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?

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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)
   Pilot Auction Facility (PAF)

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)

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)
### 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.

### Participation

- Participants include:
  - 18 developing countries/emerging economies & 13 countries that donate financially.
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**

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

**Countries’ Expression of Interest (EoI)**

**Mechanism design**
- 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”)

**Implementation Phase**
Supporting Countries in Developing Compatible Domestic Market Approaches

Levels of PMR support to countries

- Readiness building for facilitating a choice of instruments
- Readiness building to facilitate a design of an instrument
- Support for actual implementation of ETS, carbon tax or other instruments

EXPLORING OPTIONS

ETS

- Brazil
- Indonesia
- Turkey
- China
- Kazakhstan

EE TRADING

- Thailand
- India

TAX

- South Africa
- Mexico
- Chile

CREDITING/DOMESTIC MARKET

- Morocco
- Tunisia
- Jordan
- Peru
- Mexico
- Vietnam
- Colombia
- Kazakhstan
- Thailand
- Indonesia
- Colombia

OFFSETS

- China
- Costa Rica
- Mexico
- South Africa
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

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

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

3. **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).*

**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.*

**International Carbon Asset Reserve**
*Partners: INFRAS, Grantham Institute.*

**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