



Guide for the Template for Organizing Framework for Scoping of PMR activities

Country: **XXX**

Responsible official: **XXX**

Date of submission: **XXX**

Version 1.0 (April 22, 2011)

Outline of Template

- I. Objective, considerations and guidance
- II. Elements of the Template
- III. Useful references

Outline of Document

- I. Objective, considerations and guidance
- II. Elements of the Template
- III. Useful references

1. Purpose and aim of the Template (1/2)

- ◆ This PMR template is intended to *assist* PMR Implementing Countries in the elaboration of their **Organizing Framework for Scoping of PMR activities** to be presented to the PMR Participants' Assembly (PA) in April 2011.
- ◆ The Template seeks to provide guidelines and a starting point for scoping of PMR activities, taking into account that PMR Implementing Participants are at different stages, have different opportunities and challenges, different development and mitigation priorities, different capacities and different objectives with respect to market-based instruments. Not all elements of this Template may be equally adapted to all countries or to all circumstances.
- ◆ It is important that countries *not* be constrained by the Template.
 - All countries may not be in a position to provide information on all sections of the Template. Depending on the circumstance of the country, all sections may not be fully relevant.
 - While countries are encouraged to provide as much information as possible, there is *no* obligation to respond to all the elements of the Template

1. Purpose and aim of the Template (2/2)

- ◆ The completed Template shall inform the decision of the PMR Participants' Assembly (PA) on the allocation of funding for the PMR Preparation Phase.
 - The amount of funding per country for PMR Preparation Phase is set at \$350,000 (as approved by the PMR Organizational Meeting in April 2011)
 - This funding is intended to support the country during the preparation Phase for the formulation of its Market Readiness Proposal (including funding proposal).
- ◆ This Template should be viewed as the starting point for the development of a country's Market Readiness Proposal.
 - ◆ The Market Readiness Proposal is expected to lay out a road map or a plan for putting in place a market instrument.
 - ◆ The process and steps to formulate a PMR Market Readiness Proposal will differ from country to country in line with the different national circumstances and capacity, as well as the climate change objectives and policies of each Implementing Country Participant
 - ◆ Building on this Template, a Tool for Market Readiness Proposal will be developed by Secretariat and PMR working group, to assist Implementing Countries.
- ◆ Feedback on the use of the Template will be important to improve it, as the PMR Secretariat may update/improve it, as needed.

2. Where **Template** fits in the key steps in PMR process



3. Some further guidance/consideration

- ◆ Countries may benefit from external support and input to develop this template, but individual countries should have full ownership of the final product and its content when presenting it to the PMR Participants' Assembly (or Participants' Committee).
- ◆ It is possible that a country's plans and views on particular market instruments, their application (i.e. sector and/or region) and on elements of market readiness may change between the submission of this Template and the submission of the Market Readiness Proposal as a result of the work undertaken during the Preparation Phase. This may indeed be a natural evolution of the Preparation Phase.
 - ◆ Nonetheless, Implementing Countries are encouraged, through this Template, to identify , the envisioned scope of market readiness activities during the Preparation Phase and identify priorities.

3. Recommended content

- ◆ Through this Template, the PMR Implementing Country should provide information on:
 - GOALS: an overview of its climate change mitigation goals and the foreseen role for market instrument(s)
 - RATIONALE FOR ENGAGEMENT IN PMR: Information on why the country is seeking support from the PMR.
 - INSTITUTIONAL STRUCTURE: Government structure to develop readiness for market instrument(s) – Main PMR contact(s)
 - SECTOR(S)/AREA(S) OF INTEREST: Information on sectors/area(s) considered for new market instrument (link with NAMA development, as appropriate), identifying opportunities and barriers to remove
 - Views on preferred market-related activities and instrument type under consideration.
 - MARKET READINESS NEEDS: (Initial) identification of market readiness needs (e.g., economic and policy analysis, consultations, data, design, tools, training, etc.) that may be supported by the PMR
 - OTHER SUPPORTED ACTIVITIES: Identification of other related and supported activities
 - CONSULTATIONS AND PROCESS: Overview of both process to date and envisioned process/plan for Preparation Phase, including key tasks and estimated timeline to develop the Country's Market Readiness Proposal*

** A Tool for Market Readiness Proposals will be developed.*

Outline of Template

- I. Objective, Considerations and Guidance
- II. Elements of the Template

II. Elements of Template

Outline of template

1. Policy context: Domestic mitigation objectives and role of market instrument(s)
 1. Policy context, objectives and envisioned role for new market instruments
 2. Overview of country's GHG emissions
 3. Interest in market-based instrument(s)*
2. Organization and consultations
 1. PMR contact
 2. Partners in the formulation and implementation of the country's Market Readiness Proposal
3. Technical building blocks of Market Readiness
 1. Taking stock of relevant sectors (and/or region)
 2. OPTIONAL – Assessment of readiness of sector(s)/ region(s)
 3. OPTIONAL - System for domestic measurement, reporting and verification (MRV)
 4. OPTIONAL - Institutional/legal components
4. Other key relevant initiatives
5. Organization of work and estimated timeline
6. Other relevant information
7. Conclusions – Summary of market readiness priority areas for PMR support

**For the purpose of the PMR, market instruments refer to domestic instruments (e.g., emissions trading scheme) and, without prejudging the outcomes under the United Nations Framework Convention on Climate Change negotiations, scaled-up market mechanisms.*

1. Policy context: Domestic mitigation objectives and role of market instrument(s) (1/3)

1.1 Policy context, objectives and envisioned role for new market instruments

- ◆ *The purpose of this section is to provide some context on the “big picture” and how market instruments may “fit it”.*
- ◆ *The country should indicate its mitigation objectives (and, as appropriate, the link with its overall sustainable development objectives).*
- ◆ *The country should indicate the envisioned role of market-based instruments*
- ◆ *It is also an opportunity to indicate the level of political support/engagement with respect to (i) mitigation objectives and strategy; and/or (ii) the use of market instruments, as appropriate.*
 - ◆ *For example, the country may wish to provide selected quote(s) and/or reference(s) to from public declaration(s); national assembly discussion(s); law(s); or country submissions to UNFCCC.*

1. Policy context: Domestic mitigation objectives and role of market instrument(s) (2/3)

1.2 Overview of country's GHG emissions

- ◆ *An indication of the sources of GHG emissions in the country should be provided using latest GHG emissions data and/or estimates.*
 - ◆ *If available and relevant, emissions breakdown by sector/region (e.g., a pie chart may be presented), may be provided.*
- ◆ *If data is available to show past and future trends, it should be included (please include reference).*

1. Policy context: Domestic mitigation objectives and role of market instrument(s) (3/3)

1.3 Interest in market-based instrument(s)*

- ◆ *Country should identify market instrument(s) that it is considering and rationale for such choice.*
 - *In this section, the country is invited to identify*
 - a) *specific market instrument it has decided to pursue through support from the PMR, and/or*
 - b) *market instrument(s) which it is interested in exploring in its scoping activities in the PMR Preparation Phase (e.g., a country may be considering to cover a given sector/area through a market instrument but will determine which instrument in the Preparation Phase).*
 - *A brief explanation of its interest in a particular instrument should be provided. Similarly, when a country is exploring/pursuing more than 1 market instrument, a brief explanation may be provided and an indication of priority, if appropriate.*

*For the purpose of the PMR, market instruments refer to domestic instruments (e.g., emissions trading scheme) and, without prejudging the outcomes under the United Nations Framework Convention on Climate Change negotiations, scaled-up market mechanisms.

2. Organization and consultations (1/2)

2.1 PMR contact point

- *The country should identify the Ministry/agency (and relevant office within that ministry/agency) responsible for leading/coordinating market-readiness activities supported under the PMR and indicate its mandate.*

2. Organization and consultations (2/2)

2.2 Partners in the formulation and implementation of the country's Market Readiness Proposal

- ◆ *Developing a Market Readiness Proposal and ensuring its implementation typically requires the involvement and engagement of different ministries/agencies. This is often a key readiness element to ensure broader buy-in/ownership of market readiness activities. If available, the country is thus invited to provide information on:*
 - ◆ *Description of consultation/engagement process already done and planned consultations/engagement process*
 - ◆ *The ministries/agencies involved/needed to be involved in the country's market readiness planning and implementation should be identified*
 - ◆ *It is also useful to indicate the key stakeholders (e.g., local governments; industry and business associations, NGOs, etc.) to involve in the preparation of a Market Readiness Proposal.*

3. Technical building blocks of market-readiness (1/4)

3.1 Taking stock of relevant sectors (and/or regions)

- ◆ *Market readiness typically involves examining different sectors/regions where mitigation could be encouraged via market-based instruments (e.g., through detailed analysis of sectors). A country may either:*
 - a) already have decided on sector(s)/region(s) to be target by a market instrument; or*
 - b) be in the process of identifying the sector(s)/region(s) most suitable/appropriate for of a market instrument*
 - ◆ *A country should identify whether it is in stage (a) or (b). In either case (ie. (a) or (b)), the country may, as appropriate and relevant, provide (initial) rationale for the selection/ consideration each sector(s)/region(s) * (1 slide per sector/region), e.g.,*
 - *Sector/region's estimated GHG emissions; share of country's total emissions; data quality & availability; approximate number of sources; institutional capacity; responsiveness to market signals; as well as*
 - *How market instrument may fit/relate to sectoral/regional development and mitigation objectives*
 - *If relevant and appropriate, country may note link with NAMA development process*
 - *If relevant and appropriate, country may highlight development benefits associated with activities which may be targeted by market instrument(s) in given sector(s)/region(s).*
- *Should the country (i) have selected sector(s)/region(s) where it is planning to develop readiness for a new market instrument, and (ii) be able to provide greater information or analytical results on such sector(s)/region(s), the country may elaborate and indicate where PMR support may be sought (see next slide)*
- ❖ *It is understood that this analytical task may be undertaken during the Preparation Phase. As such, the country may not be in a position to provide responses to any/some items. The next slide is thus Optional.*

3. Technical building blocks of market-readiness (2/4)

3.2 OPTIONAL* - Assessment of readiness of sector/region (to be specified by country)

- ◆ *If the country is at a stage where it can discuss more in detail the relevant sector(s)/region(s), it is invited, as appropriate, to begin highlighting, for each identified sector/region*, for example:*
 - a. **Coverage and characteristic of area (sector/region) of application of market instrument** (e.g., number of companies; number of installations, as well as mitigation potential and estimated GHG abatement cost, as appropriate)
 - b. **Key barrier to implementation** – identification of the key issues/barriers to be addressed or removed in the sector/region of coverage (e.g., lack of incentive; lack of access to technology; lack of enforcement, etc.)
 - c. **Reference/baseline/target levels** – identification of relevant reference/baseline/target levels and/or process/considerations for their development, as appropriate
 - d. **Potential impact** – identification of expected GHG impact, as well as other impact/benefits from using market instrument in sector/region, as appropriate. Country may not key drivers/factors that may influence performance/impact
 - e. **Relevant sector policy/regulations** – identification of relevant policies/regulations in place (or to be implemented) which are important for the development and the effective implementation of market instrument(s)
 - The Country may identify the steps envisioned to ensure policy coherence
- ◆ *If and when possible, the country should note where PMR support may be sought*
- * *These tasks may be undertaken during the Preparation Phase. As such, the country may not be in a position to provide answers to any/some questions.*

3. Technical building blocks of market-readiness (3/4)

3.3 OPTIONAL* - System for domestic measurement, reporting and verification (MRV)

- ◆ *The MRV elements of a market instrument are key for its functioning and credibility.*
- ◆ ***If** the country has identified specific domestic MRV components and needs, it may provide information on, for example :*
 - a. **Monitoring, measurement and reporting guidelines/standards** – *How does the country plan to develop such guidelines/standards?*
 - b. **Verification procedures** – *How does the country plan to develop/implement a system of independent verification?*
 - c. **Tracking tool** – *How does the country plan to keep track of, for example, mitigation activities and associated GHG impact, allocation, compliance status, etc.?*
- ◆ *The country should identify areas where PMR support is envisioned/planned, as appropriate*
- ◆ *If the country has **not** identified specific domestic MRV needs, it may highlight initial plans/views to be elaborated during the Preparation Phase and of need of PMR support.*

** These tasks may be undertaken during the Preparation Phase. As such, the country may not be in a position to provide answers to any/some questions.*

4. Technical building blocks of market-readiness (4/4)

4.2 OPTIONAL*- Institutional/legal components

- ◆ *If the country has identified specific institutional/legal components and needs, it may provide information on, for example :*
 - a. **Oversight of instrument implementation** – *who will have overall responsibility for architecture/design and implementation of the mechanism? Who will be responsible for ensuring compliance? Who will be the regulatory authority?*
 - b. **Data collection** – *Who will be responsible for data collection (e.g., environment ministry; statistical bureau; energy agency)? It may be a task involving more than 1 ministry/agency.*
 - c. **Performance verification (including GHG verification)** - *assigning responsibility for verification, including certification, as appropriate.*
 - d. **Issuance of assets (e.g., allowances, credits)**
- ◆ *The country should identify areas where PMR support is envisioned/planned, as appropriate.*
- ◆ *If the country has **not** identified specific institutional/legal components, the country may identify areas to be elaborated during the Preparation Phase and of need of PMR support.*

** These tasks may be undertaken during the Preparation Phase. As such, the country may not be in a position to provide answers to any/some questions*

5. Other key relevant initiatives

- ◆ *Country should identify other key relevant activities supported by donors, such as:*
 - *Development of GHG inventories, data collection in key sector for PMR activities, analysis of mitigation potentials and mitigation costs, low emissions development strategies, domestic MRV, etc.*

6. Organization of work and estimated timeline (1/2)

6.1 Overview of organization of work/tasks envisioned for Preparation Phase to conduct the scoping of market readiness activities

- ◆ *In this section, the country essentially provides information how it proposes to develop the basis for its domestic dialogue on Market Readiness and how it proposes to guide it.*
- ◆ *The country should present an overview of how it plans to organize itself during the Preparation Phase to conduct the scoping of market readiness activities and formulate its Market Readiness Proposal*
 - ◆ *Through its submission and presentation of its Market Readiness Proposal, the country will be able to seek funding for its Implementation Phase .*
- ◆ *The country should highlight, for example, specific consultations (and how to conduct them) and studies (in which areas) it plans to undertake during its Preparation Phase, and for which PMR support is needed.*
- ◆ *The country may identify key tasks, commenting on the sequence of the tasks.*
- ◆ *This section would also be a place for a country to start identifying key elements/findings (e.g. from a study on Low Emissions Development Strategy or an expected legislation) which are expected to guide (or be key inputs) the formulation of its Market Readiness Proposal.*

6. Organization of work and estimated timeline (2/2)

6.2 Overview of estimated timeline for formulation of Market Readiness Proposal

- ◆ *The country is invited to indicate an estimated timeline for meeting key steps in its Market Readiness Preparation Phase, with the end result being the formulation of its Market Readiness Proposal.*
 - *This is only indicative and there are no consequences if the estimated timeline is not met.*

7. Other relevant information

- ◆ *The country is invited to indicate any other information it deems relevant in the context of its objectives, planned efforts and activities on Market Readiness which may also be relevant in the consideration of its proposal for PMR funding for its Preparation Phase.*

8. Conclusions – Summary of market readiness priority areas for PMR support

- ◆ *The country briefly summarizes the priority market readiness activities for which it seeks PMR support.*

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- I. Objective, Considerations and Guidance
- II. Elements of the Template
- III. Technical Annex

III. Useful references

Some useful references (list is *not* comprehensive)

- ◆ Aasrud, A. & R. Baron and K. Karousakis (OECD), November 2010, *Market Readiness: Building Blocks for Market Approaches*, OECD/IEA information paper, www.oecd.org/env/cc/ccxg
- ◆ Baron, R., B. Buchner and J. Ellis, 2009, *Sectoral Approaches and the Carbon Market*, OECD/IEA Information paper.
- ◆ CCAP, 2010, *Global Sectoral Study – final report*, www.ccap.org
- ◆ Ecofys, 2009, *Linking developing countries to carbon markets – cost assessment of capacity building requirements*
- ◆ European Commission, 2010, *European Commission 2nd EU ETS Compliance Conference website*: http://ec.europa.eu/environment/climat/emission/ets_compliance2.htm
- ◆ ICAP website: www.icapcarbonaction.com
- ◆ The Greenhouse Gas Protocol Initiative, 2010, *GHG Protocol website*, www.Ghgprotocol.org
- ◆ UNFCCC website: www.unfccc.int
- ◆ World Bank, 2010, *Partnership for Market Readiness – Design Document*, Draft.
- ◆ World Bank, 2010, *Ten Years of Experience in Carbon Finance – Insights from working with the Kyoto mechanisms*, www.carbonfinance.org

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