



WORLD BANK CARBON FINANCE UNIT CARBON PARTNERSHIP FACILITY 2014 ANNUAL MEETING

CPF NEW PROGRAM DEVELOPMENT

- ◆ Key objective of CPF is to innovate in scaling up carbon market mechanisms
- ◆ The UNFCCC negotiations have created the prospect for a “new market mechanism” (NMM) and a “Framework for Various Approaches”
- ◆ CPF plans to develop a portfolio of pilot programs to inform negotiations on new crediting instruments and their subsequent implementation

- ◆ Undertake conceptual work on piloting approaches in broad segments of economy
- ◆ Identify pilot ideas through Bank operations/country programs and Partnership for Market Readiness
- ◆ Develop practical approaches to crediting and implementation
- ◆ Evolve program design as UNFCCC NMM and FVA parameters are refined
- ◆ Test the dynamics of programs at a small-scale, but choose approaches with potential for scaling-up

Evolving International Context

- ◆ An international agreement in 2015 requiring all countries to take on mitigation targets after 2020
- ◆ Definition and agreement on new market mechanism(s):
 - ◆ stimulate mitigation across broad segments of the economy
 - ◆ safeguard environmental integrity
 - ◆ ensure a global net GHG decrease
- ◆ Discussion to establish a “Framework for Various Approaches” – but no formal decision taken
- ◆ Warsaw: No progress on NMM, FVA
- ◆ Next Step: June 2014 SBSTA meeting

Prospects for negotiation on NMM

- ◆ Discussed prospects for NMM/FVA agreement and international crediting at February 2014 CPF Buyer Participant meeting
 - Had inputs from UNFCCC Secretariat and European Commission
- ◆ Key conclusions
 - Negotiations proceeding in parallel on NMM, FVA and Non-Market Approaches (NMA) under the SBSTA
 - Most likely agreement on one element will require agreement on all, and agreement on all will also be linked to the level of ambition on mitigation from industrialized countries
 - FVA is yet to be defined, as are the linkages/relationship between the NMM, FVA and NMA
 - No progress on NMM parameters: broad aggregate of economy; net reduction in global emissions
 - There are many issues to resolve before 2015 Paris COP
 - EU 2030 Framework for Climate Action calls for 40 percent reduction in emissions from 1990 with no use of international credits
 - International crediting will have a role in a more ambitious int'l agreement

◆ Key next step is definition of FVA

- Need for FVA to make progress (NMM already defined)
- Seen as a coordination mechanism to oversee international aspects on market and non-market based approaches, including internationally tradable units
- Would establish an approach to recognizing national schemes that include international trading of units
- Envisaged that NMM would be used by those national (or regional) authorities that do not want to set up their own bilateral schemes
- Envisaged that there will be consistency between FVA and NMM approaches to international transfer of units
- Might also set guidelines for recognition of mitigation outcomes under the NMA
- CDM could be kept as project-based mechanism potentially recognized under FVA

Possible Outcomes in Paris 2015

- ◆ Agreement on broad outlines of NMM, FVA and NMA (in context of an ambitious UNFCCC agreement)
 - Details of mechanisms would then be clarified between 2016-2020
 - Possibility for recognition of early action, but this is a political issue that will have to be addressed by negotiators
- ◆ Agreement only on a FVA that provides a coordination mechanism for international units
 - Design of schemes would be left to national or regional authorities
- ◆ No agreement on NMM, FVA and NMA
 - National authorities would then have to determine how units from other jurisdictions could be used
- ◆ CDM
 - Might remain as recognized under FVA, with net reduction in global emissions achieved and option for voluntary cancellation
- ◆ Other outcome??