



The Networked Carbon Markets Initiative

July 2016

Agenda

Linking heterogeneous climate actions

3

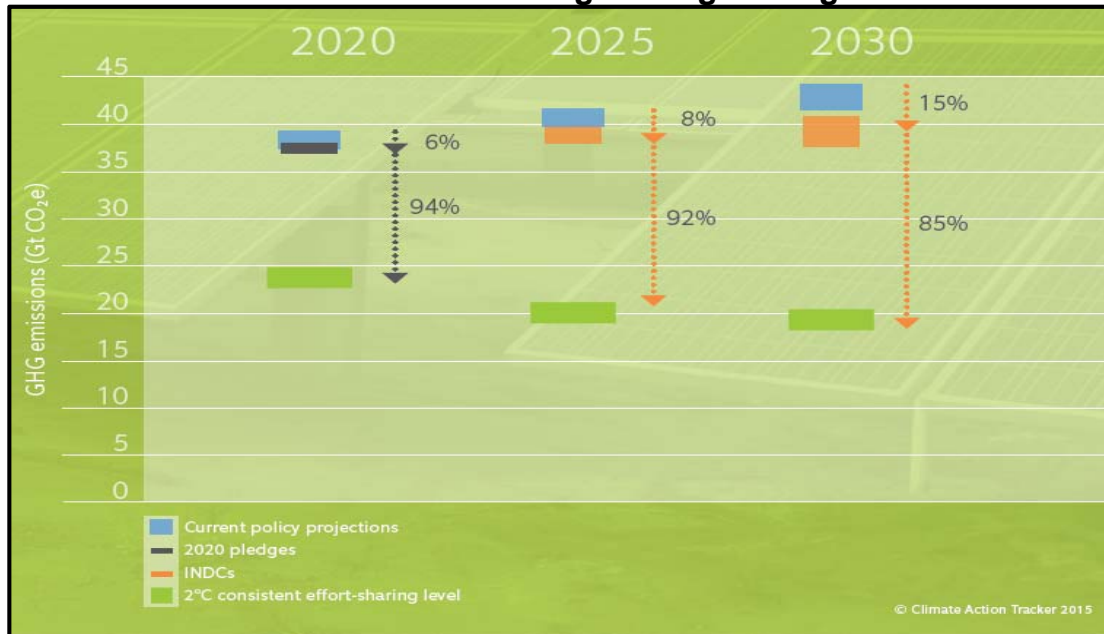
- Needs of more ambitions for 2.0 °C world
- Evidence of heterogeneity in climate actions
- Efficiency to maximize mitigation efforts at global level
- Opportunities for linking climate actions
- Objectives of the Network Carbon Market Initiative

Annex: Networked Carbon Markets Initiative

11

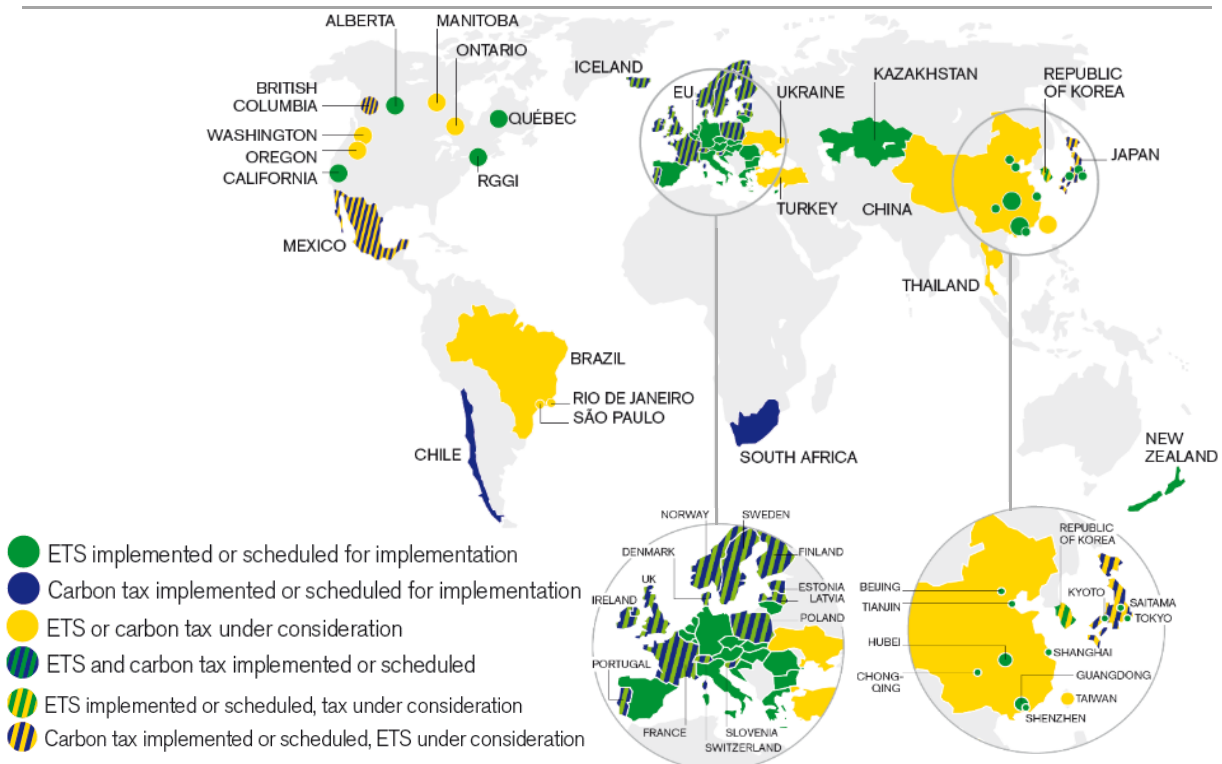
Why should we strive for a linked international carbon market in the future?

Projections of the G20's GHG Emissions to 2030 - and the Effect of their NDCs in achieving a 2 degree target



Source: Climate Action Tracker

Over 60 jurisdictions are designing or implementing different carbon pricing programs

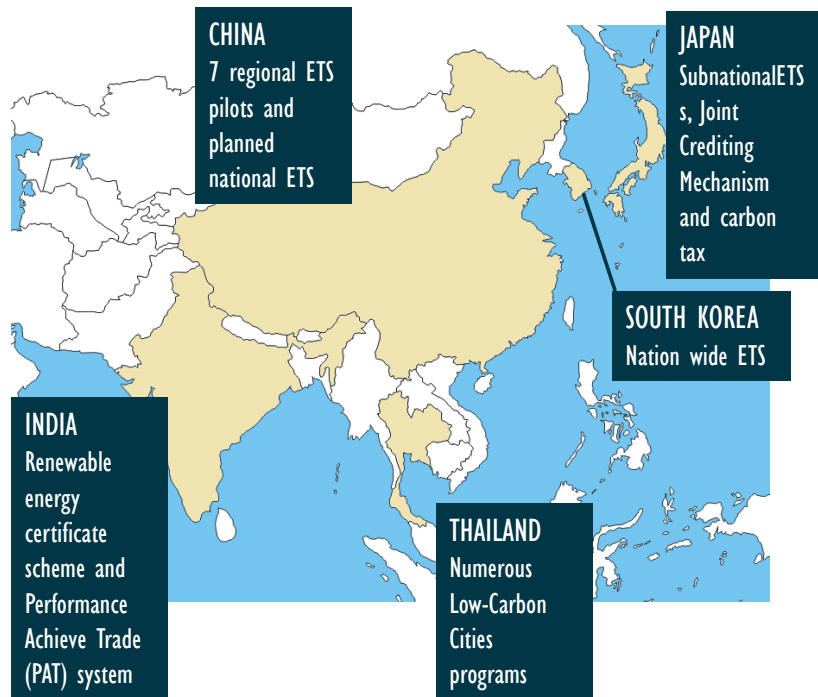


Source: Kossoy et al. 2015

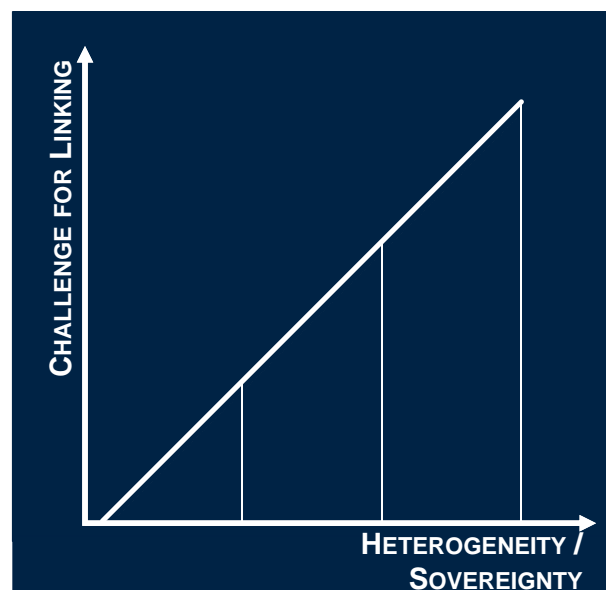
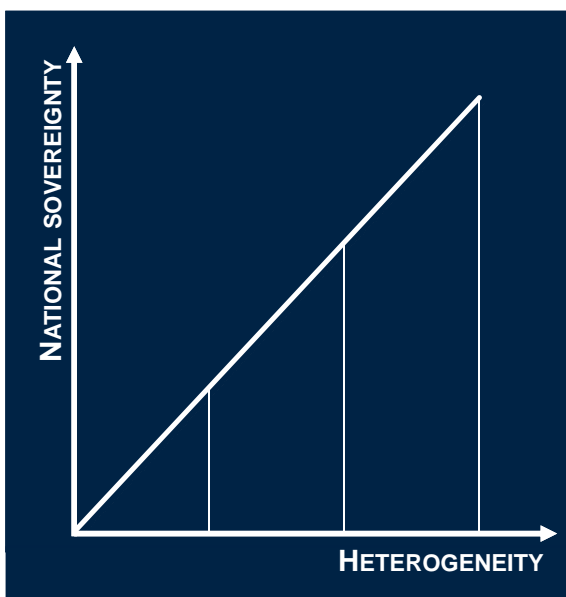
Evidence of heterogeneity in Asia Pacific

The Trend

- Countries in the Asia-Pacific region have implemented a variety of climate actions.
- Due to high heterogeneity in climate actions across the world, linking is likely to be decentralized and follow voluntary cooperative approaches.
- The bottom-up approach has dual drivers – climate change and other domestic priorities



Heterogenic Carbon Markets for 2°C World

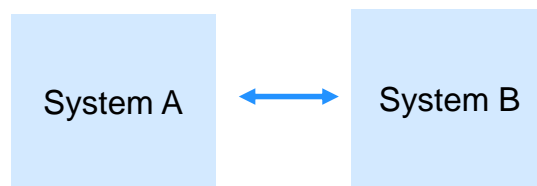


CHALLENGE: linking is limited by diversity, design and different capacities

Diversifying Approaches to Linking

Direct Linking

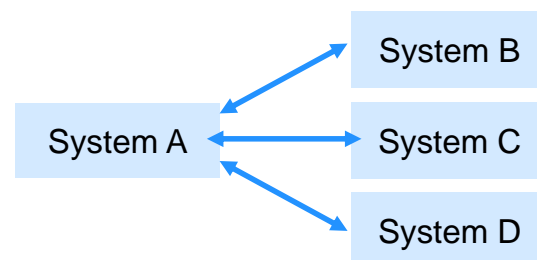
e.g., California and Québec link whereby units are exchanged on an equal 1:1 basis. Joint auctions are an additional layer of integration.



Indirect Bilateral Linking

Systems B,C, and D are indirectly linked via System A.

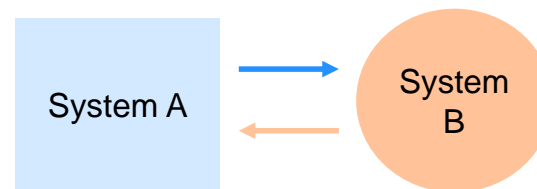
e.g., New Zealand's ETS, which is linked indirectly to the EU ETS through mutual acceptance of CERs.



Networking

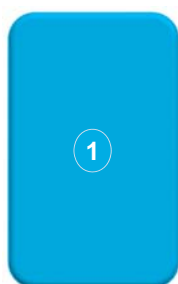
Designed to link heterogeneous climate actions (ie. Squares and Circles).

Based on principle that many different actions have mitigation impact, but they don't have the same mitigation impact.

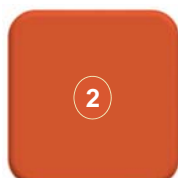


7

Key Components of the NCM Initiative



Independent assessment framework to inform the climate change mitigation value of different climate actions.



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



International Settlement Platform to track cross-border trades and possible clearing house function.

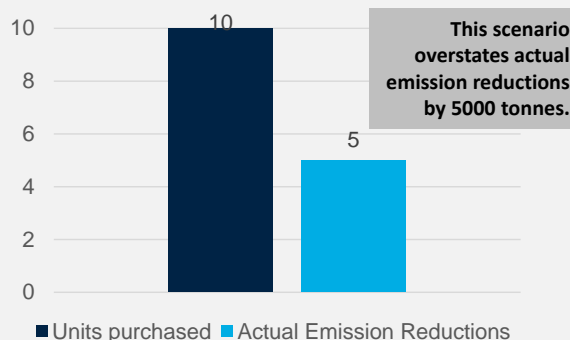
KEY COMPONENTS OF THE NCM INITIATIVE

8

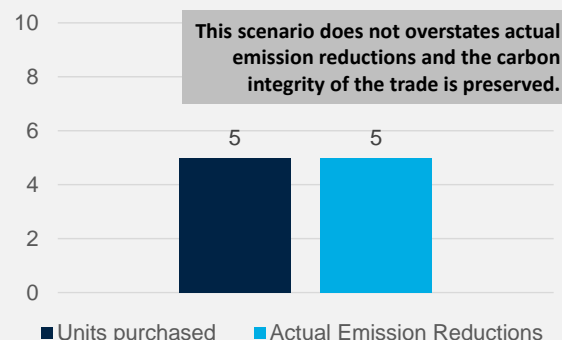
Mitigation Values as First Step for Networking

Scene: 10,000 carbon units are purchased. The actual mitigation value of each unit is 0.5 tonnes.

Scenario 1: The actual mitigation value of the carbon units are not accounted for in the trade



Scenario 2: The actual mitigation of the carbon units are accounted for in the trade



Mitigation Value provides an assurance to buyers as to the fair value of the asset that is being purchased and, therefore, helps to preserve the environmental integrity of trade in the carbon market.



Thank you

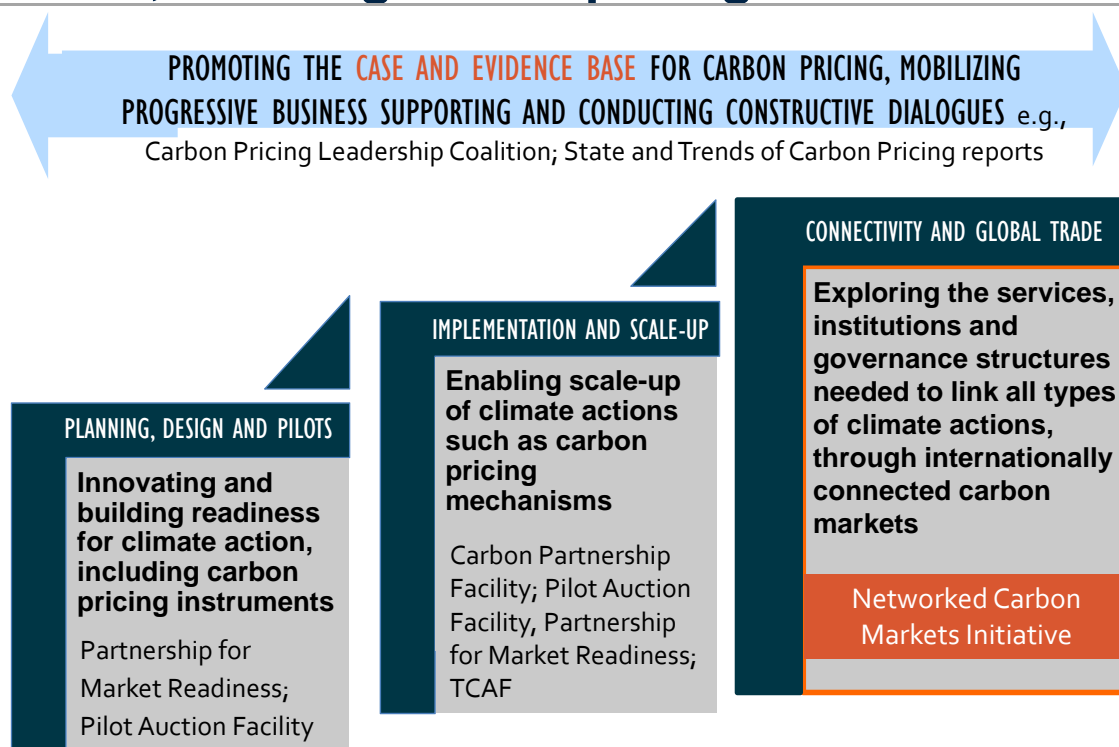
Network Carbon Market Initiative:

<http://www.worldbank.org/en/topic/climatechange/brief/globally-networked-carbon-markets>

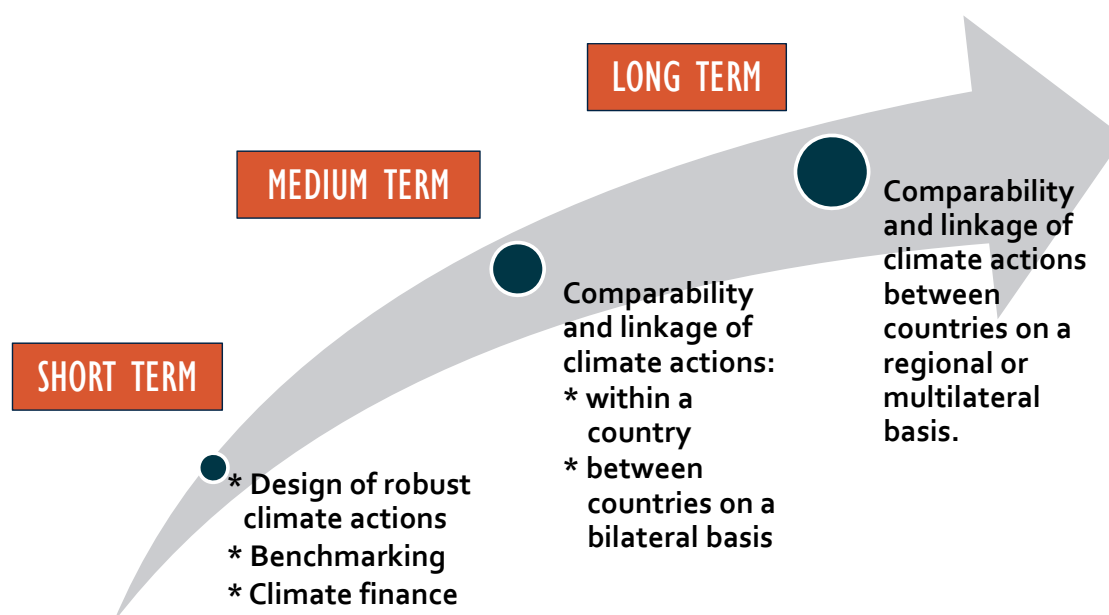
WBG's activities on climate change:

<http://www.worldbank.org/en/topic/climatechange>

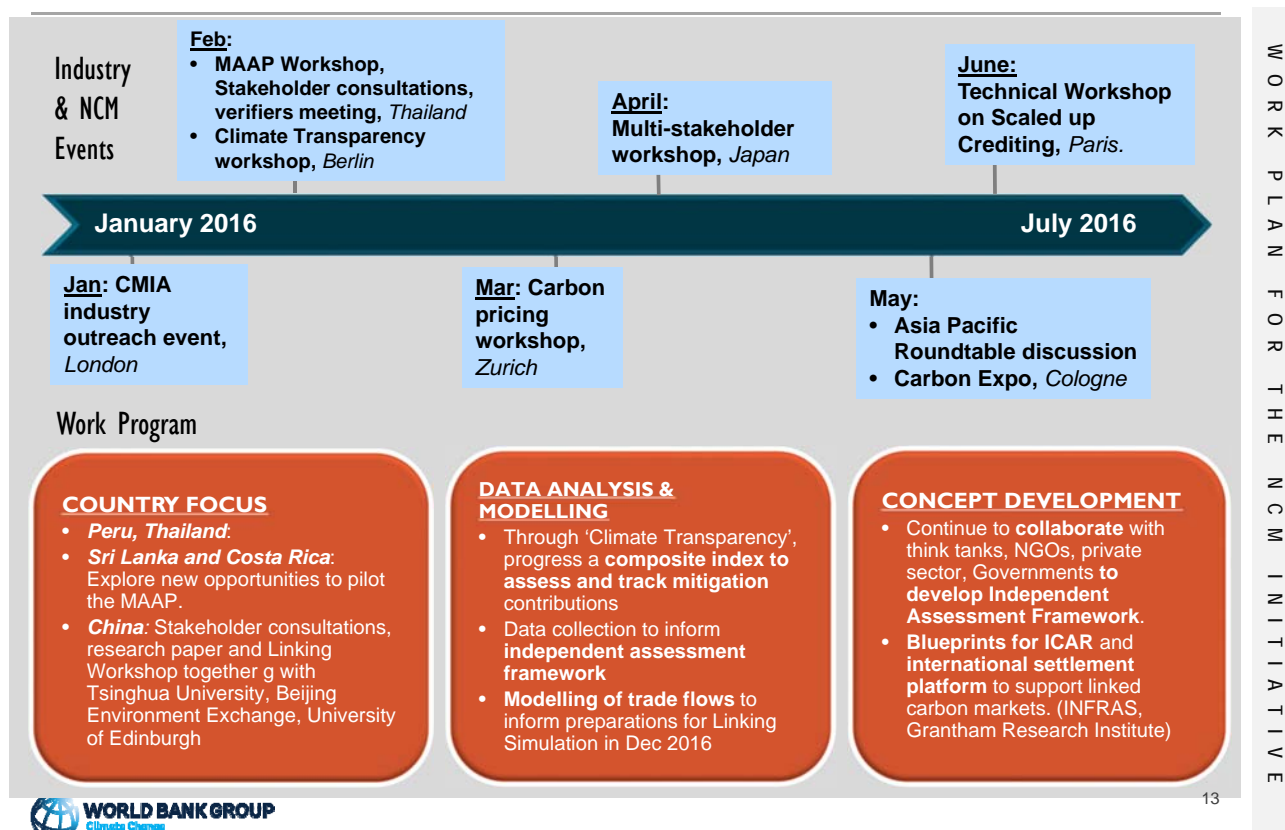
The WBG's long term efforts to promote climate actions, including carbon pricing mechanisms



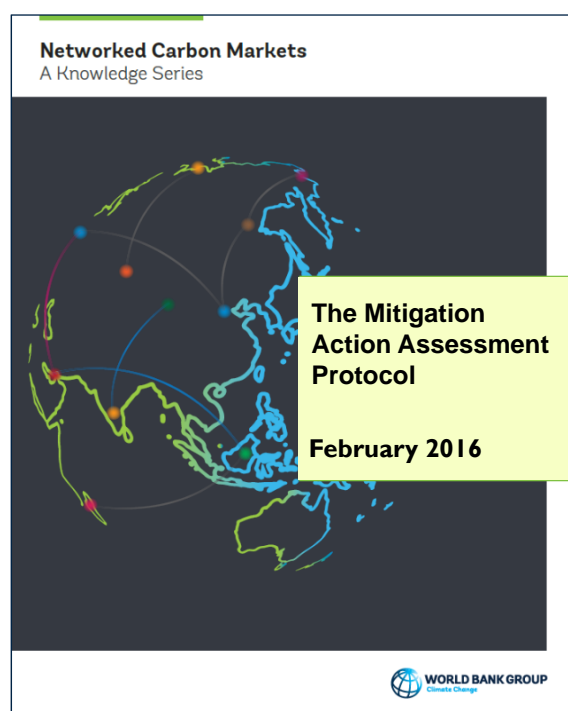
The 3 key components of the NCM initiative are to be introduced in a phased manner



The NCM Activities 2016



Assessing the Mitigation Value of a crediting program with the NCM Initiative's Mitigation Action Assessment Protocol (MAAP)



Applying the MAAP to low-carbon city programs in Thailand



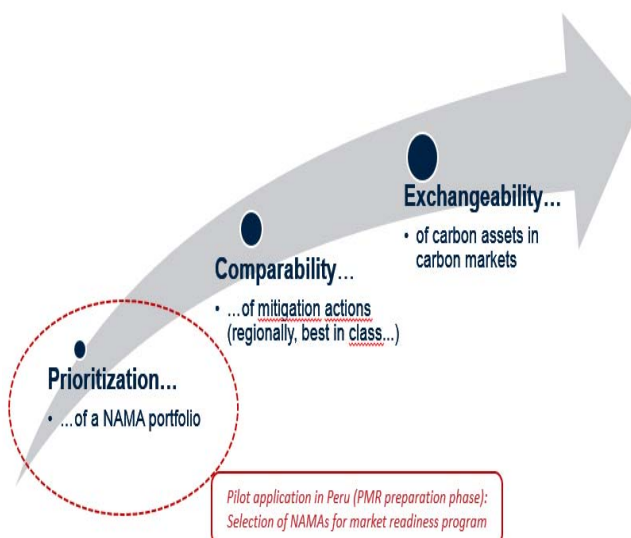
NCM ACTIVITIES

- The NCM Initiative, sent practitioners on **field visits to the municipalities of Phitsanulok and Pak Kret** to apply MAAP to low-carbon cities programs.
- The MAAP, as well as the findings of the field visits, were presented at a **workshop in Bangkok** organized in collaboration **with the Thai Greenhouse Gas Management Organization**.



Prioritizing Mitigation Actions in Peru

APPLICATION AS A NAMA SCREENING TOOL



THE PROCESS OF SCREENING MITIGATION ACTIONS IN PERU



Lessons learned from the application of the MAAP

