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# **Market Readiness Proposal (MRP) of India**

## **Overview of Expert Group Feedback**

**Country: India**

**PMR Expert Group: Felix Matthes on behalf of the team**

**Date of presentation: October 20, 2016**

# Outline of Presentation

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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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### PMR Expert Group

- Tang Jin
- Neelam Singh
- Felix Matthes

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

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### Feedback Process

- 1<sup>st</sup> 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<sup>nd</sup> draft circulated on September 28, 2016

## 2. Overall impressions of the Draft MRP (1/2)

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- 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)

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- 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

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#### Structure of MRP and understanding better Indian context

##### ■ 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

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#### Mitigation Policy land scape

- 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

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#### 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

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#### 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

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#### **Institutional arrangements and stakeholder engagement**

- **Issues identified and discussed**
  - Importance and relevance of broad engagement and securing buy-in - within and outside government

## 4. Key challenges going forward

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- 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)