PMR’s Technical work Program: Update of FY17 activities

Ms. Pauline Kennedy
Mr. Pierre Guigon
Ms. Alexandrina Platonova-Oquab
PMR Secretariat

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Hanoi, Vietnam
October 18-20, 2016
Outline

- Recap on objectives & scope
- Technical Workshops and Training
- Status Report on FY17 Activities
  - Carbon tax
  - MRV
  - Baselines
  - Benchmarks
  - Scoping of new work
  - ETS
  - Data management and registries
  - Stakeholder engagement and preparedness
  - Offsets and crediting
Objectives & scope

◆ Objectives:
  - Facilitate experience and knowledge sharing
  - Develop practical guidance on common issues
  - Identify good practice and common standards
  - Build capacity

◆ Audience
  - Policy makers and technical staff in PMR countries
  - But also a broader audience beyond the PMR
Type of activities

Knowledge Products
- Provide guidance, lessons learned, just-in time knowledge
- Technical notes, country case studies, technical briefs

County-to-Country Exchange
- Enable technical exchange among PMR Participants
- Multilateral, regional or bilateral meetings

Technical Workshops
- Engage PMR Participants in specific technical discussions with experts

Technical Trainings
- Develop country expertise
- Hands-on practical learning (case studies, exercise)

Web-based
- E-Learning to disseminate knowledge to a wider audience
- Webinars
- PMR website
Technical workshops and trainings

October 2016 (PA15)  
Registries and Accounting

February 2017  
Benchmarks and Baselines

April 2017 (PA16)  
Communicating Carbon Pricing

◆ TWP will also support regional or in-country training that leverages knowledge products and helps Participants apply guidance
  ▪ Interested ICPs encouraged to inform Secretariat
Carbon tax

◆ Focus for FY17
  ▪ Finalize the Carbon tax Guide
  ▪ Develop E-Learning
  ▪ In-country training on demand

◆ Status update:
  ▪ Second Draft of Carbon Tax Guide to be circulated to working group for review shortly
  ▪ Finalize early 2017
  ▪ Scoping of E-learning underway
  ▪ Support for PMR-Chile project’s regional meeting, end June 2016
Carbon tax guide

**Getting Started**

**Define Policy Goals & National Circumstances**

**Design Phase**

**Design Tax**
- Tax Base
- Tax Rate
- Institutions
- Revenue Use
- Leakage

**Evaluation Phase**

**Evaluation & Improvement**

**TAX RATE**  
Tax rate influences revenue generated

**REVENUE USE**

**TAX BASE**  
- Characteristics of covered sectors influence tax rate
- Scope influences revenue generated
- Can use revenue to address leakage
- Sectoral scope determines leakage risks
- Tax base influences institutional & MRV needs

**LEAKAGE**  
- Some options require additional institution capacity

**Institutions**

**Modeling to Inform Decisions**
MRV

◆ Focus for FY17
  ▪ E-Learning twice
  ▪ New technical notes on developing measurement protocols and on developing verification and accreditation arrangements
  ▪ Regional or In-country training on demand

◆ Status update:
  ▪ First course of MRV E-Learning currently underway. Second course scheduled for first half of 2017.
  ▪ Can undertake at any time on World Bank’s Open Learning Campus
  ▪ Scoping of new technical notes underway
**Baselines**

**Focus for FY17**
- Finalize the compendium chapters
- Deliver one webinar in collaboration with UNFCCC

**Status update:**
- Work on Compendium has commenced with generic structure and common chapters drafted. Each partner will lead work on one or more of the sectors.
- PMR leading 2 chapters: mfg & construction; cross sectoral activities
- Work on mfg & construction chapter started and first draft received;
- Work on second will start by Dec 2016;
Benchmarks

◆ Focus for FY17
  ▪ Finalize the guidance document
  ▪ Deliver one technical workshop (along with crediting baselines)
  ▪ Deliver one webinar

◆ Status update:
  ▪ Work on the benchmark technical well underway
  ▪ First draft received. Next draft will be shared with the Working group.
  ▪ Expect to be finalized by end of 2016
Other activities

Communicating carbon pricing
- Scoping of new guidance note underway
- Will inform workshop on the same topic on margins of PA16, April 2017

Governance
- Scoping of a new technical note underway (institutional and legal arrangements)
  - Some guidance already available in existing knowledge products (e.g. ETS Handbook, MRV guide, etc.)
  - New technical note could build on this
    - draw on governance experts, as well as, international experience
    - provide general guidance and good practice that would be relevant in different national contexts
- A technical workshop could then be held in FY18
Emissions Trading Systems (ETS)

◆ **ETS Handbook**
  - Being used in country programs (e.g. Turkey, Colombia)
  - Several translations in preparation: Spanish, Ukrainian, Turkish + Chinese (ICAP)
  - Development of “Bite Sized Learning” started

◆ **Training**
  - Collaboration with ICAP to the benefit of PMR implementing countries
  - Ukraine (February 2017) and Mexico (April 2017) – dates still tentative

◆ **Technical Workshops**
  - “Understanding China’s NDC Ambition and the Role of the National ETS in Achieving It” (October 2016)

◆ **E-learning**
  - Next Facilitated course on November 8, 2016: register [HERE](#)

◆ **China Carbon Market Monitor**
  - Q2 2016 issue (June), Q3 2016 issue (November)
Stakeholder Engagement

PMR/B-PMR Private Sector Training Kit
- Development of business-to-business guidance, insights, and experience sharing on a range of issues such as:
  - Allowance calculation and new entrants’ challenges
  - Market stability reserves: industry views and ideas on reserve
  - Offsets: how to develop internal offset projects and sharing best offset strategies
  - Carbon price forecasts and forward curves: how to do it
  - Best practices in carbon market participation without a trading desk
  - Etc.
- Includes slides decks, instructor guidance, and videos
- Developed with B-PMR member companies

◆ Private Sector Training Workshops
  - Collaboration with IETA’s B-PMR to the benefit of PMR implementing countries
  - Delivered as one package with public sector focused training (i.e. with ICAP)
  - Ukraine (February 2017) and Mexico (April 2017) – dates still tentative
Data Management Systems and Registries (1)

“Emissions Trading Registries: Guidance on Regulation, Development and Administration”
- Published in October 2016
- With World Bank’s Forest Carbon Partnership Facility (FCPF)

- **Report Launch**
  - Preview at UNFCCC Registry Systems Administrators Forum (October 2016)
  - Launched at PMR workshop on “Post-2020 Accounting: Implications for Carbon Pricing and Registries”
  - Presented and discussed at ICAO’s GMBM Task Force meeting (October 2016)

- **Next steps?**
  - Use in country programs (along with guidance reports on GHG Data Management Systems)
  - Active support to discussions on defining “post-2020” registries
Data Management Systems and Registries (2)

The Registry in its Environment: Potential Connections and Interfaces
Offsets and Crediting: outcomes and milestones

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<td>Crediting-Related Activities Under the PMR August, 2015</td>
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<td>New Generation of International Market Mechanism May, 2016, Paris, France</td>
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Main objectives & topics of the discussion

- Clarify current interpretations of the Paris Agreement relative to the scaled-up crediting
- Assess implications for capacity building and piloting initiatives to build over time a robust basis for the international cooperation using market-based instruments
- Main topics discussed:
  - Paris and Bonn debrief: interpretations and implications for crediting mechanisms
  - Design and implementation perspective for different scopes of scaled-up crediting (sectoral, subnational and policy-driven)
  - Financing options to implement scaled-up crediting pre and post 2020
  - Environmental integrity and transparency: policy and methodology agenda
  - Bridging the transition from Kyoto to Paris framework for crediting

Brining together over 80 stakeholders and experts on carbon and climate finance:

- Dialogue on Exploring role for Results-Based Climate Finance to Deliver Transformative Low Carbon and Climate Resilient Development
Crediting guidance:
Input on demand & supply considerations

“Assessing and mobilizing sources of demand for scaled-up crediting programs”:
• Planned for publication in February 2016

Existing and Potential Demand forScaled-Up Credits
• In the current context of constrained demand, what are the main channels for demand for crediting? How much is channeled through to “scaled up crediting”?
• What are the expected features of the scaled-up crediting programs?

Supply side considerations
• Which factors should be included into consideration of crediting as a policy instrument?
• How to deal with policy interactions at the national level to design effective crediting system?

Mobilizing resources for implementation
• How to mobilize underlying financial resources to implement crediting programs?
• How to effectively use domestic resources to support crediting programs, including through mobilization of private sector investment?
Demand & supply considerations (1/3)

Existing and Potential Demand for Scaled-Up Credits

- In the current context of constrained demand, what are the main channels for demand for crediting? How much is channeled through to “scaled up crediting”?  
- What are the expected features of the scaled-up crediting programs?

- Limited visibility on international demand beyond 2020
- Currently low levels of international demand:
  - Compliance, voluntary and result-based climate finance (RBCF)
- Demand is highly fragmented & increasingly “national” or “regional” in outlook
- Voluntary market is unlikely to take up significant demand
- Demand for “scaled up” crediting still very much borne by governments, with a link to RBCF
- Demand is likely to be geared towards specific requirements:
  - New features (e.g., “transformational”), scope, scale yet to be clarified
Demand & supply considerations (2/3)

Existing and Potential Demand for Scaled-Up Credits

- In the current context of constrained demand, what are the main channels for demand for crediting? How much is channeled through to “scaled up crediting”?
- What are the expected features of the scaled-up crediting programs?

Supply side considerations

- Policy objectives for crediting: How it fits with broader economic & development objectives?
- Abatement options & emission pathways to identify scope for crediting
- Role of crediting in the policy packages in support of NDC implementation & low-carbon development:
  - National carbon pricing and its capacity to drive domestic demand
  - Policy reforms to drive public & private investment
- Opportunities and uncertainty related to different sources of demand
Demand & supply considerations (3/3)

Existing and Potential Demand for Scaled-Up Credits

- Check-list approach to guide on key policy decisions and design choices:
  - Policy and technical considerations for domestic or international sources of funding
  - Integrated assessment in a broader context of investment needs for NDC implementation and low-carbon development

Mobilizing resources for implementation

- How to mobilize underlying financial resources to implement crediting programs?
- How to effectively use domestic resources to support crediting programs, including through mobilization of private sector investment?
Crediting guidance:
Input on baselines for the new generation of crediting

"Baseline setting for scaled-up crediting programs in the context of broader policy development, including NDCs":
- Planned for publication in April 2016

Paris Agreement: Implications & Challenges

- How to ensure proper alignment & coverage of crediting program within a broader policy context? How NDCs might translate into an emissions trajectory?
- What could be implications of future updates of NDCs?
- Key uncertainties of the future modalities under Article 6

Managing "compliance" risks of international transfers

- "Avoidance of double counting"
- How to deal with the risk of "over-transfer" and its opportunity costs

Recommendations on technical solutions

- Choosing an appropriate baseline approach (BAU or NDC-linked) that reflects host country circumstances and preferences
- Moving from divers general NDC formulations to a clearer (annual) emissions baseline specific to the scope and coverage of the crediting program
Thank You for Your Attention

PMR SECRETARIAT

PMRSECRETARIAT@WORLDBANK.ORG

WWW.THEPMR.ORG