



Emerging carbon markets: different approaches being adopted

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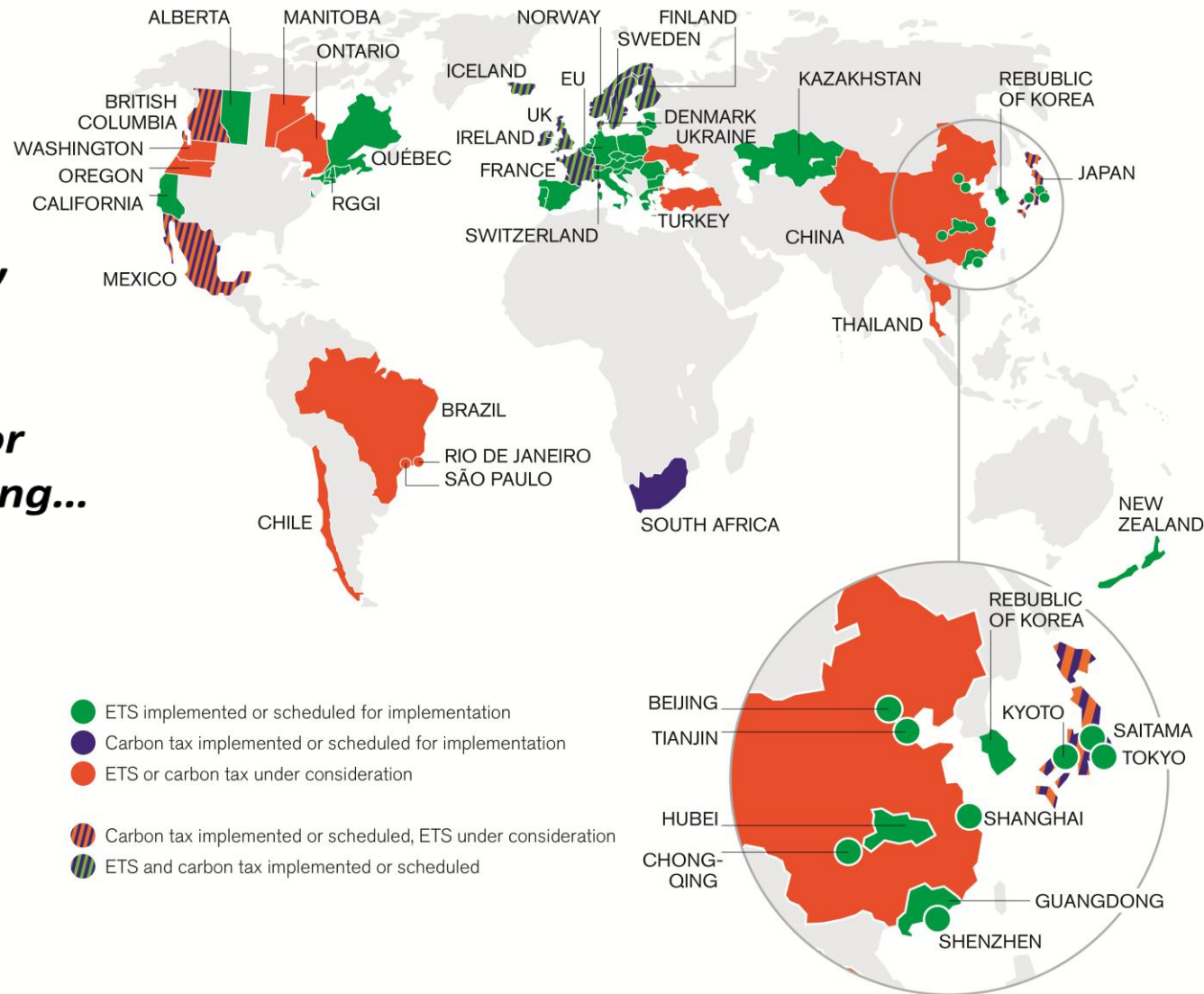
Different Market-based Approaches &
Implications For A Future Carbon Market
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Introduction

- ◆ Provide an overview of current state of play
- ◆ Introduce some concepts and idea's that will be further developed and discussed throughout the day

Wide spread interest in market mechanisms

... and many others are building readiness for carbon pricing...



Latest developments

- ◆ Kyoto markets – prices at an all time low, with new demand unlikely in the period to 2020
- ◆ EUETS – back loading, market stability mechanism and cap to be reduced more quickly post 2020, unlikely to be any additional demand for international credits.
- ◆ JCM – 12 partner countries, 5 approved methodologies, 1 project registered
- ◆ Chile - carbon tax introduced
- ◆ California and Quebec - linked and about to have first joint auction
- ◆ Australia – carbon pricing mechanism replaced by new emissions reduction fund

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

Different jurisdictional scope and arrangements

- ◆ International, national and subnational mechanisms
- ◆ Domestic only, Bilateral arrangements, Multi-country schemes
- ◆ Linked (one way or mutual recognition) and fully harmonized

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.
- ◆ PMR guided by this 3Cs approach

Common building blocks

- ◆ Although mechanisms are varied there are some common building blocks
- ◆ Actual design choices reflect national priorities and circumstances



What does this imply for a future global carbon market?

- ◆ For countries and jurisdictions to decide
- ◆ Could be bottom-up linking of these different domestic arrangements
 - If so then how can/will this 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
 - Negotiations under way in the UNFCCC

What does this imply for a future global carbon market?

- ◆ Evolution of the global carbon market likely to reflect motivations for trade.
 - Lower the cost of mitigation – encourage lowest cost abatement wherever in the world it occurs
 - With lower costs trade can encourage greater ambition
 - A way to deliver/receive climate finance
 - To address competitiveness concerns
 - Broader economic, trade and diplomatic relations
- ◆ Benefits of trade balanced with desire to design policy to best suit national circumstances

How does this influence countries' activities today

- ◆ Design market infrastructure with a view to the future
- ◆ Design market infrastructure that is flexible or 'no-regrets'
- ◆ Work with others to understand 3Cs approach in your circumstance
- ◆ Shape international arrangements to accommodate your plans

Issues for discussion during the day

- ◆ **Workshop provides us an opportunity to explore some of these issues in more detail.**
- ◆ **What does it mean for a mechanisms to be credible, consistent and compatible?**
- ◆ **What does this imply for a future global carbon market**
- ◆ **How does this relate to the activities of PMR countries today in planning and designing market-based approaches?**

Thank You

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