



# The Networked Carbon Markets Initiative

**July 2016** 

### **Agenda**

# Linking heterogeneous climate actions

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- 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

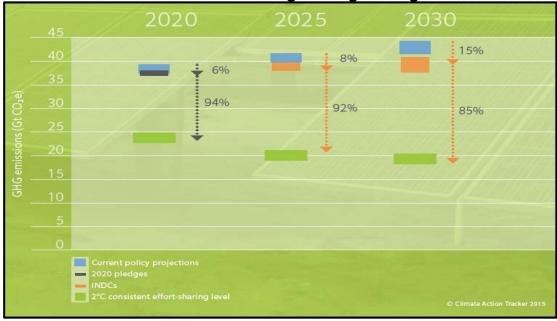
**Annex: Networked Carbon Markets Initiative** 

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

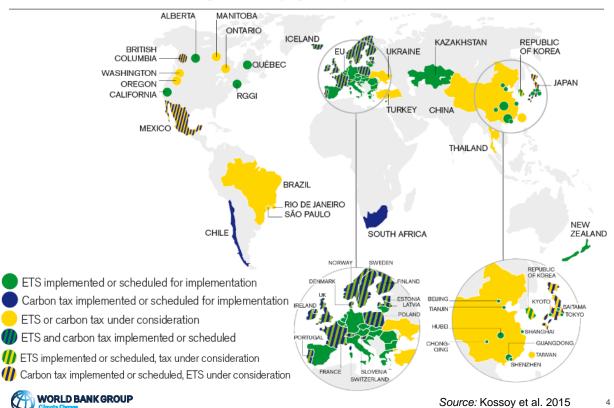
Projections of the G20's GHG Emissions to 2030 - and the Effect of their NDCs in achieving a 2 degree target

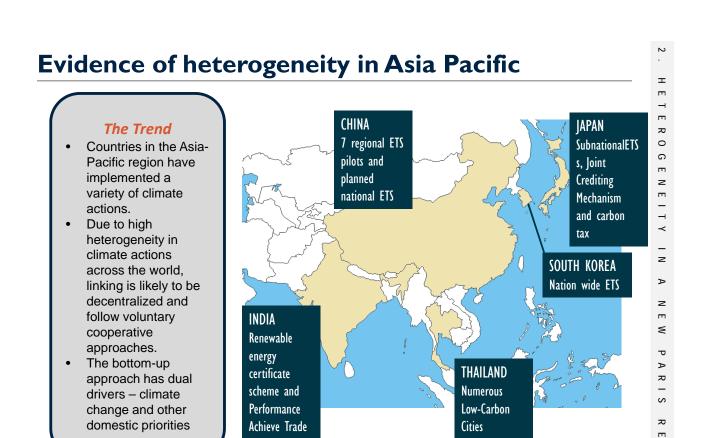


Source: Climate Action Tracker



# Over 60 jurisdictions are designing or implementing different carbon pricing programs



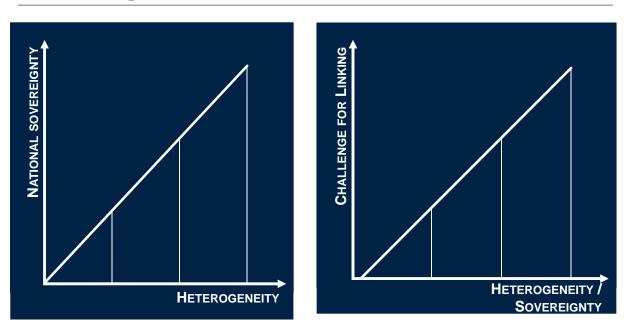


# Heterogenic Carbon Markets for 2°C World

programs

Boundaries shown on map bear no official endorsements.

(PAT) system



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



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# **Diversifying Approaches to Linking**

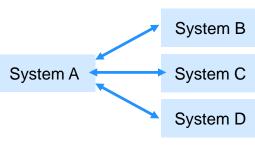
#### **Direct Linking**

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.

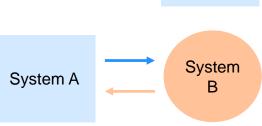
e.g., New Zealand's ETS, which is linked indirectly to the EU ETS through mutual acceptance of CERs.



#### <u>Networking</u>

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.



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# **Key Components of the NCM Initiative**

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Independent assessment framework to inform the <u>climate change mitigation value</u> of different climate actions.

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

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

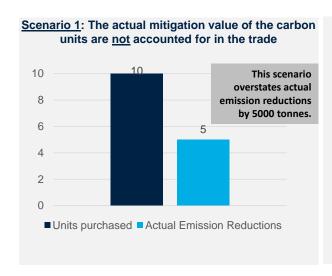


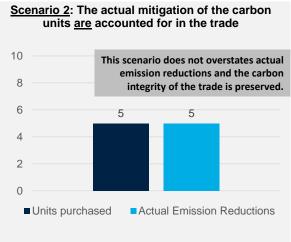
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## Mitigation Values as First Step for Networking

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





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

PROMOTING THE CASE AND EVIDENCE BASE FOR CARBON PRICING, MOBILIZING PROGRESSIVE BUSINESS SUPPORTING AND CONDUCTING CONSTRUCTIVE DIALOGUES e.g.,

Carbon Pricing Leadership Coalition; State and Trends of Carbon Pricing reports



Innovating and building readiness for climate action, including carbon pricing instruments

PLANNING, DESIGN AND PILOTS

Partnership for Market Readiness; **Pilot Auction Facility** 

**Enabling scale-up** of climate actions such as carbon pricing mechanisms

Carbon Partnership Facility; Pilot Auction Facility, Partnership for Market Readiness; **TCAF** 

#### CONNECTIVITY AND GLOBAL TRADE

Exploring the services, institutions and governance structures needed to link all types of climate actions, through internationally connected carbon markets

> Networked Carbon Markets Initiative



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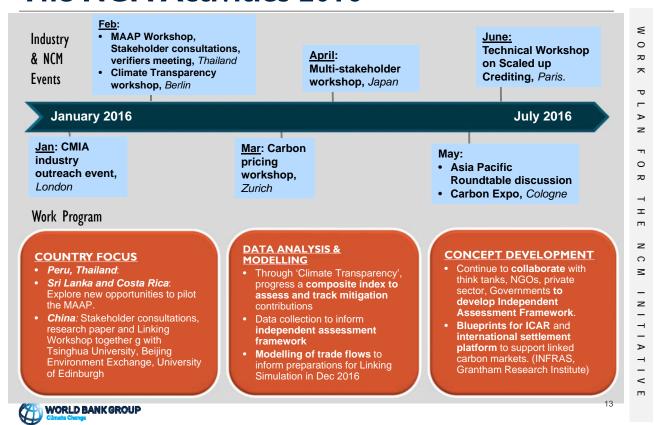
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# The 3 key components of the NCM initiative are to be introduced in a phased manner

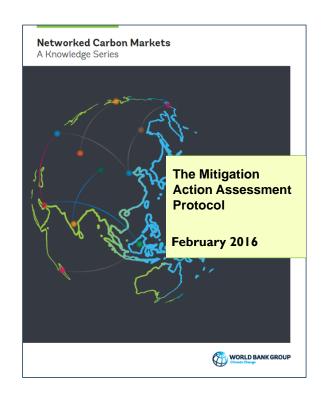
#### LONG TERM **MEDIUM TERM** Comparability and linkage of climate actions Comparability between and linkage of countries on a climate actions: regional or **SHORT TERM** \* within a multilateral basis. country \* between \* Design of robust countries on a climate actions bilateral basis \* Benchmarking \* Climate finance



### 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.



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### **Prioritizing Mitigation Actions in Peru**

APPLICATION AS A NAMA SCREENING TOOL

Exchangeability...

of carbon assets in carbon markets

...of mitigation actions (regionally, best in class...)

Prioritization...

Prior application in Peru (PMR preparation phase):
Selection of NAMAs for market readiness program

THE PROCESS OF SCREENING MITIGATION ACTIONS IN PERU

Shortlisting of 80+ mitigation actions

Customization of MAAP by protocol developers & national experts

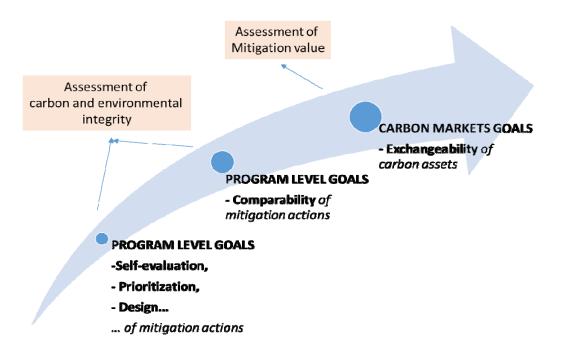
Ex ante assessment of 10 prioritized mitigation actions

Selection of 3 mitigation actions for support under the Partnership for Market Readiness: NAMA Waste, NAMA Cement, and Mitigation Measure of PV distributed generation

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## Lessons learned from the application of the MAAP





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