



**WORLD BANK CARBON FINANCE UNIT
CARBON PARTNERSHIP FACILITY
2012 ANNUAL MEETING**

**REGULATORY AND POLICY ENVIRONMENT FOR NEW
MARKET MECHANISMS/CPF ROLE**

Future Direction for CPF

- ◆ Key objective of CPF is to innovate in scaling up carbon market mechanisms
- ◆ First Tranche has focused so far on scaling up via the CDM by using the POA approach
- ◆ The CDM window is now closing post 2012, but a new window is opening, that of a new market mechanism, with serious prospects for "early start" compliance
- ◆ Strong interest in piloting NMM on the part of the EC and member states
- ◆ The CPF is the ideal instrument for doing so
- ◆ How to proceed?

- ◆ Durban Platform anticipates an international agreement in 2015 requiring all countries to take on mitigation targets after 2020
- ◆ Decision includes definition and agreement on new market mechanism(s) through the LCA track:
 - ◆ NMMs should stimulate mitigation across broad segments of the economy, safeguard environmental integrity, ensure a global net GHG decrease
- ◆ Credits from NMM programs eligible in second commitment period of Kyoto Protocol (2013-2020)
- ◆ These decisions create an opportunity to develop pilot programs with potential to generate credits for compliance

Partnership for Market Readiness

The PMR is a grant-based, global partnership that provides funding for capacity building and a platform for piloting of market-based instruments for greenhouse gas emission reductions

PMR Objectives include:

Provide grant funding for building market readiness components

Pilot and test new concepts for market instruments (e.g., domestic emissions trading schemes and new crediting mechanisms)

Provide a platform for technical discussions, South-South exchange, and collective innovation on new market instruments

Create and **share lessons learned** and best practices

- ◆ Implementing country participants: Brazil, Chile, China, Colombia, Costa Rica, India, Indonesia, Jordan, Mexico, Morocco, South Africa, Thailand, Turkey, Ukraine, Vietnam
- ◆ Contributing Participants: Australia, EC, Denmark, Germany, Japan, Netherlands, Norway, Spain, Switzerland, United Kingdom, United States

- ◆ Use CADF resources to develop pilot programs testing new market mechanisms
 - Anticipate modalities of a NMM and requirements for use as a compliance instrument
 - Test the dynamics of a NMM at a small-scale, but choose approaches with potential for scaling-up
 - Align with work under Partnership for Market Readiness
 - Take into account limited market demand in the EU ETS and finite purchasing power of the CPF

- ◆ Propose pilot programs for inclusion in the First Tranche portfolio
 - Evolve program design as UNFCCC NMM parameters are refined
 - Work toward use as compliance assets
 - Explore potential for “early start” compliance