

WBG Carbon Pricing Initiatives: Building and Linking the Next Generation of Carbon Markets



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PUTTING A PRICE ON CARBON: EUROPEAN & NORTH AMERICAN EXPERIENCES AND PATHS FORWARD

Towards a Carbon Pricing Club on the Road to and Through COP21?

November 9th, 2015 – Washington DC

World Bank Group (WBG) Complementary Efforts to Promote and Enable Carbon Pricing

1. VALIDATING THE NEED FOR CARBON PRICING

- Mobilize political leadership and business support for carbon pricing
- Support upstream analytical work
- · Create evidence base

Carbon Pricing Leadership Coalition (CPLC)

Partnership for Market Readiness (PMR)

2. BUILDING CAPACITY FOR AND PILOTING CARBON PRICING

- Financial/technical support to prepare and implement carbon pricing instruments
- Create a platform to share lessons and practical experience on carbon pricing

Partnership for Market Readiness (PMR)

Carbon Asset Development Fund (CADF)

World Bank Group efforts to promote and enable carbon pricing

Pilot Auction Facility (PAF)

4. ENABLING CONNECTIVITY AMONG CARBON MARKETS

- Develop a framework for 'comparability' among countries and 'fungibility' among carbon assets
- Facilitate the emergence of an integrated international carbon market

Networked Carbon Markets (NCM)

3. SCALING UP CARBON PRICING EFFORTS

Assist countries in raising their ambition and to implement carbon pricing policies, through results-based financing

Carbon Partnership Facility (CPF)

Transformative Carbon Asset Fund (T-CAF)



PMR: Build and Pilot the Next Generation of Carbon Markets

Provides support to countries to design and implement a range of climate change mitigation policies and cost-effective measures – including carbon pricing instruments – in order to scale up GHG mitigation.

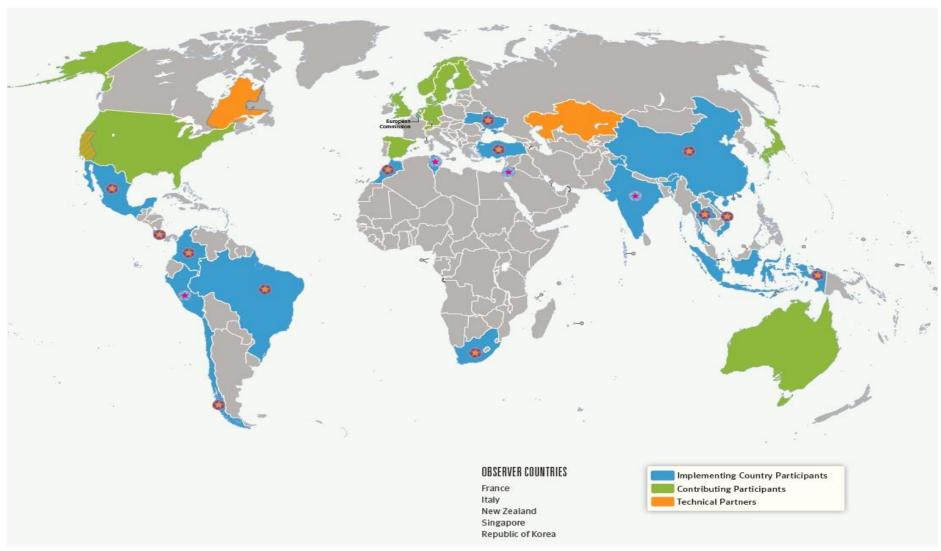
Objectives

- Provide grant funding to improving technical and institutional "readiness", including work on GHG registries; Monitoring, Reporting and Verification (MRV) systems, data collection and management tools, and regulatory frameworks
- Support piloting and testing of innovative market instruments (e.g., domestic emissions trading schemes (ETS) or scaled-up crediting mechanisms)
- Provide a platform for technical discussions and knowledge creation, country-to-country exchanges, and collective innovation on new market instruments
- Share lessons learned & best practices among policy makers and practitioners





PMR brings together over 30 participants





PMR Scope of Work

Facilitates the choice, design and/or implementation of various policy instruments through:

Institutional strengthening and readiness building to support implementation

Technical work
(Technical notes,
guidance documents,
training, e-Learning, etc.)

Upstream policy analysis, including modeling

Countries' Expression of Interest (EoI)

Preparation Phase

- Market readiness proposal (MRP) – Country Roadmap
- Supporting analytical studies

Implementation Phase

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MRV

Data management and registries

Baselines/Benchmarks

Stakeholders engagement

Governance and institutions

Linking

Use of revenues

Allocations/exemptions

Trading infrastructure and oversight

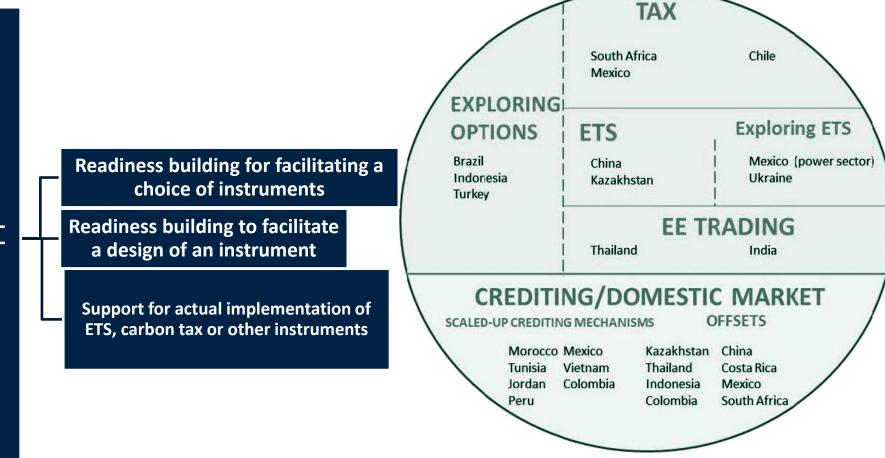
Compliance and enforcement

Country-level analytical work (5 countries) on setting post-2020 mitigation scenarios

Common methodology and framework (the "Checklist")



Supporting Countries in Developing Compatible Domestic Market Approaches





The Networked Carbon Markets (NCM) Initiative: Linking the Next Generation of Carbon Markets

Fundamental Assumptions

A linked international carbon market is desirable

Governments and market participants need information about the schemes that they link with and the carbon assets that are imported

Governments should have the sovereignty to act on the information about the schemes that they link with



Key components of the NCM initiative



Independent assessment framework to determine the climate change mitigation value of carbon assets and enable their fungibility in the international market.



International Carbon Asset Reserve to support and facilitate carbon market related functions.



International Settlement Platform to track cross-border trades and possible clearing house function.



The Networked Carbon Markets initiative is collaborating with a wide range of partners to progress its technical and analytical work plan

Private sector outreach

Partners: Climate
Markets and
Investment
Association (CMIA).

International Carbon Asset Reserve

Partners: INFRAS, Grantham Institute.

General Principles to guide carbon asset assessment

Partners: Observer to ISO Climate Change Standards Committee.

Independent Assessment Framework

Partners:

DNV, IISD, New Climate Institute, Climate Transparency initiative Networked Carbon Markets

PARTNERS

Concept Development

Partners:

- * 'NCM and its compatibility with a future UNFCCC regime' (Marcu)
- * 'Comparison and Linkage of Climate Mitigation Efforts in a New Paris Regime' (Harvard/IETA)
- * Achieving compatibility and synergy between the NCM initiative and Climate Clubs (Climate Strategies)
- * 'A model for NCM based on the key elements and principles of Comparative Markets' (Macinante)
- * 'Options for Operationalizing a Carbon Trading Ratio Mechanism' (Austin)
- * 'Enabling Comparability of heterogeneous Emissions Trading Systems – Caps, MRV frameworks and non-compliance penalties' (Munnings)



The WBG: A Key Partner to Explore, Inform and Build the Evidence Base for Carbon Clubs

- Financial and technical support to most countries pursuing market-based approaches
 - Build capacity in countries
 - Design, pilot, and implement
- Leveraging WBG operations and convening power
 - Stakeholder engagement (incl. private sector)
 - Leader-Level Dialogues
- Thought leadership
 - Building (new) market-based approaches
 - Connect markets

WE LOOK FORWARD TO CONTINUING OUR COLLABORATION

