



STRATEGIC ORIENTATION OF THE PMR

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PRICING CARBON AND SHAPING THE NEXT GENERATION OF CARBON MARKETS

- ◆ Many countries, for the first time, have pledged mitigation actions under the UNFCCC and integrated their pledges into domestic plans.
- ◆ Countries are building a transparent mitigation framework and identifying options to mitigate emissions at scale and in a cost-effective manner.
- ◆ Previous market experiences provide valuable lessons.
- ◆ There is a strong desire to share information and learn from each other to shape the next generation of carbon markets
- The PMR was established to respond to the need and call of countries



◆ Formed the Partnership

- The PMR became operational in April 2011
- 29 member countries plus a number of observer countries, representing major economies and climate leaders



◆ From engagement to preparation to implementation

- 16 preparation grants allocated for developing Market Readiness Proposals (MRPs)
- 6 countries have presented MRPs
- ➔ Start of MRP Implementation Phase

◆ A platform for **learning** and for **building common frameworks**

- Information sharing
- Tool for MRP, a guidance document for building readiness and designing a market instrument
- Knowledge products
 - ETS, scaled-up crediting mechanism, policy mapping, baseline setting, data management system, MRV and modeling



EARLY REFLECTIONS AND INSIGHTS FROM THE FIRST TWO YEARS OF THE PMR'S EXISTENCE

Building readiness is critical

Most countries are still at an early stage of policy formulation; readiness takes time.

- ◆ **Building readiness capacities** (“no-regret measures”) lays out a foundation for future implementation, regardless of the choice of instrument.
- ◆ **Policy mapping and analytical work** is critical for countries to understand the implications of various instruments.
- ◆ **Integrating analytical work into the decision-making process** is important:
 - The PMR can play a role to help countries organize, consult and build ownership in support of a market instrument.



The initial scope of the PMR work was relatively narrow, but has progressively widened.



- ◆ Each country's choice of **carbon pricing instrument** is based on its development strategy and priorities, and its political process.
- ◆ PMR supports the design and implementation of different instruments:
 - **Domestic emissions trading schemes**
 - **Scaled-up crediting mechanisms**
 - **Domestic offset/crediting markets**
 - **Carbon taxes**
 - **Energy efficiency trading schemes**
 - **...and potentially others**

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The PMR is working towards a common framework, to build a **Credible, Consistent and Compatible** system (a “Three Cs System”) across countries.

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- The emergence of different domestic markets is a sign of progress and confidence in market-based approaches.
- The PMR provides a real opportunity for countries to work together and build common frameworks, including **MRV, registry and data management systems**, which are credible, consistent and compatible.

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- The PMR can facilitate the emergence of a network of “inter-connectable” carbon markets and fungibility of various carbon assets.

The PMR provides a forum that includes major economies and leaders in climate change mitigation to have an open and frank discussion on efficient and innovative solutions to tackle climate change; and engage technical issues that are key to decisions on policies.



◆ Importance of collaborative spirit



◆ Learning by doing

- Developing and implementing MRPs provides valuable lessons from and insights into countries' choices of instruments and challenges.

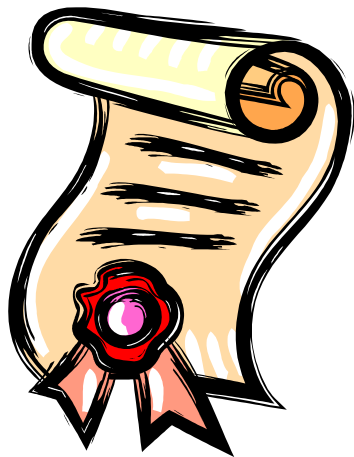
LOOKING BEYOND THE READINESS PREPARATION: OPPORTUNITIES FOR THE PMR GOING FORWARD

PMR has launched technical work programs to support countries' activities



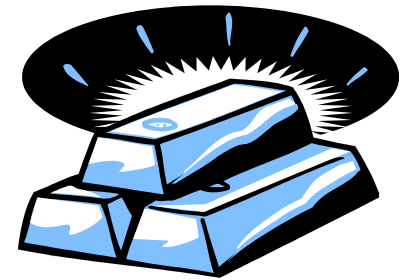
- The PMR lays the ground work for and facilitating the emergence and convergence of domestic carbon markets, with the objective of preparing a globally networked carbon market

Initial ideas for a potential Phase II of the PMR:



- ◆ Deepen and broaden the scope of the PMR technical work programs to build 3Cs
- ◆ Explore options that enable the “recognition” of the domestic market-based systems/crediting mechanisms that have met “3Cs”

A number of PMR countries are preparing scaled-up crediting programs, which would lead to the creation of a “new class” of carbon assets.



- Identify payment options for emission reduction credits generated from the piloting programs to encourage countries to move from design to full implementation.

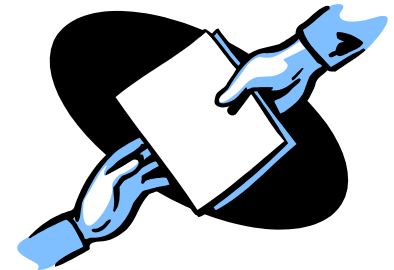
Initial ideas for a potential Phase II of the PMR:

- ◆ Identify options for piloting carbon transactions for scaled up crediting mechanisms
- ◆ Explore relationship between piloting programs for carbon transactions and the PMR process



Domestic crediting/offset carbon markets are emerging, which create various types of carbon assets.

- PMR should explore “three Cs”: How could carbon assets created through these markets be potentially fungible? What can be done to incentivize such “fungibility”?



Initial ideas:

- ◆ Explore means to allow fungibility of various types of carbon assets

PMR funding covers 16 Implementing Countries to design and implement some of the readiness components of the MRP.

◆ Two stages:

- Preparing Market Readiness Proposal
- Implementation of some readiness components, and/or design of a market-based instruments

◆ Timetable: 4 to 5 years (2011 to 2015/2016)

➔ Providing signal of continuous and systematic support to countries is important to consolidate readiness building and move to full implementation.

Initial ideas:

◆ Defining and preparing for the phase of between 2015/2016 to 2020

- Increasing the size of funding to deepen the support to countries for full implementation

◆ Exploring technical support and collaboration to countries that are PMR Implementing Countries but are developing carbon pricing instruments

◆ Expand the number of PMR Implementing Countries if there is interest

- ◆ Invite comments and feedback from PMR Participants
- ◆ PMR Secretariat to prepare a document for further consideration and discussion at PA7 in October 2013

