Tool for market readiness proposal (Revised version 1, October 18, 2011): An overview and Feedback received

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Outline of Presentation

1. Background and introduction to Tool for Market Readiness Proposal (MRP)
2. Overview of the Tool
3. Feedback received on Version 1 (August 1, 2011) and resulting modifications to the Tool (reflected in Revised Version 1 of October 19)
4. Next Steps
   - Proposed process to "freeze" Version 1

1. Background and introduction to the Tool for Market Readiness Proposal (MRP)

Key Steps in PMR Process

I

- **Expression of Interest (EoI)**
  - Submission of **EoI** to the PMR Secretariat
  - Working meetings/dialogue between World Bank and countries having submitted the EoI
  - Confirmation of countries having submitted EoI as "PMR Implementing Country"
  - Implementing Country Participants present **organizing framework for scoping of PMR activities** to PA;
  - PA decides on allocation of funding for Preparation Phase

II

- **Preparation Phase**
  - Implementing Country Participant formulates **Market Readiness Proposal** (including funding proposal) and presents it to PA
  - PA decides on allocation of funding for Implementation Phase

III

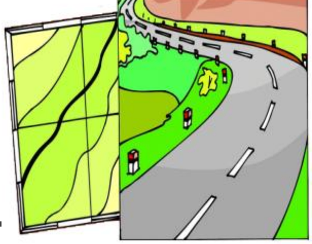
- **Implementation Phase**
  - With support from delivery partner, Implementing Country Participant implements market readiness elements & market instruments

Updates o progress Receiving feedback

Technical discussions

Sharing lessons & experience

PMR Preparation Phase: Purpose and Types of Activities



Purpose of the Preparation Funding:

- To support Implementing Countries formulate **Market Readiness Proposals (MRP)** .
- Through **MRP Tool**, country lays out roadmap of activities for work on market readiness components & to pilot market instrument(s):
  - How market readiness work will be organized & managed;
  - Needed capacity-building & financial resources (and who provides them);
  - Clear plan, budget & schedule for identified activities

Types of Activities supported by Preparation Funding:

- Studies and analytical work
- Consultations & engagement
- Development of terms of reference for “readiness components”
- Organizing management arrangement for PMR operation
- Training and workshops

Tool for MRP – some introductory comments (1/2)

- Tool for MRP is a *guidance* document that can be used to:
  - **Take stock** of the development & implementation of mitigation strategies & potential role of market instrument;
  - **Assess** existing capacity: identify capacity building **needs** & "readiness" **gaps**;
  - Support & facilitate **consultations & engagement**
  - **Explore** market instruments and **inform policy decisions**
  - Provide **framework for planning & implementing** market instrument – including market readiness components.
- Tool proposes 6 Building Blocks; for each of the building blocks, Tool provides:
  - Rationale and specific guidelines,
  - Clarification on what information to provide in the MRP;
  - Template for terms of reference (TOR) & associated budget for planned activities

Tool for MRP – some introductory comments (2/2)

- The Tool is *not* meant to be a « straight-jacket »; important to recognize:
  - Specific national circumstances & capacities, as well as climate change & development objectives and policies.
  - Not all Implementing Country Participants may be in a position to develop in detail all building blocks of the MRP.
  - Building Blocks may not all be (fully) compatible or appropriate in all cases.
- Countries are encouraged to adapt the Tool and its Building Blocks to their particular circumstances.

Last but not least… comments on formulation of MRP

◆ No need to re-invent the wheel

- Countries are encouraged to draw from - and build upon - material developed from other related initiatives to avoid duplication of efforts and ensure cross-fertilization and synergies

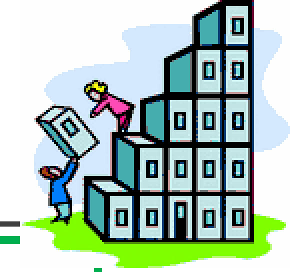
◆ Importance of consultation & engagement

- Formulation of a country's MRP should be a significant, inclusive, forward-looking and coordinated effort

◆ Take into account feedback from PMR experts & PMR Participants

2. Overview of the Tool for Market Readiness Proposal (MRP)

Outline of Market Readiness Tool: The Building Blocks



General Information & Executive Summary

Building Block 1. The Big Picture: Policy Context

Building Block 2. Target Area: Assessment and Rationale for Focus on Sector(s)/Sub-sector(s)/Program(s)/Region(s)

Building Block 3. Core Technical and Institutional/Regulatory Market Readiness components

Building Block 4. Planning for a Market Instrument	
Module 4a. Scaled-up GHG Crediting Instrument	**Module 4b. Domestic Emissions Trading (cap-and-trade)**

Building Block 5. Organization, Communication, Consultation and Engagement

Building Block 6. Schedule and Budget

Tool for MRP – its evolution…

- June 1 2011 (Barcelona) – small brainstorming meeting with some PMR Participants (Tool working group) and experts
- July 2011 – **Preliminary draft** sent to PMR Working Group and Experts
- July 2011 – Conference call with PMR Working Group
- **August 1, 2011 – Version 1** of Tool circulated to all PMR Participants for review and feedback
- **Sept. 29, 2011 (Panama)** – Informal consultation with PMR Participants
- October 19, 2011 – Revised Version 1 circulated to all Participants
- **October 27, 2001 (Istanbul)– Presentation of Revised Version 1 at PA2**

3.Feedback received & resulting key modifications to Tool

Structure & General content

- Building block (BB) structure useful
- Flexibility in Tool is essential
- Encourage synergies/avoid overlap
- Sequencing: Building Blocks 3 and 4
  - Different views: Building Block 4 ahead of Building Block 3?

RESPONSE

- Tool is not "one-size-fits-all"
- Sequence of BBs unchanged, recognizing that countries may adapt Tool and BBs to their particular circumstances
- Note that countries should *build on work presented in Organizing Framework for Scoping of PMR Activities & other relevant work*

Supporting and encouraging ambition while maintaining flexibility

- Recognition that guidance needs to accommodate different circumstances and ambitions
- Allow for aspiration and room to change course
    - MRP is a planning ground for many implementing countries

Response:

- Tool seeks to support ambitions without being prescriptive
- Market readiness may be different in different countries.
- Recognition of opportunity to change course following results of market readiness activities

Aim/ Focus of MRP (1/2)

•Elaboration of specific market instrument: "Building Block 4 is the heart"
•Opportunity for serious "exploration", support building general market readiness and allowing room to change course

Response

- Tool provides framework for planning & *implementing* market instruments
- *Support exploration of market instrument & inform policy decisions*
- Recall: PMR aims to support countries implement market readiness components and where feasible, pilot new market instruments.

Aim/ Focus of MRP (2/2)

Response – Practical implication (now outlined in Tool):

- Countries that have made political decision:
  - detailed elaboration of BB4 and "lighter" BBs 1, 2 and 3
- Countries working to inform policy decisions & implement core market readiness components:
  - may have greater elaboration of BB 1 ,2 & 3, with BB4 to support exploration
- Countries to convey interest & aim of exploring & developing market instrument
- Articulate vision of implementation without being locked-in
  - Following market readiness activities, country may determine it is best to change course (e.g. coverage or type of instrument)
  - Countries invited to update Partnership Assembly

Importance of "practicality" of Tool

Response

- Tool not tested yet, so modifications may be in order once get insights from practical use

MRPs and funding for implementation phase

- Link between MRP Tool and Criteria & Process for Allocation of PMR Implementation Funding

RESPONSE:

- MRP Tool is guidance; allows flexibility in terms of depth & detail of MRP
- Note on criteria & process for allocation of funding outlines criteria for assessing MRPs, how content of different MRP may be assessed in terms of funding allocation
  - Separate discussion on Criteria and process for funding allocation…
- Recognition that PMR Funding may not be sufficient to fund entire MRP activities;
  - but solid MRP can attract and leverage additional funding from other sources

Building Blocks 1-2: how important are they?

•Different views on importance - Building Block 1, in particular - and implication for funding

<u>Response</u>

- Some Preparation Phase funding expected to be used to at least partially examine issues in BB1 and BB2
- BB1 should build on country's Organizing Framework
- For countries that have already taken a policy decision on a given instrument→ maybe not so critical
  - Analysis on sectors to cover and how (BB2) may still be important
- For countries in process of informing a policy decision → analysis of different policy options may be very important
  - Big picture policy context is not static: important analytical work
- *Countries to elaborate rationale for market instrument* (BB2)

Building Block 3

- Different view on sequencing of BB3 and BB4 and different views on importance of BB3
  - (Discussed earlier)
- Note that there is overlap between BB3 and BB4
- Combine Regulatory and Institutional frameworks components ✔

RESPONSE:

- Recognition of overlap between BB3 and BB4, but they are not identical
  - BB3 is about the assessment of gaps and needs
  - Flexibility
  - No need for duplication; appropriate cross-reference is fine

Building Block 4

- Viewed as the central part/key focus of the MRP; others see importance, but also value other BBs
- Important to analyze, assess and discuss “incentive to participate in market instrument” ✔
- Note that no agreed definition of scaled-up crediting instrument
  - So flexibility in interpretation
- Include discussion/analysis of the treatment of CDM project activities ✔
- Combine Regulatory and Institutional frameworks components ✔
- Clarify what is meant by “market oversight” ✔

Building Block 5

- Very important: should not be the last thing a country does
- Consultation and engagement happen throughout Market Readiness process
- Important to start engaging key stakeholders early-on, e.g.,
  - Other levels of government
  - Entities that will be covered by a scheme
- Some felt a system to facilitate information sharing between countries was missing

Response:

- *Activities in BB5 expected to span entirety of elaboration of MRP*
- Link with proposed PMR knowledge management activities

4. What's next?

Tool for MRP – Next steps in its evolution…

- June 1 2011 (after Barcelona PA1) – brainstorming meeting
- July 2011 – Preliminary draft sent t Working Group & Experts
- July 2011 – Conference call with PMR Working Group
- August 1, 2011 – Version 1 of Tool circulated to all for review & feedback
- September 29, 2011 (Panama) – Informal consultation
- October 19, 2011 – Revised Version 1 circulated to all Participants
- **October 27, 2001 (Istanbul) – Presentation of Revised Version 1**

•November 15, 2011: deadline for comments on Revised version 1 (October 19)
•Early December 2011: Final Version 1 circulated to all Participants
•PA3 (May 2011): Get feedback on use of Tool to prepare MRPs

Concluding Remarks

- Thank you for your inputs and contributions!
- Tool must encourage and support ambition , while maintaining flexibility
  - adapt to different circumstance
- Tool must be practical
  - Insights from practical use of Tool will be very valuable!!

→Please send comments and feedback on Revised version 1 (October 19, 2011) to pmrsecretariat@worldbank.org (c.c. mbosi@worldbank.org) by **November 15, 2011**