

PARTNERSHIP FOR MARKET READINESS (PMR)
IMPLICATIONS OF THE PARIS AGREEMENT FOR THE PMR

PMR Cover Note for the report prepared by Koru Climate

October 18th, 2016

I. INTRODUCTION

1. Following the Paris Agreement, the PMR Secretariat initiated some work to consider the agreement in detail and any implications it might have on the activities of the PMR. An external consultant was engaged to undertake a strategic assessment of the PMR along these lines. To allow for input to the work from the PMR Participants, a workshop was also held on the margins of the 14th Meeting of the Partnership Assembly (PA14) in Lima, Peru, in April 2016. The feedback received during the workshop have been taken into account in the consultant's final report. At that workshop the Secretariat undertook to share the outcomes of the work as well as any actions that may be considered appropriate to take forward based on the independent findings and recommendations from the consultant's report.
2. This cover note provides background and a brief summary of the consultant's report. It also provides the Secretariat's proposal for how to take the recommendations forward. The PA is invited to consider the note and the consultant's report as background for relevant discussions at PA15 and subsequent PMR events and meetings.

II. BACKGROUND ON THE WORK TO CONSIDER THE IMPLICATIONS OF THE PARIS AGREEMENT FOR THE PMR

3. Since its inception, the PMR has continued to evolve within the broader international context of climate change action. In an effort to ensure that its impacts are maximized and sustained over time, the PMR has had a number of strategic discussions and decisions to guide the activities and enhance the focus of the initiative.
4. While past discussions have been fruitful and resulted in a number of actions to enhance the initiative, it was understood from the Participants that the UNFCCC COP21 outcomes should further shape and inform the direction of the PMR. As such, after the Paris Agreement had been reached at the end of 2015, the Secretariat initiated work to analyze any potential implications for the PMR stemming from it, with a view to further advancing the strategic discussions under the PMR and related activities.
5. To assist them in their work an expert consultant, Mr. Andrew Howard of Koru Climate, was engaged to:
 - a. review the Paris Agreement and make a succinct summary of its most relevant aspects, explaining how these are relevant to the PMR and likely to develop over coming years;
 - b. review the PMR's objectives, strategic decisions and discussions, and work programs (including country, technical and policy analysis support) and analyze any potential implications of the Paris Agreement for the PMR; and
 - c. make recommendations for any adjustments to the PMR objectives, procedures and work plans and suggest best ways to advance strategic discussions.
6. A workshop on the [*"Implications of the Paris Agreement on PMR Activities"*](#) was held on the margins of PA14 to allow for PMR Participants to provide their views and input also on possible implications for the PMR stemming from the Paris Agreement. At the workshop, Mr. Howard of

Koru Climate shared his views on the key elements of the Paris Agreement most relevant to the PMR – national actions, cooperative approach, accounting and climate finance –, and provided some initial ideas on possible implications. The Participants then had an opportunity to reflect on these ideas and provide their own input. A [summary of the workshop](#) can be found on the dedicated page of the [PMR website](#).

7. The outcomes and discussions of the workshop were then taken into account by the consultant in his final report. Koru Climate's final report is also available on the workshop's page on the [PMR website](#). It should be noted that the conclusions and recommendations in the report are the views of the consultant and not the PMR Secretariat. Below is a summary of the report as well as the Secretariat's proposal for how to take the conclusions and recommendations forward.

III. SUMMARY OF THE CONSULTANT'S CONCLUSIONS AND RECOMMENDATIONS

8. The consultant's overall assessment was that the PMR is already well equipped to support countries in the new context of the Paris Agreement, often as a result of adjustments in the work that were already undertaken prior to Paris. Nevertheless, a number of further adjustments or additions to the strategic priorities of the PMR are recommended for further consideration in light of the Paris Agreement. These recommendations are summarized below:
 - a. Further prioritize activities within the PMR that accelerate the transition of countries from addressing readiness issues to implementing carbon pricing instruments;
 - b. Further strengthen support for integrating carbon pricing into Nationally Determined Contributions (NDCs) and Low-Emissions Development Strategies (LEDS), building on a key window of opportunity for developing new policy instruments and receiving the political support for decisions to be made;
 - c. Expand support for crediting systems being developed with PMR support, while feeding technical work into the elaboration of the mechanism referred to in Article 6.4 of the Paris Agreement, mapping out the relationship between national systems and the mechanism and understanding how crediting systems can become a route for increasing ambition;
 - d. Contribute analytical work on accounting and other common standards for the cooperative approaches and Internationally Transferred Mitigation Outcomes (ITMOs) that countries will implement under Article 6.2 of the Paris Agreement;
 - e. Further engage with countries and stakeholders outside the direct PMR community, especially with the UNFCCC work programmes to implement Article 6 of the Paris Agreement, and undertake more work through in-country events and country-to-country exchanges;
 - f. Initiate discussions on what should follow for the PMR after its current period comes to an end in 2020.

9. Consistent with these general conclusions the report sets out a series of specific recommendations in relation to the PMR's objectives and strategic direction, as well as for each of its support programs (i.e., Country Programs, Policy Analysis Work Program and Technical Work Program).

IV. TAKING THE WORK FORWARD

10. The analysis from the consultant's report finds the PMR to be even more relevant now, after the Paris Agreement, which is a very encouraging sign. As such, many of the recommendations made in the report are consistent with the current direction of the PMR and its activities. The Secretariat therefore anticipates that many of the report's recommendations can be taken forward within the regular discussions related to the strategic direction of the PMR or in the context of the planning for both the PMR Policy Analysis and Technical Work programs. Several recommendations will rely on preferences, demand and actions from and by the Implementing Country Participants.
11. The recommendations made on the PMR's objectives, for example, can be considered as part of the process to review and refine the objectives initiated as part of the action plan to follow up on the First Independent Evaluation of the PMR. Many of the suggestions also highlight the need to accelerate the transition from readiness to implementation. This need was also recognized by the PMR during the development of the process to allow PMR Implementing Country Participants and Technical Partners to request additional funding for their PMR activities. Implementing Country Participants and Technical Partners can consider this when developing their Market Readiness Proposal or additional funding requests.
12. At PA15, the PMR Secretariat will also initiate discussions on the future of the PMR, beyond its current phase to 2020. Participants are invited to consider the more strategic recommendations in this context.
13. The recommendations that relate to strengthening support for the integration of carbon pricing within the NDCs and specifically to the Policy Analysis Work Program can be considered when shaping that work program going forward, consistent with demand from the Implementing Country Participants. This includes, for example, supporting Implementing Country Participants in integrating PMR activities within their countries' NDC implementation planning.
14. Similarly, the recommendations that relate to enhancing the PMR's Technical Work Program and, where possible, leveraging this work to support the development of operative approaches that can be developed under the Paris Agreement, can be considered further under that agenda item. For example, on the margins of PA15, a workshop will be held on understanding the relationship between accounting and carbon pricing, which is one area recommended to be included in the Technical Work Program of the PMR. Another area recommended for additional work is related to new crediting approaches; this is entirely consistent with the ongoing work undertaken as part of the crediting and offsets work stream.

15. Finally, there are a series of recommendations targeted at better disseminating the PMR's work and in capturing lessons learned that might be replicated in other countries. These recommendations can be considered further in the development of a knowledge management plan for the PMR.

V. ACTION BY THE PA

16. The PA is invited to consider the note and Koru Climate's report as background for relevant agenda items at PA15 and subsequent discussions related to the strategic direction of the PMR and the planning of its different work programs.