

**Remarks by Rachel Kyte,
Vice President, Sustainable Development Network, The World Bank
at the Partnership for Market Readiness High-Level Event on
Exploring Carbon Pricing to Achieve Climate Change Mitigation
Wednesday, March 13, 2013 / 2:30pm / Preston Auditorium / World Bank
Check Against Delivery**

Minister Rene Castro Salazar

PMR Participants,

Ladies and gentlemen,

- Good afternoon and welcome to this event on Carbon Pricing to Achieve Climate Change Mitigation.
- I'd like to thank the Partnership for Market Readiness (PMR) for organizing and hosting this and the fascinating session earlier this afternoon. I also want to congratulate all the PMR Participants on their successful meeting, which concluded this morning.

Ladies and Gentlemen

- The meetings this week, and the unique PMR coalition, should shatter any doubts that there isn't real interest, enthusiasm and action out there for carbon markets as a solution to climate change and low carbon growth.
- The PMR is pretty unique – it brings together almost all the world's major market players (both the contributing participants like Australia, the EC and the USA, to the implementing country participants such as Costa Rica, Brazil, South Africa, Turkey, and China.
- Working together, these countries have quickly made the PMR a global forum for discussions on new market instruments, generating an open dialogue on lessons learned from previous successes and failures.

- In just two years, this partnership of some 30 countries has created an important platform to showcase and support domestic action on climate change, including through carbon pricing schemes. As such, the PMR is poised to be a key forum to support countries to pursue pricing carbon.
- Chile, China, Costa Rica and Mexico are leading the way. They are the first PMR participants to receive grants to implement their PMR market readiness plans. The World Bank is proud and honored to support the PMR countries as they transition to low carbon development.

Friends, colleagues, ladies and gentlemen

- **Action to tackle climate change is urgently needed.**
 - At the end of last year, the World Bank released a report, “Turn Down The Heat”, that concluded the world would warm by 4 degrees by the end of this century if we did not take concerted action now.
 - The report provides a clear picture of the planet in a 4 degree warmer world and the disruptive impacts on agriculture, water resources, ecosystems and human health.
 - It concludes that while every region of the world will be affected, those least able to adapt – the poor and most vulnerable – would be hit the hardest.

- The challenge for us as the World Bank is to reconcile a dual vision: the reality of the impacts of climate change with the opportunity that come with building stronger, more resilient, low-carbon countries, cities and communities.
- A global price on carbon is part of the answer to avoiding a 4 degree world. Without a stable, real price on carbon, you can't drive investment in clean, green growth and you don't see the real cost of investing in carbon intensive activities.
- Under the leadership of World Bank Group President, Jim Yong Kim, we are taking a hard look at everything we do through the lens of climate change. **We have identified four areas where bold action will make a difference:**
 - Laying the groundwork for a predictable price on carbon
 - Ramping up efforts to eliminate environmentally harmful subsidies, such as those that target fossil fuels

- Investing in low carbon, green growth in the world's megacities and
- Moving toward climate smart agriculture

- **The Managing Director of the IMF, Ms. Christine Lagarde**, called climate change “the greatest economic challenge of the 21st century.” Pricing carbon is critical to meeting this challenge. (Later you will hear from the deputy managing director of the IMF, Mr. Zhu Min to talk about the importance of putting a price on carbon.)

- **Price signals can be established in different ways:** carbon taxes; carbon markets and, implicitly, through regulation. PMR countries, developed and developing alike, are using or exploring various approaches to pricing carbon and pairing policies that work within their own circumstances and status of development.

- Achieving emission reductions at a scale sufficient to preventing the increase of global temperatures requires **market forces** to drive low carbon investment and to catalyze innovation across all sectors of our society.
- When I entered into this meeting room, I saw a sign “**the PMR – Shaping the new generation of carbon market**”. Indeed the work that is undertaken by the PMR partner countries will have a far reaching impact in establishing a globally networked carbon market.
- Despite the current downturn in the carbon market, what we are seeing is that **domestic and regional carbon markets are emerging from different parts of the world**. From 2013 onward at least **35** countries, **11** sub-national jurisdictions in the US and Canada, and **seven** Chinese cities and provinces, covering around one-third of China’s GDP, will participate in emissions trading schemes.

- It's truly fantastic, and a great privilege, that the World Bank and the PMR is hosting the majority of these early movers and innovators at our meetings here this week.
- With PMR support, the second largest economy, **China** has started the design and preparation for the launch of a national emissions trading scheme. At the same time, one of the smallest, but certainly one of the greenest, countries --Costa Rica-- is planning to establish a vibrant domestic carbon market to achieve its carbon neutrality goal.
- We will have the chance to learn more about the exciting developments in Costa Rica from Minister Salazar shortly.
- Other PMR countries are building their **readiness infrastructure**, essential for a functioning carbon market as well as for other carbon pricing schemes. You've just heard about the work of South Africa and South Korea. Today's event should dispel all notions that countries are stalled in their fight against climate change.

- While we are encouraged to see development of domestic carbon markets, we also see **the risk of fragmentation** that may jeopardize liquidity and market efficiency. It is in our common interest to explore a network that could connect various domestic carbon markets and to promote an integrated carbon market.
- **Building compatible domestic “carbon market infrastructures”**, which includes setting common frameworks and standards, is crucial. The networked market should also be supported by a system that ensures fungibility, integrity and credibility of the various carbon assets created through different domestic schemes or across different sectors.

Ladies and Gentlemen

- As you know, these are difficult times. But, I believe we also have a big window of opportunity.
- **We have seen the successes and weaknesses of the carbon market.** We all have learned from the past experience. But we firmly believe that the market has an important role to play to drive innovation, unleash financial flows, and to make economies more competitive as they move toward low carbon development trajectories.
- More than ten years ago, **the World Bank pioneered the world's first carbon fund.** We are pleased to see that the PMR has broad support not only from countries but also from the business community.

- We stand ready to work with our partner countries, the IMF and other organizations, as well as the business community to support efforts at pricing carbon and lay the ground work for globally networked market in the not too distant future.
- Failure to address climate change threatens to roll back decades of development and pose a serious threat to our shared prosperity.
- We cannot allow this to happen. We must move to speed and scale, **getting prices right, getting finance flowing and working where it matters most.**