



WORLD BANK CARBON FINANCE UNIT CARBON PARTNERSHIP FACILITY 2013 ANNUAL MEETING

CPF NEW PROGRAM DEVELOPMENT - OVERVIEW

- ◆ 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):
 - ◆ stimulate mitigation across broad segments of the economy
 - ◆ safeguard environmental integrity
 - ◆ ensure a global net GHG decrease
- ◆ Credits eligible in second commitment period of Kyoto Protocol (2013-2020)
- ◆ Opportunity to develop pilot programs with potential to generate credits for compliance

- ◆ Limited progress since June 2012 in UNFCCC negotiations on NMM design
- ◆ Uncertain prospects for international agreement and NMM regulation before 2020
- ◆ Uncertain market demand for NMM credits
- ◆ Movement at Doha toward a pluralistic “Framework for Various Approaches”

- ◆ Key objective of CPF is to innovate in scaling up carbon market mechanisms
- ◆ CPF has focused on scaling up initially via the CDM by using the POA approach
- ◆ The UNFCCC negotiations have created the prospect for a “new market mechanism” (NMM) and a “Framework for Various Approaches”
- ◆ The CPF is the ideal instrument for piloting new scaled-up crediting mechanisms

- ◆ Develop practical approaches to pilots for scaled up crediting mechanisms
- ◆ Identify NMM pilot ideas through Partnership for Market Readiness, Bank operations/country programs
- ◆ Test the dynamics of a NMM at a small-scale, but choose approaches with potential for scaling-up
- ◆ Evolve program design as UNFCCC NMM parameters are refined
- ◆ Need to think about the post-2020 environment as well

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, Peru
- ◆ Contributing Participants: Australia, EC, Denmark, Germany, Japan, Netherlands, Norway, Spain, Switzerland, United Kingdom, United States

- ◆ Similar broad objectives and strong complementarity
- ◆ Direct collaboration (Scenario 1):
 1. CPF support for PMR programs where country is interested in scaled-up crediting instruments
- ◆ Broader collaboration (Scenarios 2 & 3):
 2. CPF support for crediting programs that are in a PMR country, but not part of its Market Readiness Proposal; and
 3. CPF support for crediting programs that are located in non-PMR countries.

- ◆ “Top-down” sector based programs
 - Suitable for power sector and industry

- ◆ “Bottom-up” programs with sub-sectoral aggregates
 - Suitable for SWM, EE, urban and transportation

- ◆ MRV of existing policy measures
 - Suitable for policies such as fuel subsidy removal

- ◆ Designing and implementing a new work program aimed at piloting a NMM
 - Submission to the UNFCCC on the NMM and FVA
- ◆ Conceptual work on the NMM pilot design
 - NMM for mitigation actions in cities
 - Economy-wide policy MRV
 - Sector-specific blueprints
- ◆ Plan to raise additional resources for CADF for further concept development and preparation of pilots

- ◆ Piloting of scaled up crediting mechanisms could help sustain momentum for market instruments
- ◆ But to engage host countries need:
 - Early support and engagement of CPF Buyers
 - Prospect of financial resources to purchase credits
- ◆ Roadmap for mutual confidence building culminating in:
 - NMM program development and implementation by governments
 - CPF Buyer purchase of credits from pilots