

PMR TECHNICAL WORKSHOP

PMR Insights on Post 2020 Carbon Markets

Session 4: Break-out Group Exercise - PMR Insights to Help Elaborate Arrangements for Post-2020 Carbon Markets

□ Introduction:

PMR Participants are building their market readiness with a view to having carbon pricing mechanisms that are credible and potentially compatible for possible future international trade. At the same time, discussions at the international level are ongoing about the role for and arrangements to support international trade in carbon assets.

There are different views on the need to elaborate arrangements for post-2020 carbon markets and the way to do so. Some consider that those arrangements should be elaborated through multilateral negotiations under the UNFCCC; others consider that arrangements might better be elaborated only with a group of countries who are most interested in trading; and others would prefer to elaborate those arrangements directly with bilateral trading partners. These approaches are not necessarily mutually exclusive which means that a combination of approaches could emerge in parallel.

Regardless of how discussions over arrangements for post-2020 carbon markets proceed, the practical experience from PMR Participants can provide valuable insights to help elaborate them, and to allow for possible international trade in carbon assets or cooperation through market-based instruments. In other words, the experience emerging from the PMR can help define the characteristics, requirements, systems and procedures that can facilitate the international trade of carbon assets in the future.

□ Objectives:

One of the goals of the PMR is to share insights and lessons learned with the international community, including the UNFCCC. To this end, the objectives of this break out group exercise are twofold:

- (1) Gather insights from PMR Participants on the **scope** of arrangements for trade and the **priorities and timelines** for any ongoing discussions and/or work program.

Discussing the scope of arrangements for trade will require taking a close look at the characteristic, requirements, systems and procedures (building blocks) that are essential to enable credible international trade in carbon assets. Understanding how these arrangements could influence the readiness activities in PMR Implementing Countries can help inform a discussion on priorities and timelines.

- (2) Form **recommendations on how the PMR work program can further support countries** as they work to elaborate arrangements for the possible future international trade in carbon assets or cooperation through market-based instruments.

□ Instructions:

Participants are asked to join one of four breakout groups. Groups will have 90 minutes to discuss the questions below (plan to spend about 30 minutes on each question). Each group will nominate a scribe and a person to report back on their discussions. Each group will have about 10 minutes to report back with some additional time for others to ask follow-up questions. Groups will be facilitated by an expert or member of the PMR Secretariat.

□ Exercise:

1. **Discuss the key building blocks** of arrangements for trade in carbon assets. You may use the example building blocks below as a guide or determine your own building blocks. Are the building blocks the same if arrangements for trade are being negotiated under three different scenarios: (a) **bilaterally** (i.e., with a specific trading partner), (b) **plurilaterally** (i.e. a process involving a group of interested countries), and (c) **multilaterally** (i.e., under the UNFCCC). What are the building blocks that would be best negotiated as part of each process?
2. Discuss how these arrangements **could influence the PMR readiness** activities in your respective countries. For example, would the design of your readiness activities be informed by any agreements reached on the building blocks at the international level? Identify any implications for the timelines of future work (i.e., given your national readiness plans, when would you need the international arrangements to be clarified?). Discuss key elements of a process that would support the elaboration of the building blocks in more detail. What elements would you prioritize?
3. Discuss, **if and how, the PMR can support countries in their discussions** to elaborate arrangements for potential trade in carbon assets. For example, can more be done to gather practical experiences; could the PMR undertake some thought leadership in some areas; can the PMR technical work program be supplemented in some way to better support guidance/processes at the international level, or is there interest in collaborating through the PMR to progress common approaches/positions.

□ **Example building blocks for arrangements to enable international trade in carbon assets**

