



Partnership for Market Readiness (PMR)

Strategic Direction for the Future of the PMR

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Presentation Outline

- I. Background of Discussions on PMR Strategic Direction**
- II. Opportunities and Challenges Facing the PMR**
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- III. Observations and Insights Gained through the PMR Operation**
- IV. Future of PMR: Deepening Support, Broadening its Reach and Strengthening Implementation**

I. Background of Discussions on PMR Strategic Direction

PMR Strategic Direction: Background and Overview

The first round of discussion on PMR strategic direction was kicked off in **October 2013 (at PA7 in Marrakech)**

Follow-up on the first round of strategic discussions is expected in **November 2014 (at PA10 in Santiago)**

Key Focus Areas:

1. Deepening readiness support to countries
2. Broadening the reach and scope of the PMR
3. Piloting market-based mechanisms
4. Putting forward initial ideas for the second round of PMR support (PMR II)

PA agreed that PMR strategic discussion is an ongoing exercise which needs to be carried out regularly.

Follow up on the First Round of Strategic Discussions (1)

- 1. Deepening readiness support by strengthening existing country work**
 - ◆ Responding to a rapidly changing environment, the PMR provides additional and targeted support to complement countries' MRP work



Follow up on the First Round of Strategic Discussions (2)

2. Broadening reach and scope of the PMR

- ◆ New implementing country – **Tunisia** – joined the PMR
- ◆ New category of participants – **Technical Partners** – was created to allow participation of **Kazakhstan, California, and Quebec**

3. Private sector dialogue

- ◆ Support corporate readiness activities
- ◆ Collaboration with IETA's B-PMR to share perspectives on carbon pricing between governments and companies
- ◆ Reports on Private Sector Preparation for Carbon Pricing Policies

Follow up on the First Round of Strategic Discussions (3)

4. Piloting Market based mechanism

- ◆ Ongoing consultations on a Piloting Fund for Scaled-Up Crediting Mechanisms that may be established outside the PMR

5. Putting forward initial ideas for the second round of PMR support (PMR II)

- ◆ Agreed that further discussion at a PA meeting in 2014

II. Opportunities and Challenges Facing the PMR

A. “External” Environment and Associated Implications

◆ Climate Summit 2014:

- *Carbon Pricing Statement*
- *World Bank Group Carbon Pricing Leadership Coalition (CPLC)**

◆ UNFCCC negotiations:

- *It is expected that the role of market-based mechanisms would be recognized in Paris agreement*

* *A separate presentation on CPLC will be made by the World Bank.*

Carbon Pricing Momentum: Implications on the PMR Work?

...Given the carbon pricing momentum which was generated at the Climate Summit, as well as the urgency leading up to the Paris agreement, new opportunities are emerging...

- ◆ Increasing demand for technical assistance and services creates an opportunity for the PMR to leverage and expand on its past work.
- ◆ The PMR has a prospect of leveraging its technical competence and providing substantive contributions to a dialogue on carbon pricing.

II. Opportunities and Challenges Facing PMR

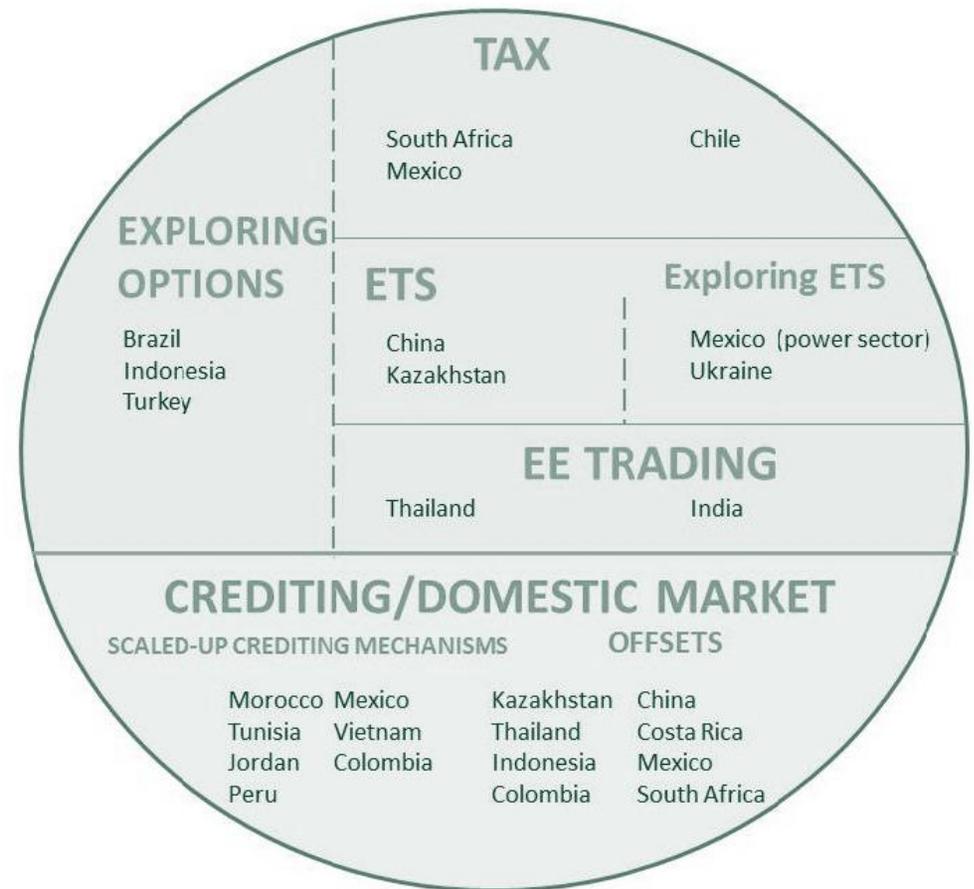
B. “Internal” Environment and Associated Implications

Where We Are: Status and Choice of Instruments for Market-based Approaches

- ◆ Three years into operation → More understanding on Implementing Countries' standing in regard to the choice of market based approaches

Key Observations:

- Most countries are still considering which carbon pricing instrument to pursue
- Lack of international demand for carbon credits has posed much uncertainty on advancing scaled-up crediting programs.



Where We Are: PMR Process

- ◆ In the past three years, the PA has focused on the Implementing Countries' preparation and funding allocation for their Market Readiness Proposals (MRPs)
- ◆ At the end of 2014, only four countries are yet to present their MRPs (India, Jordan, Peru and Tunisia)

Implications on the PA process

The PA will shift its focus on MRP implementation and knowledge sharing:

- ◆ *What process should be established for the PA to facilitate MRP implementation?*
- ◆ *How could support to countries be strengthened to enable them to move gradually from readiness building to implementation?*
- ◆ *How could valuable lessons generated from country implementation be captured? How could the PMR products and knowledge sharing be strengthened?*
- ◆ *How could the monitoring system contribute to facilitating some of the above?*

III. Observations and Insights Gained through the PMR Operation

Political Leadership and Technical Foundation Nexus

- ◆ Many countries are at the crossroads: only a few countries have made a decision on what carbon pricing instrument they will pursue.
- ◆ Decisions on emissions trading, carbon tax or other instrument are part of a highly sensitive political process.



Political leadership and “readiness” support (on policy and technical components) are both needed to advance the carbon pricing agenda

Understanding “Readiness”

Readiness building does not only aim at preparing for the implementation of a carbon pricing instrument but it also supports the decision-making process about the instrument itself.

- ◆ The PMR carries out ground work both at policy and technical levels in order to:
 - Facilitate countries’ decisions about carbon pricing instruments
 - Supports design and implementation once the decision is made

The Value of the Partnership

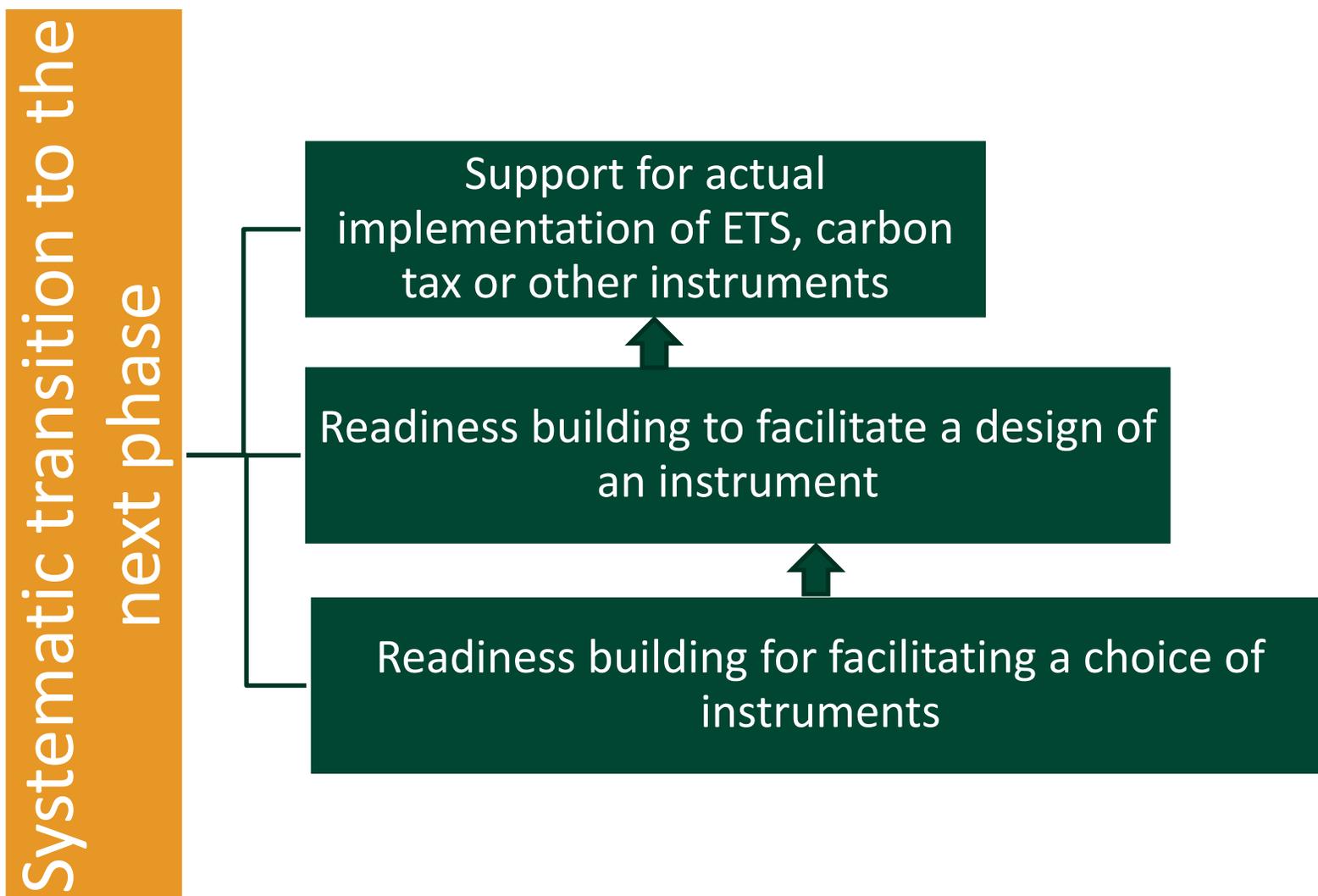
- ◆ The PMR represents a **unique platform** that:
 - *Convenes major economies and leading countries facilitating policy dialogue*
 - *Supports country action on the ground*
 - *Generates and shares knowledge beyond the PMR*
- ◆ The PMR is a **technical platform**, which provides a “safe” environment for countries to openly discuss challenges and opportunities they are facing
- ◆ The PMR’s modality of operation is **flexible**: it is able to adapt and respond to a rapidly changing environment at country level

IV. Future of PMR: Deepening Support, Broadening its Reach and Strengthening Implementation

Proposals for Consideration

A. Deepening Support to PMR Implementing Countries (1)

Objective: Support Countries to systematically transition to the next phase



A. Deepening Support to PMR Implementing Countries (2)

◆ Provide targeted support to Implementing Countries by:

- Complementing the MRP activities
- Responding to new demand from countries

Modality for Providing Targeted Support*

- Define the process for Implementing Countries to apply for new funding (in addition to the MRP)
- Participants are invited to share views and provide comments to help the Secretariat develop the process and modality
- The PMR Secretariat will develop a procedure and criteria for application of additional funding for consideration and adoption by PA at PA11
- Implementing Countries are invited to indicate its interest for in-country training and South-South exchange

**The Proposed modality for providing targeted support does not apply to the work under the Upstream Policy Analysis for which a specific process for funding allocation was endorsed at PA9 in May 2014. However, the process applying to policy work will be subject to review by the PA at the close of FY15 (i.e. June 30).*

◆ Strengthen country-to-country exchanges by:

- Focusing on exchanges on common issues around “Country clusters” (e.g. ETS, carbon tax, MRV, policy analysis, etc.) that are emerging
- Providing targeted training

B. Broadening PMR Support to Countries

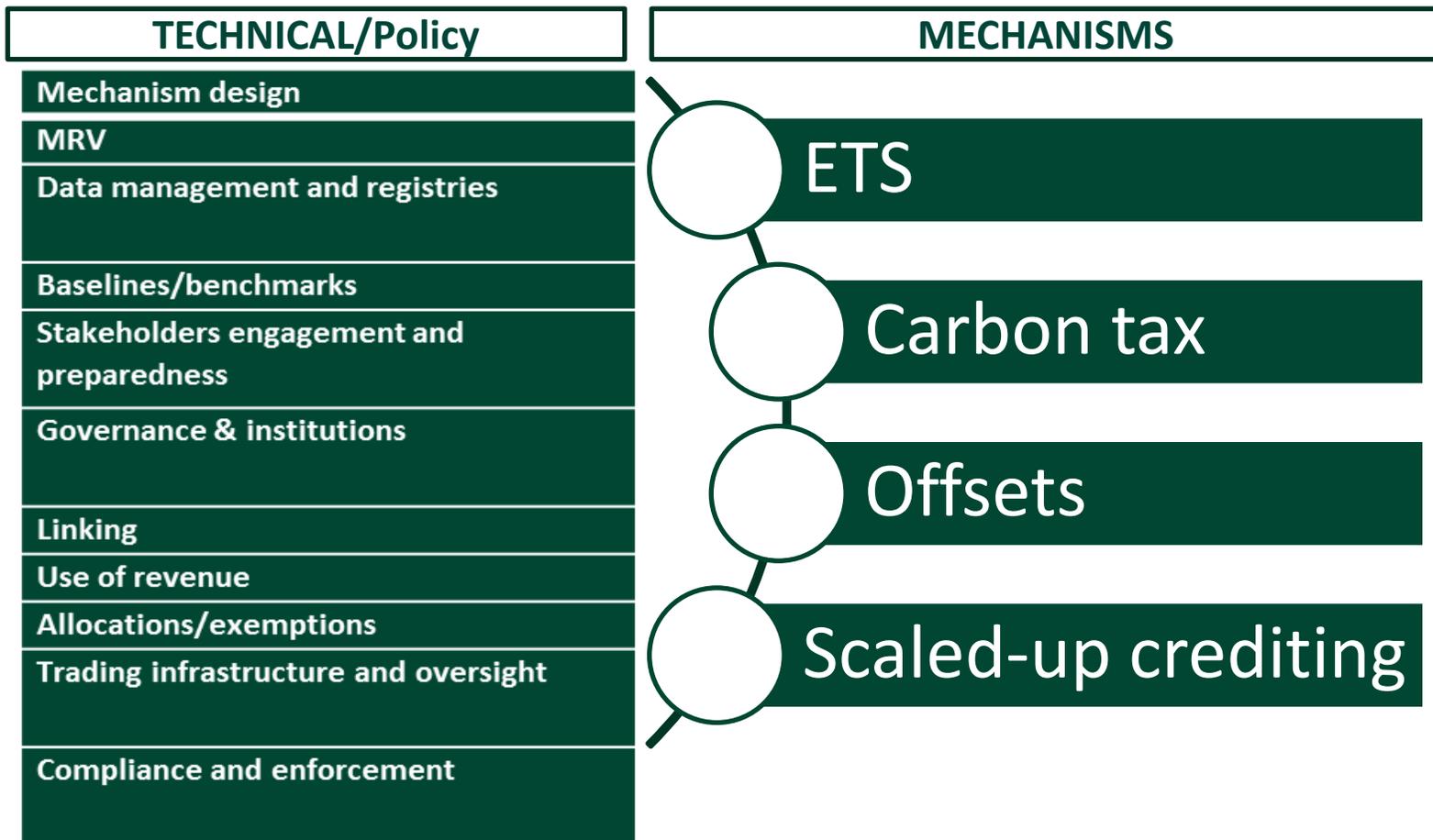
Objective: Expand reach of the PMR beyond the existing countries

- ◆ **Expand the number of PMR Implementing Country Participants by:**
 - Using the modality which was applied in case of Peru and Tunisia (with the participation subject to new funding contribution by a donor and PA approval)
 - Defining new modalities, criteria (with interested countries submitting their expression of interest, subject to PA approval) and scope of support
- ◆ **Engage with non-PMR countries through knowledge exchange and sharing activities by:**
 - Inviting non-PMR countries to attend workshops, training events, etc.

C. Strengthening Knowledge Management (1)

Objective: Strengthen existing PMR knowledge programs to support 3Cs and policy work, and to reach beyond PMR countries

➔ Credible, Consistent and Compatible (3Cs)



C. Strengthening Knowledge Management (2)

1. Knowledge generation:

- ◆ Capture lessons from country implementation
- ◆ Further develop common guidance to support countries to achieve 3Cs
- ◆ Ensure coherence of different components, as well as continuous and systematic support

2. Knowledge dissemination:

- ◆ Reach out to audience beyond the PMR
- ◆ Strengthen online delivery modes (e-Learning and PMR website)
- ◆ Leverage partnerships, including the Carbon Pricing Leadership Coalition, for a joint delivery and reaching out to more countries and broadening audience

D: Strengthening Private Sector Engagement

Objectives: Build private sector readiness and enhance systematic public-private dialogue on carbon pricing

- ◆ Encouraging private sector involvement in PMR countries' activities (MRP)
- ◆ Facilitating business-to-business exchanges in emerging economies
- ◆ Helping development of corporate strategies and operations (e.g. reporting of GHG emissions, managing compliance operations, assessing and hedging carbon risks, etc.)
- ◆ Enhancing public-private dialogue on carbon pricing, in collaboration with other partners, including leveraging the Carbon Pricing Leadership Coalition

E. Adjusting PMR Meetings Structure

Objective: Shift PA's focus from MRP review and funding allocation to monitoring and facilitating the implementation of country activities and sharing practical experience

- ◆ Devote more time to technical and knowledge sharing discussions
- ◆ Open up participation for non-PMR countries, experts and private sector in workshops and technical trainings

E.g. PMR Shenzhen meeting model – two-day technical workshop on ETS and one-day PA meeting

Action by PA

- ◆ The purpose of this presentation prepared by the PMR Secretariat is to kick off the discussions and collect views from the PMR Participants.
- ◆ The PMR Participants are invited to share their ideas, including through written feedback.
- ◆ The PMR secretariat will prepare a paper for the next PA.

Thank You

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