory reporting program prior to the ETS helped gather accurate data and established communication with people working on the ground in facilities.
- It is important to gather and disseminate background information to all stakeholders such as supportive data from existing programs, such as EU ETS, RGGI etc.

The case study on [South Africa Carbon Tax](#) was presented by Mr. Peter Janoska, National Treasury. The following lessons and recommendations were shared:

- **Reaching consensus within government constitutes a first layer in stakeholder consultation:** coordination between government agencies in policy development can be a challenge. This in turn bears the risk of misalignment within broader government policy. In South Africa, an Inter-governmental Committee on Climate Change (IGCCC) was established to discuss progress towards meeting national objectives.
- **Consider setting up a body specifically to bring together certain stakeholders.** In South Africa, external stakeholders are engaged through the National Climate Change Committee (NCCC), which puts together key businesses and business associations, civil society, academia, scientists, and labor unions.
- **Create a platform where external and governmental stakeholders can interact.** External stakeholders and government departments jointly participate in Technical Working Groups. To illustrate, the Working Group on Mitigation is charged with identifying the best mitigations options in key economic sectors, managing the design and development of the national MRV system, and coordinating the technical work through sectoral task teams.
- **Allow for multiple feedback opportunities and means for providing such feedback.** The process for South Africa external stakeholder consultation on the carbon tax discussion paper is indicated in Figure 1. Official public comment periods were used to extract key issues that are then discussed in public stakeholder workshops and bilateral meetings with key stakeholders. The legislative process also entails a further round of public comment on draft legislation.

Figure 1 - Carbon tax policy progression in South Africa



DATE	MILESTONES
2006	Environmental Fiscal Reform Policy Paper
Dec. 2010	Carbon Tax Discussion Paper
Feb. 2011	1st round of comments
May 2013	Carbon Tax Policy Paper
Aug. 2013	2nd round of comments
2013-2014	Legislative process
Jan. 2015	Implementation of the carbon tax

Source: South Africa's National Treasury

- **Education regarding carbon pricing principles is important:** despite a high degree of media interest and coverage, there is a lot of misinformation regarding the key principles, objectives, and key features of the carbon tax. More broadly, there is a significant lack of understanding on economic principles of the policy instrument.
- International cooperation and exchange of information with key partners (e.g., south-south exchange) who are/were engaged in similar processes can provide valuable input to engagement strategy.

The case study on **Australia Carbon Pricing Mechanism** was presented by Mr. Robert Owen-Jones, (Department of Industry). Mr. Owen-Jones shared the following lessons and recommendations:

- **Stakeholder consultation must be frequent and use a variety of formats:** one-to-one meetings are useful to split up stakeholders' voices.
- **It is important to tailor information sharing to different stakeholder groups.** For instance, stakeholders concerned with promoting a green marketing image may be drawn to the carbon pricing mechanisms for reasons different from stakeholders concerned with ensuring lowest cost of production or energy consumption. It is important to find a common denominator with each stakeholder where discussions can take place.
- **Stakeholders' expectations must be managed** initially since there is no chance to please everyone around the table.
- **Efforts and time designing the best policy may be useless if an effective communication component is missing.** Public authorities designing a climate change policy should employ both technical experts as well as communication and outreach experts. It is important to recognize the public relations impact of the policy. It is especially important at the beginning to elaborate a communication plan.

- **Government officers often struggle to address key message on the benefits of new policies in a straight forward and clear way. This is even truer when it comes to dealing with journalists who always have counterpoints.**
- Public opinion is volatile and fluctuates according to punctual events. For example, climate change issues echo much less in Australia's public opinion at the moment than 10 years ago after the country was hit by a wave of drought. **Addressing gaps in knowledge and skepticism about climate change and its consequences – using arguments that resonate with local and immediate concerns – is key to building public buy-in and broad support for climate change mitigation policies.** Maintaining this flow of knowledge is also critical.
- Education regarding the principles of carbon pricing instruments is important. Effective communication on their benefits to society – such as how revenues from a carbon tax will be spent – is also necessary to build trust.
- **Having “champions” within stakeholders – notably in the private sector – who support the climate legislation is key to convincing others and creating a ripple effect.**

II - STAKEHOLDERS' PERSPECTIVES

A number of stakeholders reflected on their experiences engaging in climate change policy development processes. The private sector was represented by the European Energy Exchange (EEX), Électricité de France, Eurasian Natural Resources Corporation of Kazakhstan, Shell, and South Pole Carbon. NGOs and think tanks were represented by WWF International, Climate Action Reserve, and Center for Climate and Energy Solutions (C2ES).

- Mr. Manuel Möller ([European Energy Exchange](#)) emphasized the benefits to regulatory authorities of engaging with financial players, who:
 - Have long-established business relationship with a wide coverage of market participants and can provide mediation services for those market participants who are unable to access the market directly;
 - Have expertise in risk management;
 - Provide liquidity to the market; and
 - Participate in policy advocacy (especially for ETS) and knowledge sharing.

Exchanges, in particular, are important stakeholders to engage with since their mission is to provide market participants and authorities with a reliable and secure market infrastructure. To illustrate, contributions from exchanges to the development of the EU ETS include:

- Stakeholder consultation on VAT fraud prevention, EU ETS structural reforms, registry security etc.;
 - Direct collaboration with public authorities by providing auctioning platforms; and
 - Training and education of market participants.
- Mr. Jean-Yves Caneill (Électricité de France) shared perspectives on stakeholder engagement from the point of view of utilities. These included:

- Once the intention to introduce a climate policy is announced, **it is important to include stakeholders in discussions around the choice of its instrument(s);**
 - **Stakeholders of the most trade exposed sectors should be the first to be addressed;**
 - **The best way to bring utilities around the table is to address issues that contribute to long-term predictability;** and
 - Champions are key, but it is also important to have a strategy to work with those stakeholders that will never be satisfied.
- Mr. Daniyar Khalitov (**Eurasian Natural Resources Corporation of Kazakhstan**) made the following recommendations:
 - **Provide future compliant entities with as much clarity as possible on the ambition of targets so they can get an idea of the price impact on their operations;**
 - **Consider the range of stakeholders that are taking part in the consultations:** several ministries should be involved (and not only the one(s) in charge of early policy formulation), academia is important, etc.;
 - One-size engagement does not fit all industry groups. Understand the very specific needs of each industry group, especially for those that are exposed to international competition, and cater engagement to those needs;
 - Have as much industry-specific information on hand prior to engagement to be informed and ready to engage;
 - Impact assessments are key to providing predictability to compliance players and gaining their support.
 - Ms. Irene Samouel ([Shell](#)) advised that **well designed stakeholder consultation increases industry trust in policy makers and policies and thus positively affects market liquidity.** She drew the following recommendations based on examples of successful and less positive experiences engaging stakeholder in ETS development:
 - Engage with stakeholders as early in the policy design phase as possible to encourage their input as appropriate;
 - **Use a transparent process for decision making and change and present this process** far in advance to allow industry to react;
 - **Call for widespread input and use a mixture of forums** (e.g., written feedback, face-to-face engagements, and industry working groups);
 - **Use standardized lines of communication, and reduce information asymmetries;** and
 - Provide as much clarity as possible in the outcomes of the consultation to avoid uncertainty.
 - Mr. Patrick Buergi (**South Pole**) advised that the design of stakeholder consultations should:
 - **Clarify purpose, objective, and process: what is to be achieved and who should be involve?;**
 - Find the right balance between good representation and “having too many cooks that would spoil the soup”;
 - **Involve experts from the very beginning;**
 - Carefully frame the issues to be addressed and anticipate the questions to be asked;
 - Ensure transparency of the process: documents, comments, and how feedback was addressed should be publically available;
 - **Draw upon and reward early movers** by placing them at the heart and forefront of the engagement process (e.g. testimonies, case studies etc.);

- **Find the arguments to present market instruments such as ETS as an opportunity and not a burden;** and
 - Communication is key. For example, the private sector failed to communicate on the good sides of the CDM.
- Mr. Stephan Singer (**WWF International**) recommended that as the stakeholder engagement process concludes, it is crucial to communicate on its outcomes and provide evidence to stakeholders on the extent to which their concerns, contributions, and feedback were useful and have been taken into account. **Creating a platform for discussion is not enough; it is also important to demonstrate that what is shared and learned during the stakeholder engagement process is reflected in revised and final versions of the policy.**
 - Mr. Joel Levin ([Climate Action Reserve](#)) advised that **stakeholder engagement strategies must build on the strengths of countries/jurisdictions.** It is therefore important to think about how climate change policy fits with specific political and economic situation. To illustrate, climate change is a good fit with California environmental and energy politics, notably because:
 - California is an energy importer, but exporter of advanced technology (innovation);
 - Historically, Californians are strong supporters of environmental protection – specifically air quality – and have a relatively high tolerance for regulatory intervention;
 - As a consequence, no one ever lost an election in California for being too “green”.

In addition, along the process it is **important to identify key stakeholders, and map their attributes, perspectives, interests, and concerns.** Table 2 illustrates stakeholder mapping in the context of the introduction of California’s Global Warming Solutions Act (i.e., AB 32). **Coordination of efforts within the government and/or public agencies is also necessary to support policy introduction and avoid misalignments within broader government policy.**

Table 2 - Stakeholder mapping in California’s AB 32

KEY CONSTITUENCY	POSITION AND CONCERNS
Oil and gas industry	- Concerns on competition with out-of-state production and refineries
Heavy industry and large manufactures	- Concerns that energy costs will go up and make them uncompetitive
Electric power industry	- Power generators are cautiously supportive because cost is passed-through - Utilities are cautiously supportive because they are fully protected through free allowances - Coal industry is unhappy, but are located out of state
High-tech companies	- View AB 32 as creating new product opportunities
Investors and banks	- View AB 32 as creating new investment opportunities
Labor	- Supportive of renewable energy and energy efficiency requirements because they drive demand for skilled labor

Major environmental groups	<ul style="list-style-type: none"> - Very supportive and protective of AB 32 - Split over cap-and-trade and offsets
Environmental justice groups	<ul style="list-style-type: none"> - Mainly concerned about local environmental problems in their neighborhoods - Supportive of AB 32, but mainly see it as a mechanism to reduce local air pollution
General public	<ul style="list-style-type: none"> - Broadly supportive of AB 32, but limited awareness of its details

Source: Climate Action Reserve

- Mr. Michael Tubman ([Center for Climate and Energy Solutions \(C2ES\)](#)) underscored the **value for governments to engage with independent, nonpartisan, and nonprofit organizations**. Such engagement can deliver credible, accurate, and independent research, and become a credible and reliable voice. In addition, through the partnerships that they may establish with industry, NGOs build on technical expertise and therefore provide a relevant go between for industry and government - to inform both but not influence either – which can help build consensus.

Annex I – Agenda and Presentations
7th PMR Technical Workshop
Marrakesh, October 24, 2013

1. Introduction	
<p>The purpose of this workshop is to share experiences, strategies and lessons for the stakeholder engagement process associated with introducing climate policy, including market-based instruments. As such policies rely on a wide range of stakeholders from relevant government agencies, private sector and civil society, early engagement can help regulators or government agencies be better informed about stakeholder concerns, issues, and challenges.</p> <p>In the first section of the workshop, countries and experts will share experiences from their respective stakeholder engagement processes, identifying good practices and lessons learned. The second section invites private sector participants and non-governmental organizations to share their insights and perspectives on the engagement process and communication approaches. Finally, participants are invited to discuss the next steps.</p>	
9:00	- Workshop Introduction and Objectives (<i>Ms. Sarah Moyer, PMR Secretariat</i>)
2. Approaches to Stakeholder Engagement: Good Practices and Lessons Learned	
<p>In this session, four in-depth case studies will provide the basis for broader discussions on good practices (e.g., methodologies, process, format, monitoring, evaluation etc.) and lessons learned from stakeholder engagement process and communication. A panel made up of country representatives will follow.</p> <p style="text-align: center;">Moderator: Ms. Joëlle Chassard, Carbon Finance Unit, World Bank</p>	
9:15	<p>Case studies:</p> <ul style="list-style-type: none"> - EU-ETS (<i>Mr. Felix Matthes, Oeko Institute</i>) - Tokyo Cap-and-Trade Program (<i>Ms. Yuko Nishida, Tokyo Metropolitan Government</i>) - Q&A and Discussion
10:30	Coffee break
10:45	<p>Case studies continued:</p> <ul style="list-style-type: none"> - Australia Carbon Pricing Mechanism (<i>Mr. Robert Owen-Jones, Department of Industry, Australia</i>) - South Africa Carbon Tax (<i>Mr. Peter Janoska, National Treasury</i>) - Q&A and Discussion
12:00	Lunch
14:00	<ul style="list-style-type: none"> - Panel 1: European Commission, Mexico, Kazakhstan - General Discussion: All PMR participants are invited to share information on their respective stakeholder processes, key issues and concerns raised by stakeholders, and the key lessons drawn from their experiences.

3. Stakeholders' Perspectives

In this section, a set of stakeholders will reflect on their experiences with engagement in two panel discussions. Private sector participants will notably share experience in addressing competitiveness concerns, and bringing authorities to consensus-driven decisions. NGOs will discuss their involvement in promoting and assessing the integrity of carbon pricing policies.

Moderator: Dirk Forrister, IETA

15:00

Panel 2: Private Sector Participants

Mr. Jean-Yves Caneill (Eurelectric and Électricité de France)

[Mr. Manuel Möller \(European Energy Exchange\)](#)

Mr. Daniyar Khalitov (Eurasian Natural Resources Corporation of Kazakhstan)

[Ms. Irene Samouel \(Shell\)](#)

Mr. Patrick Buergi (South Pole)

- Q&A and Discussion

16:30

Coffee break

16:45

Panel 3: Non-governmental Organizations

Mr. Stephan Singer (WWF International)

[Mr. Joel Levin \(Climate Action Reserve\)](#)

[Mr. Michael Tubman \(Center for Climate and Energy Solutions \(C2ES\)\)](#)

- Q&A and Discussion

4. Workshop Wrap up and Next Steps

The PMR Secretariat invites Participants to share feedback and ideas on the next steps for future PMR work on this topic. Suggestions and comments are welcome.

18:00

- Next Steps (Mr. Pierre Guigon, PMR Secretariat)
- Discussion

18:30

Workshop conclusion