Outline

I. Background

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III. Participants, Governance Framework and Process

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I. Background
Strategic Discussions under PMR Phase I: 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**

**PA7 (Oct 2013):** First round discussions on strategic direction of PMR

**PA7-PA14 (Oct 2013-Apr 2016):** Several documents, proposals & actions put forward to facilitate discussions

**PA14 (Apr 2016):** Endorsement of process to allocate additional funding & expand Partnership
Strategic Discussions under PMR Phase I: Actions Taken

Efforts to deepen the PMR:

• Supplement MRP activities with in-country dialogues
• Ramp-up the Technical Work Program
• Deploy the Policy Analysis Work Program
• Facilitate dialogues responding to evolving sub-regional collaboration on carbon pricing
• Dialogue on post-2020 carbon markets and recent assessment of the implications of the Paris Agreement for the PMR

Efforts to broaden the PMR:

• Increased contributions from CPs to allow the participation of two additional countries
• Endorsed procedure for accepting new countries by the end of 2016
• Introduced new participant category: “PMR Technical Partners”
• Developed strategic partnerships through implementation of joint activities
External and Internal Environment: PMR in a Post-Paris World

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.
Preparing for Phase II

- Initial brainstorming at PA15 in Hanoi (October 2016)

- A series of dedicated consultations prior to PA16
  - With Implementing Country Participants by regional groupings
  - With Contributing Participants

- Draft Discussion Paper on Phase II presented and discussed at PA16
  - Discussion summarized in co-chairs’ PA16 summary and incorporated in revised version

- Revised Discussion Paper presented to resume focused discussion at PA17
II. Phase II – Objectives, Scope of Work and Delivery Methods
Phase II: Objectives and Scope of Work (1)

**PMR Phase I Objectives:**
- Build readiness for implementation of carbon pricing instruments;
- Pilot carbon pricing instruments;
- Provide a platform for knowledge exchange and collective innovation on carbon pricing instruments;
- Create and disseminate a body of knowledge on carbon pricing instruments;
- Share insights and lessons learned with the international community.

Phase II Focus on IMPLEMENTATION for existing recipient countries, while recognizing different readiness stages in countries

- To provide **customized** technical assistance and funding to countries to **complete readiness roadmaps** and to **implement market-based instruments**
Phase II: Objectives and Scope of Work (2)

- **Upstream**: Conduct policy analysis to enhance policy interaction and facilitate the choice of instrument(s)

- **Midstream**: Design and prepare market-based instruments

- **Downstream**: Implement, and review and refine, existing market-based instruments

- **Piloting and implementation of market-based instruments**
  1. *Emissions Trading Schemes*
  2. *Carbon Taxes*
  3. *Scaled-up Crediting Instruments*
  4. *Offsets*

- **Support development of the next generation of int’l carbon markets within the Paris regime**

- **Stepping up technical support on issues around accounting, transparency and international cooperation**

- **Alignment with (I)NDC implementation cycle**
Delivery Methods to Maximize Impacts

- **Enhancing delivery methods to:**
  1. Facilitate integrated support to carbon pricing
  2. Facilitate more systematic support to (I)NDC implementation

- **Providing support through:**
  1. Grant funding to finance activities that contribute to the effective piloting and implementation of market-based instruments in countries
  2. Active facilitation of regional dialogues and common work on market-based instruments
  3. Knowledge creation and management, capacity development and training
III. PHASE II – Participants, Governance Framework and Process
PMR Phase I Participation: An Overview

PARTNERSHIP ASSEMBLY

- Implementing Country Participants
- Contributing Participants
- Observers

Co-Chairs

Working Groups

Delivery Partners

PMR SECRETARIAT

Experts

Partnerships
PMR Phase I Participation: Lessons Learned

*Demonstrated flexibility: Ability to accommodate growing interest from countries in joining the PMR and to provide tailored support to countries*

**Implementing Country Participants:**
- Originally limited number of Implementing Country Participants (15)
- First “expansion”: Peru and Tunisia (with additional contributions to the TF from Switzerland and Germany)
- Second “expansion”: Sri Lanka and Argentina (following the adoption of the process for additional countries to join the PMR in 2016)

**Technical Partners:**
- Creation of new category of Participants
- Differentiated support/engagement
- Potential expansion to further broaden the Partnership and include additional TPs (subject to PA’s decision at PA17)
Existing PMR Governance Arrangements and Process: An Overview

Principles of Shared Governance Approach:

• Agreement among Participants on the objectives through a program of activities over years
• Funding allocation decisions on a consensus basis
• Agreement on the detailed governance arrangements, such as approval of criteria and conditions by the governing body
• Regular progress reporting by the PMR Secretariat

PA role:

• Main decision-making body of the PMR (in principle by consensus)
• Consists of CPs and ICPs
• TPs, Observers, Expert and Delivery Partners have no voting rights
• Provision to establish a Partnership Committee
Advantages

- Legitimacy and ownership of PMR activities, leading to increased engagement
- Consensus building for funding decisions

Disadvantages

- Relatively time-consuming and costly administration of activities
- Risks of delay in MRP implementation

Other important lessons learned

- The exchange of knowledge and experience from other Participants and Experts is crucial to build up in-country capacity
- The lead time between the preparation and implementation phases of PMR activities can be relatively lengthy
Phase II Participation: Options

Need to continue to provide differentiated support and accommodate growing interest and demand from other countries

1. Contributing Participants
   • Financial contribution to the PMR Trust Fund

2. Implementing Country Participants – 2 categories
   • Those that receive assistance to pilot and implement carbon pricing instruments
   • Those that receive assistance to assess, design and prepare carbon pricing instruments

3. Other stakeholders
   • Revised definition of Technical Partners: Advanced stage of carbon pricing preparation or implementation; No financial contribution; engagement in knowledge exchange and capacity development activities;
   • Same definition of observers, experts and delivery partners
Phase II Governance Arrangement and Process (1)

Need to ensure a more timely, efficient and streamlined delivery of results – by moving towards a “collaboration engagement”

Rationale:

• More efficient transition from preparation to implementation, and faster decision-making
• More cost-effective administration of funds
• More transparent allocation of funds for supported activities
• In line with World Bank’s commitment, as trustee of the funds, to meet clear expectations and ensure efficient governance terms
IV. Proposed Next Steps and Milestones
Next Steps Towards the Design and Operationalization of the next Phase

- **October 2017 (PA17):** Presentation of and discussions based on the revised “discussion” paper on the next phase of the PMR. Update on the Second Independent Evaluation of the PMR.
- **November 2017-April 2018:** Additional consultations on options
- **May 2018:** Presentations of an initial draft of the “Phase II Design Document” to Contributing Partners
- **May 2018 – March 2019:** Negotiation of Administrative Agreements with Contributing Participants for PMR Phase II
- **April 2019 (WBG Spring Meetings):** Announcement of Administrative Agreements
- **July 2019:** Launch of the program
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