WORLD BANK CARBON FINANCE UNIT
CARBON PARTNERSHIP FACILITY
2013 ANNUAL MEETING

CPF NEW PROGRAM DEVELOPMENT - OVERVIEW
Durban Platform directions

- 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
Evolving International Context

- 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
CPF Approach

- 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.
CPF-PMR: Synergy and complementarity

- 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.
Approaches to CPF NMM development

- “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
Analytical Work Program on NMMs

- 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
New Program Development: Aligning Incentives

- 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