Market Readiness Proposal (MRP) of India

Overview of Expert Group Feedback

Country: India
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Outline of Presentation

1. Brief description of PMR Expert Feedback Process for India

2. Overall impression of the MRP (mainly based on earlier draft sent to Experts and the mission to India)

3. Specific elements of the MRP feedback (mainly based on earlier draft sent to Experts and the mission to India)

4. Key challenges going forward
1. Brief description of PMR Expert Feedback Process (1/2)

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1. Brief description of PMR Expert Feedback Process (2/2)

Feedback Process

- 1\textsuperscript{st} full draft of MRP submitted to the secretariat and the expert group on August 9, 2016
- Written comments of the experts and the secretariat on the draft MRP submitted on August 20, 2016
- In-country meeting (August 23-24, 2016)
- 2\textsuperscript{nd} draft circulated on September 28, 2016
2. Overall impressions of the Draft MRP (1/2)

- MRP makes good case for analyzing a market-based/carbon pricing instrument in a specific/unique policy environment
  - comprehensive experiences (including the necessary institutional and regulatory framework) with a market-based energy efficiency instrument (PAT), a market based RES mechanism etc.
  - Emerging experiences with a carbon pricing instrument: the coal cess (levy)

- India, with PMR support, would start a process to inform a (future) political decision on a potential market-based carbon pricing mechanism (MBCPM) by a comprehensive assessment of the existing market-based and carbon pricing mechanisms
  - a clear case for gaps of the existing mechanisms needs to be made – with regard to coverage, effectiveness and technicalities
  - stakeholders need to be engaged at a broad scale
2. Overall impressions of the Draft MRP (2/2)

- India, with PMR support, would start to build (technical) infrastructure to integrate existing market based and carbon pricing mechanisms and create the foundations for a potential new mechanisms (an MBCPM)

- India’s MRP offers deep understanding of a need for a broad policy mix
  - policy mapping as groundwork
  - analysis of policy interactions needs to be strengthened

- India’s MRP is a broad and ambitious one
  - Remaining timeframe tight to complete planned activities
  - Allocation of resources between the building blocks could need some adjustments (reflecting the necessary effort on the different topics)
  - What kind of ground work (“no regrets” core market readiness elements) can be more (or less) resilient to policy decisions on a future MBCPM?
3. Specific elements of the MRP feedback

- **Issues identified and discussed**
  - Inclusion of more information on country’s general situation and on energy sector, including energy-related data
  - At least illustrative projections would add significant value
  - The description of (the broad range of) existing policies and measures could be linked more to the different sectors to identify the remaining gaps (with a view on coverage, effectiveness, efficiency etc.)
  - Given the existing and emerging policy landscape described in the MRP, policy interactions need to be addressed more intensively
  - The balance between the core market readiness component and the framework for designing new MB(CP)M could be adjusted
  - Adding information on proposed timeline
3. Specific elements of the MRP feedback

Roadmap and approach

- **Key question**: how can the MRP help to evaluate the existing market based and carbon pricing mechanisms and to build technical infrastructure for their integration – with a clear view to improved or new MBCPM (or enhance the likelihood of such process)

- The MRP is organized around an *evaluation and infrastructure-oriented approach* to reaching a stage where well-founded political decisions would be possible

  - (i) evaluation of the existing market-based and carbon pricing mechanisms;
  - (ii) creating a National Registry that could build the basis for large-scale integration; and
  - (iii) analyzing options to enhance the capabilities of existing or to create new mechanisms

- This is an extremely interesting but also challenging way forward
3. Specific elements of the MRP feedback

Mitigation Policy landscape

- This is the component of the MRP that lays the ground for the analysis of enhanced and/or new market based mechanisms
- It is a very important, very comprehensive and however challenging task
  - What information is already available?
  - What part of the analysis needs to be carried out anyway (evaluation of existing mechanisms) what specific value adds the PMR-funded work?
  - The analysis of policy interactions could be widened, the PMR-funded work could add more value here
3. Specific elements of the MRP feedback

Core (no regrets) market readiness components

- Building a comprehensive data management and registry system
  - This is a key (resource-intensive) “no-regrets” component of the MRP
- It is a very comprehensive task
  - Covering different market based instruments
  - Creating the opportunity to host existing and new mechanisms
  - Will need to
    - integrate a broad range of different mechanisms
    - deal with the “moving target” of enhanced and/or new mechanisms
    - Deal with a very ambitious schedule
3. Specific elements of the MRP feedback

Framework for designing new MBMs

- This is the key (resource-intensive) forward-looking component of the MRP
- It includes a broad range of activities, from enhancing existing mechanisms to designing and piloting new mechanisms and linking different mechanisms
  - from technology-specific mechanisms to project based or other, existing or new GHG/carbon mechanisms, including a potential linking
  - Will need to
    - integrate a broad range of different mechanisms
    - deal with the “moving target” of enhanced and/or new mechanisms
    - deal with double counting issues
    - deal with a very ambitious schedule (incl. piloting)
3. Specific elements of the MRP feedback

- **Issues identified and discussed**
  - Importance and relevance of broad engagement and securing buy-in - within and outside government
4. Key challenges going forward

- Putting the pieces together for the (important) “no regret” steps
  - Figuring appropriate sequence of activities and determining which ones can go in parallel
  - Ensuring an rapid-prototyping approach for the National Registry

- Putting the pieces together for the (important) steps towards enhanced or new mechanisms
  - Reflecting appropriately policy interactions within India’s existing (and emerging) policy mix
  - Determining appropriate points of political engagement/decision
  - Engagement and consultation to secure broad buy-in

- Investing in building foundation to support informed policy decisions, but also include useful (resilient) elements for advancing general low emission development policy (no-regrets) if political decision (on piloting etc.) is not forth-coming (in time)