



OVERVIEW OF MARKET READINESS COMPONENTS AND ILLUSTRATION WITH PMR COUNTRIES

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- ◆ **Part I: Core Market Readiness Components**

- ◆ **PART II: PMR Country Case Studies**
 - ◆ **China**
 - ◆ **Chile**
 - ◆ **Costa Rica**
 - ◆ **Turkey**

- ◆ **Conclusion: Preparation AND Implementation**

◆ PART I: Core Market Readiness Components

Core Market Readiness Components



TECHNICAL READINESS

POLICY READINESS

INSTITUTIONAL/REGULATORY READINESS

- ◆ GHG data management
 - Collect data to establish emissions trends, assess costs of targeted mitigation efforts, set baselines
- ◆ Monitoring, Reporting, and Verification system
 - Establish standards and procedures for gathering data (**M**), document emissions/activity (**R**), and corroborate claimed achievements (**V**)
- ◆ Registry/Tracking tool
 - Design and develop a system to account for emissions reductions (“GHG Registry), track transactions and reconcile the actual emissions with “allowances” for compliance (“Trading Registry”)

- ◆ Analyze current mitigation strategies
 - ... and potential role for market instruments
- ◆ Assess mitigation potential and cost
 - Identify possible emission reduction opportunities at different costs, at national and sectoral level
- ◆ Design appropriate policy
 - Policy mapping, possible interactions with other policies in place and planned

- ◆ Assign institutional responsibilities for:
 - Emissions data collection
 - Issuance of trading units
 - Performance verification (e.g. accreditation of third party verifiers)
- ◆ Develop a regulatory framework
 - For credible compliance enforcement
 - For robust governance of trading activities
- ◆ Consult and engage stakeholders
 - Carry out consultations with relevant stakeholders impacted by the introduction of the market instrument

PMR Supports “Readiness” building through “Market Readiness Proposal” (MRP)

- ◆ Through **MRP**, country lays out roadmap of activities for work on market readiness components & analysis and design of market instrument(s):
 - How market readiness work will be organized & managed
 - Needed capacity-building & financial resources (and who provides them)
 - Clear plan, budget & schedule for identified activities

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Tool for Market Readiness Proposal: The Building Blocks

Building Block 1. The Big Picture: Policy Context

Building Block 2. Target Area: Assessment and Rationale for Focus on Sector(s)/Sub-sector(s)/Program(s)/Region(s)

Building Block 3. Core Technical and Institutional/Regulatory Market Readiness components

Building Block 4. Planning for a Market Instrument

Module 4a. Scaled-up GHG Crediting Instrument

Module 4b. Domestic Trading (cap-and-trade)

Building Block 5. Organization, Communication, Consultation and Engagement

Building Block 4 (b)

ETS:

- Scope/coverage
- Cap setting
- Allocation
- MRV
- Institutional & regulatory fmwk
- Fostering stability
- Use of offsets

◆ PART II: PMR Country Case Studies

COUNTRY CONTEXT

- ✓ Reduce emissions intensity by 40-45% compared with 2005 level by 2020
- ✓ Pilot ETS programs in 5 cities and 2 provinces with the objective to set up national scheme

MARKET APPROACH...

National Emissions Trading Scheme with target launch 2017-2020

KEY MARKET READINESS ACTIVITIES UNDER PMR

- Core readiness components: e.g. Analysis on multi-level data demands of China's ETS, research on administrative rules
- Design of ETS components: e.g. cap setting, sector coverage, price controls, allocation of allowances, etc.
- Specific consideration and research for state-owned enterprises and the power sector in an ETS

COUNTRY CONTEXT

- ✓ Reduce the growth rate of its GHG emissions by 20% deviation below BAU by 2020, using 2007 as the base year (Copenhagen Accord)

MARKET APPROACH...

Exploring ETS pilot for the energy sector

KEY MARKET READINESS ACTIVITIES UNDER PMR

- Core market readiness components
 - E.g. Economic analysis for domestic ETS, assessment of existing and required capacities for ETS
- Design and implementation of MRV framework and Registry system
 - E.g. Design and development of a registry software

COUNTRY CONTEXT

- ✓ National *Climate Change Action Plan* identifies market-based approaches as a key tool to achieve carbon mitigation

MARKET APPROACH...

MRV implementation and integrated data management system, and prepare a roadmap for ETS

KEY MARKET READINESS ACTIVITIES UNDER PMR

- Implement MRV legislation in energy and industry sectors
E.g. Preparation of secondary and complementary legislations
- Design and implement integrated data management system that combines GHG inventory, installation-level data reporting and carbon asset tracking
- Explore pathway for transition to emissions trading

COUNTRY CONTEXT

- ✓ Carbon neutrality goal by 2021
- ✓ Develop National C-Neutral Standard, including program-specific Costa Rican Offset Units (UCCs)

MARKET APPROACH...

Domestic Carbon Market (Voluntary)

KEY MARKET READINESS ACTIVITIES UNDER PMR

- Develop a MRV system for market participants
- Piloting and scale-up
E.g. Study on how to promote the goal of carbon neutrality (strengthening demand), determination of sectoral baseline and benchmarks (supply generation)

◆ Preparation is key...

Infrastructure must be developed and/or strengthened ex-ante to provide an appropriate framework for the sound functioning of the market

◆ ... Action is needed too

PMR supports piloting activities and implementing country participants in the learning-by-doing

Thank You

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