Crediting-related activities under the PMR: current status and possible ways forward

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Outline

- Rational and new modality to discuss the crediting-related readiness activities under the PMR
- Key observations on the crediting-related activities under the PMR
- Presentation of the stocktaking study (by SEI/Ecofys)
- Update on the Consultations Related to the Fund for Scaled-up Crediting Mechanisms (by the World Bank)
- Brief introduction of roundtable discussion
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Readiness for crediting: need for an overarching discussion

- Development of crediting instruments is an important part of the PMR work program
- Demand for credits is critical for these instruments:
  - Current uncertainty around international demand
- Common understanding on possible ways forward for the PMR support is important:
  - What are the possible implications of the evolving context on readiness activities in the Implementing Countries?
  - How can we ensure the effectiveness of PMR-supported readiness activities?
Stocktaking study to support an overarching discussion

- PMR Secretariat commissioned a stocktaking study on crediting readiness support by the PMR to:
  - Review 8 MRPs with crediting as a principle market-based instrument;
  - Explore ways to support a range of climate policies through crediting readiness;
  - Identify opportunities for the PMR to consolidate and maximize its support to Implementing Countries

- SEI/Ecofys shared their preliminary findings in Santiago (PA10) and will present the circulated draft today

- Interactive roundtable discussion to stimulate exchange of views peer-to-peer on the ways forward for the PMR support
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8 out of 17 PMR Implementing Countries include crediting as the principal market-based instrument in their MRPs
Status of crediting-related activities in the MRPs (2/3)

◆ Crediting-related activities in the MRPs primarily include:
  - Strengthening policy and legislative environment;
  - Enhancing technical capacity and build “institutional infrastructure”;
  - Support of specific initiatives and programs (in some Implementing Countries).

◆ Objectives put forward for crediting-related activities vary:
  - Using crediting instrument to complement existing climate policies and instruments (NAMAs, voluntary markets, standards in transport);
  - Using crediting instrument as a way to build technical capacity as possible foundation to emissions trading.
Status of crediting-related activities in the MRPs (3/3):
Different considerations of the evolving context

- Implementing Countries have different (evolving) considerations about the international and domestic demand for credits

- Most of the MRPs incorporate (re-)assessments of evolving context, including for sources of demand

- A number of crediting-related activities have a broader applicability for a range of climate policy instruments:
  - Data management, MRV, capacity building.

- Design options can be chosen to stimulate this broader applicability (adaptability)
Role of crediting-related activities under multiple climate policy instruments

- Crediting readiness can contribute to a wider climate policy development and fostering mitigation under multiple policies.

- This role can be achieved by building readiness in an “adaptable” way to support:

  Broader applicability to other policy instruments and funding approaches (“minimizing regrets”)
  - Data management
  - Quantification of mitigation potential
  - Baseline determination

  Building political momentum and a broad stakeholders’ engagement (“maximizing benefits”)
  - Advancing regulatory frameworks
  - Developing domestic sources of demand
  - Setting up financing vehicles
Possible ways forward for the PMR to support crediting-related activities (in conclusion)

- It may be useful to continue and expand the PMR support to “adaptable” activities that both pursue specific crediting instruments and pave the way for broader mitigation policies:
  - Using the suggested criteria for building readiness;
  - Expanding the goals of PMR crediting-related activities more explicitly;
  - Avoiding duplication and maximize synergies with other initiatives.

- A broader set of mitigation policy goals which the PMR could support through “adaptable” crediting readiness includes, at least:
  - Crediting supported by national and/or international demand;
  - Carbon pricing instruments such as emissions trading or carbon tax;
  - Result-based financing as a tool to channel international climate finance;
  - A boarder policy, legislative and institutional framework for low-carbon investment
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Rational and new modality to discuss the crediting-related readiness activities under the PMR

Key observations on the crediting-related activities under the PMR

Presentation of the stocktaking study

Update on the Consultations Related to the Fund for Scaled-up Crediting Mechanisms

Brief introduction of roundtable discussion
Roundtable discussion

Exchange of views peer-to-peer in four smaller groups:
- Based on the stocktaking study and the PMR Note PA11 2015-3
- Facilitated by the PMR Secretariat

Objectives:
- Inform the future PMR support to the crediting-related activities;
- Help identify possible implications of these activities on other PMR work streams such as technical work programs.

Suggested topics for discussion:
- Status of crediting-related activities under the PMR and implications of the evolving context
- The role of crediting-related activities in the future
- Ways forward for the PMR’s support to crediting-related activities
For further information and input, contact:

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Key terms used in the presentation & the study

◆ Crediting instrument:
  ▪ An existing or new program or mechanism that a country develops (e.g., sectoral crediting in the cement sector) or participates in (e.g., CDM or NMM) that is capable of issuing credits

◆ Crediting-related activity:
  ▪ specific element of a work plan undertaken in preparation for piloting, implementing, and/or participating in a given instrument (e.g. developing an MRV system for a cement sector crediting program)