BRAINSTORMING SESSION ON
THE FUTURE OF THE
PARTNERSHIP FOR MARKET READINESS

Fifteenth Meeting of the Partnership Assembly
Hanoi, Vietnam
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Outline

I. PMR in Context: Program Objectives and Highlights

II. Changing Circumstances for PMR Activities
   A. External Environment: Post-Paris Momentum
   B. Internal Environment: Insights from PMR Implementation

III. Building on Achievements and Lessons Learned: A Discussion on the Future of the PMR

IV. Next Steps and Timeline
I. PMR in Context: Program Objectives and Highlights
Context for Setting Up the PMR

- Launched in 2010 (Cancun COP10); operationalized in 2011
- Established against the backdrop of a downturn in the international carbon market

Objectives:

- **Provide grant funding** to build readiness components that support the implementation of carbon pricing instruments—including market-based approaches—for GHG mitigation;

- **Pilot carbon pricing instruments**, e.g., domestic ETS, scaled-up crediting mechanisms, or carbon taxes;

- **Provide a platform for discussions, networking, and collective innovation** on carbon pricing instruments—in particular new market-based approaches—for GHG mitigation;

- **Create and disseminate a body of knowledge** on carbon pricing instruments, in particular market-based approaches that could be tapped for country-specific requirements;

- **Share insights and lessons learned** with the international community, including the UNFCCC.
PMR Overview: Where Do We Stand?

Quick Facts
- Capitalization: $127 million
- $59 million allocated to prepare for PMR initiatives
- 19 country programs
- 13 donors and 4 technical partners

Areas of Work
- Three work programs:
  1. Policy Analysis Work Program
  2. Technical Work Program
  3. Country Program
- Carbon pricing instruments:
  ✓ Emissions trading
  ✓ Carbon taxation
  ✓ Crediting and offsetting
  ✓ Others
Early Efforts to Maximize PMR Impacts: An Overview

Focus areas of the PMR’s Strategic Direction:
1. Deepen readiness support
2. Broaden readiness support
3. Support piloting of scaled-up crediting programs
4. Prepare for a discussion on PMR Phase II
**Early Efforts to Maximize PMR Impacts: Deepening Support**

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<th>Country Programs</th>
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**Efforts to deepen the PMR in response to lessons learned and changing conditions:**

1. *Supplement MRP activities with in-country dialogues*
2. **Ramp-up the Technical Work Program:**
   - Detailed notes on several core technical components and increased number of dedicated technical workshops
3. **Deploy the Policy Analysis Work Program:**
   - *Checklist and support for INDC preparation in 5 countries*
   - *Ongoing support in 10 countries*
   - *Develop program-level support on modeling and policy interaction*
4. **Facilitate dialogues responding to evolving sub-regional collaboration on carbon pricing**
5. **Dialogue on post-2020 carbon markets and recent assessment of the implications of the Paris Agreement for the PMR**
Early Efforts to Maximize PMR Impacts: Broadening Support

**Efforts to broaden the PMR:**

1. *Increased contributions from CPs to allow the participation of two additional countries*
   - Peru and Tunisia

2. *Endorsed procedure for accepting new countries by the end of 2016*
   - Sri Lanka and Argentina to join the PMR by PA15

3. *Introduced new participant category: “PMR Technical Partners”*
   - Kazakhstan, California, Québec and Alberta

4. *Developed strategic partnerships through implementation of joint activities*
   - IETA, ICAP, International MRV Partnership, WRI, UNDP LECB, LEDS Global Partnership, etc.
II. Changing Circumstances for PMR Operations
External Environment: Implications of the Paris Agreement on the PMR (1)

- **Long-term vision** to limit the global average temperature to well below 2°C above pre-industrial levels, with the aim of limiting it to 1.5°C

- **Reinforce bottom-up approaches**: countries agree to regularly review and revise their NDCs, to increase ambition over time

- Countries are left with a choice of **policies and actions** to design and implement in order to achieve their mitigation goals and contribute to collective targets

*Countries are accelerating domestic climate action in order to achieve NDCs but implementation capacity remains a challenge in many countries.*
External Environment: Implications of the Paris Agreement on the PMR (2)

- Recognition of voluntary cooperative approaches (Art. 6):
  - A new international mechanism for countries to contribute to GHG emissions mitigation and sustainable development
  - Provisions to pave the way for bottom-up cooperative approaches where Parties could opt to meet their climate pledges using ITMOs

- **Carbon pricing and carbon markets can have a pivotal role to play** in achieving countries’ mid- and long-term mitigation and other policy goals

\[\text{The demand for financing and technical assistance related to carbon pricing will increase. This creates an opportunity to leverage the PMR’s technical knowledge base and to further facilitate and enhance the use of innovative carbon pricing instruments.}\]
Internal Environment: Making Policy Choices

- Decisions on the use of domestic and international carbon pricing instruments are part of a lengthy and sensitive political process.
- Many countries are yet to make a final decision on the carbon pricing instrument(s) they will to pursue.
- Technical and institutional readiness, as well as intra-institutional coordination and stakeholder engagement, are key for making viable policy choices, as well as for their future design and implementation.

Continue exploring ways to enhance technical and financial support to countries is critical.
Technical, regulatory and institutional readiness for the use of carbon pricing instruments is a continuum of several phases:

- **Upstream:** Policy analysis & dialogue to facilitate choice of instrument(s)
- **Midstream:** Design & prepare instrument(s)
- **Downstream:** Implement instrument(s), & review and improve over time

The PMR carries out ground work at policy and technical levels to:

- Facilitate countries’ decisions about carbon pricing instruments
- Supports design and implementation once the decision is made

**Depending on their level of readiness, countries need differentiated support.**
Internal Environment: Taking an Overarching Approach to Support Scaled-up Crediting

- Implications of Article 6 of the Paris Agreement
- Role of crediting in the policy packages to achieve NDC objectives and other policy goals

Rationale & Policy Objectives of Scaled-up Crediting

- Design & Implementation: Dealing with Uncertainty
  - Developing innovative technical and institutional elements
  - Managing the risks of achieving NDC objectives
  - Demonstrating through implementation

Minimizing Regrets & Maximizing Benefits

- Ensuring broader applicability to other policy instruments and funding approaches
- Building political momentum and a broad stakeholders’ acceptance for carbon pricings
There is broad recognition that:

- Carbon pricing instruments should be considered in the context of countries’ long-term mitigation goals (as outlined in their NDCs) and other policy objectives
- Countries use modeling and analytical work to identify a suitable package of policies and measures, and understand their interactions, impacts and potential barriers

Providing systematic and long-term support to countries to help strengthen modeling capacity is essential.
The PMR is a **unique platform** that:

- Convenes major economies and facilitates policy and technical dialogues at domestic and international levels
- Supports diverse country action on the ground
- Generates and shares knowledge beyond the PMR
- Provides an environment for countries to openly discuss challenges and opportunities faced during the choice, design, preparation, and implementation of carbon pricing instruments

**Maintaining an active and dynamic platform to leverage political momentum and share valuable knowledge on technical and policy challenges is vital.**
Reaffirming the Rationale for the PMR

The Paris Agreement...
...creates an environment conducive to the use of domestic carbon pricing instruments as part of NDC implementation...
...and paves the way toward an international carbon market after 2020.

The PMR experience...
...shows that support for readiness is critical for the successful choice, design, preparation, and implementation of carbon pricing instruments, and...
...confirms increasing demand for technical assistance and services, including in the context of NDC implementation.
III. Building on the Achievements and Lessons Learned: A Discussion on the Future of the PMR
Strategic Direction of the PMR: An Overview

Allocate a portion of remaining funds (Phase I, until 2020)

- "Deepening" PMR support (i.e., allocation of additional funding to existing Implementing Country Participants and Technical Partners)
- "Broadening" the Partnership (i.e., acceptance of new Implementing Country Participants and Technical Partners)

Possible extension of the TFI (Phase II, beyond 2020)

- Discussion on mission, objectives and scope of "PMR Phase II"
PMR Phase II: Possible Scope of Activities Going Forward

◆ **Ramp up financial and technical assistance: focus on support for full spectrum of carbon pricing policies, including NDC implementation**
  - **Upstream:**
    - Define policy objectives and rationale for carbon pricing
    - Policy analysis (modeling and policy interaction) to facilitate the choice of instrument(s) and understand role in achieving NDC objectives
    - Define governance requirements, and facilitate stakeholder engagement and inter-institutional dialogue
  - **Midstream:**
    - Design and prepare carbon pricing instruments (i.e., establish core technical elements, institutions and regulations)
  - **Downstream:**
    - Implement, review and improve carbon pricing instruments

◆ **Strengthen platform function, with increased in-country and regional dissemination of knowledge and experience**

◆ **Deepen technical knowledge and increase ability to provide in-country support (including advisory services on supporting policy reform processes/managing political economy)**
Possible future scenarios to deepen PMR support:

1. Interest in a more detailed Technical Work Program, with increased internal capacity for in-country support and workshops *(advisory services)*

2. Increased and more systematic support for NDC implementation cycle through Policy Analysis Work Program *(analytics)*

3. Active facilitation of regional dialogues and common work on carbon pricing *(towards linking)*

4. Increased interest in upstream support, to help define policy objectives and the rationale for carbon pricing

5. Further integration of the Policy Analysis and Technical Work Programs
Possible future scenarios to broaden the PMR:

1. *Increased demand and interest in the PMR from other developing countries and emerging economies*

2. *Increased interest in flexible modalities for support, which could result in further differentiation of participant categories*

3. *Augmented dissemination of PMR’s knowledge products, including to non-PMR participants*
Discussion on the Future of the PMR (1)

I. Rationale for Extending the PMR

- Does the Paris Agreement reaffirm the relevance of the PMR in a post-2020 regime?

- What are potential impacts in terms of a future work plan (e.g., activities that facilitate both domestic carbon pricing instruments and participation in the future international market)?

- How does the experience from the first phase of the PMR inform its future direction?

- What is the PMR’s added value compared to other existing and emerging initiatives, and how can effective coordination and synergies among them be ensured?
II. Redefining Mission and Objectives

- Should the PMR’s mission and objectives be redefined to reflect recent international and domestic developments? If so, how?
- Are there gaps in the PMR’s mission and objectives? If so, which ones?
- How explicit should be the link to NDC implementation going forward?
- How can the PMR maximize its impact and further catalyze transformational change?
- How could the function of the PMR as a platform for the exchange of knowledge and experience be further strengthened?
III. Proposed Scope of Work

- Does the PMR’s scope of work need to address the “post-Paris” agenda? If so, how? What activities should be continued, dropped or added?

- How can the PMR provide support that accommodates increasingly different needs from countries, for upstream, mid-stream and downstream activities?

- What will be the appropriate balance between the support provided to “readiness” and “implementation” activities going forward?
IV. Options for Broadening PMR

- Should the PMR seek the participation of new Implementing Countries?
- Should different categories of participants be created to accommodate increasingly diverse needs from countries?
- How could the dissemination of PMR’s knowledge products, including to non-PMR members, be increased?
- Which additional partnership(s), if any, should be pursued and why?
IV. Next Steps and Timeline
Proposed Next Steps and Timeline

- **PA15 (Oct 2016):** Brainstorming on the future of the PMR (relevance-mission-objectives-scope-reach)
- **Intersessional period (Oct 2016-Mar 2017):** Feedback from PMR Participants
- **PA16 (Apr 2017):** Draft Note on the future of the PMR (including proposal on Governance Framework)
- **Intersessional period (Apr 2017-Sep 2017):** Feedback from PMR Participants on the Draft Note
- **PA17 (Oct 2017):** Final Note on the future of the PMR
- **Nov 2017-Apr 2018:** Potential revisions to the PMR Design Document and Governance Framework
- **May 2018-Dec 2018:** Administrative Agreements with Contributing Participants
- **Dec 2018 (COP 24):** Start of PMR Phase II
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