



WORLD BANK GROUP
Climate Change

Transitioning to a Low Carbon Economy

Climate and Carbon Finance Initiatives in the WBG

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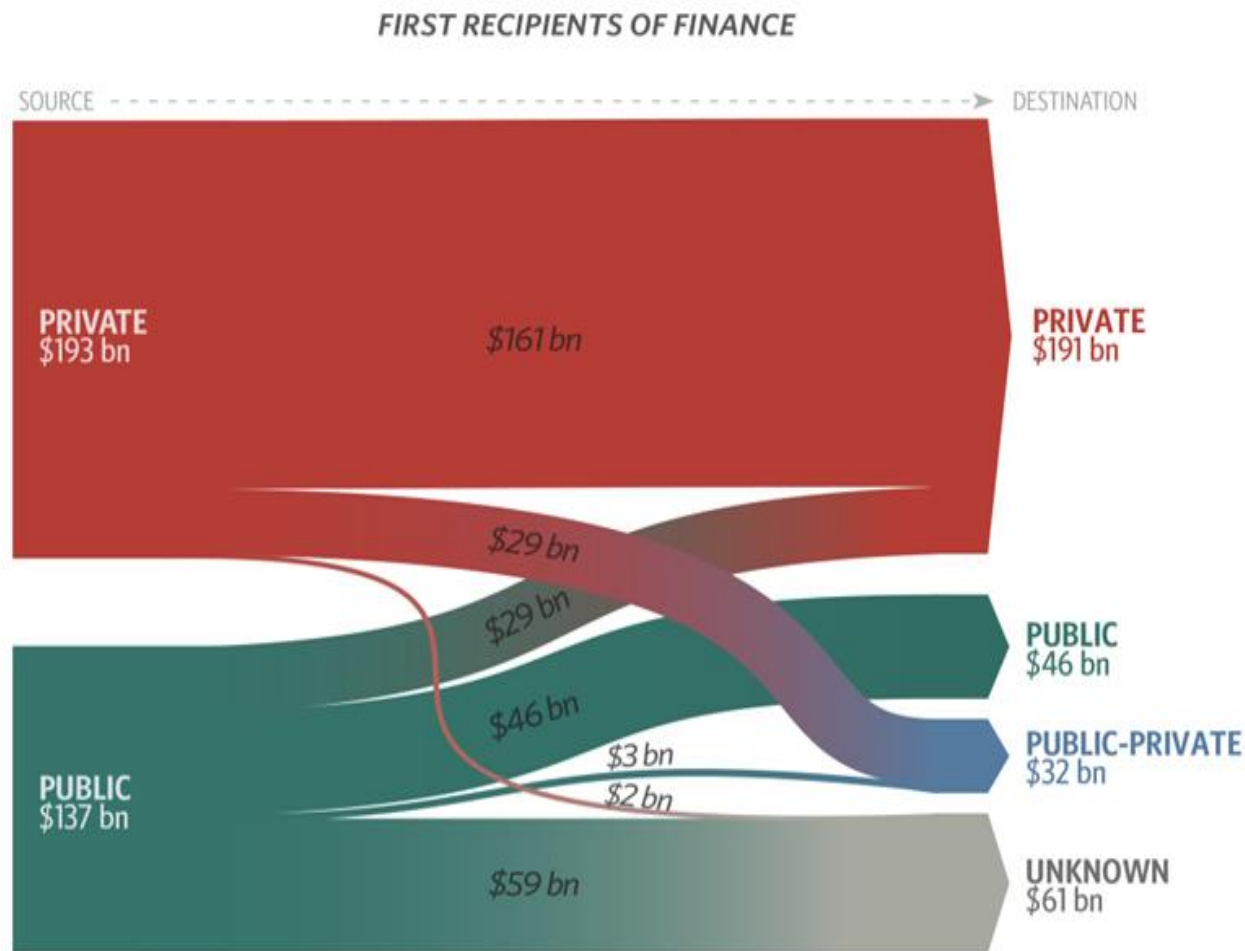
29 September 2015

The road through Paris has **4** main tracks

- **An International Agreement with legally binding language** that should reinforce collective ambition and provide a clear pathway to zero net emissions before 2100
- **Individual country contributions (INDCs)** with policy packages that use all available fiscal and macroeconomic policy levers to get prices right, increase efficiency, incentivize de-carbonization, and address resilience
- **A financial package** that recognizes that public development funds and climate finance should be used to catalyze innovative financing for adaptation and mitigation.
- **Working coalitions** that include actions by private companies, countries, cities and civil society moving forward where their interests are aligned, and demonstrate their commitment to decarbonized strategies

Carbon pricing has touchstones with all of these tracks, and has the capacity to provide the price incentives needed for finance to flow.

Annual global climate finance flows totaled US\$332 b in 2013



Source: Climate Policy Initiative, December 2014

Observations

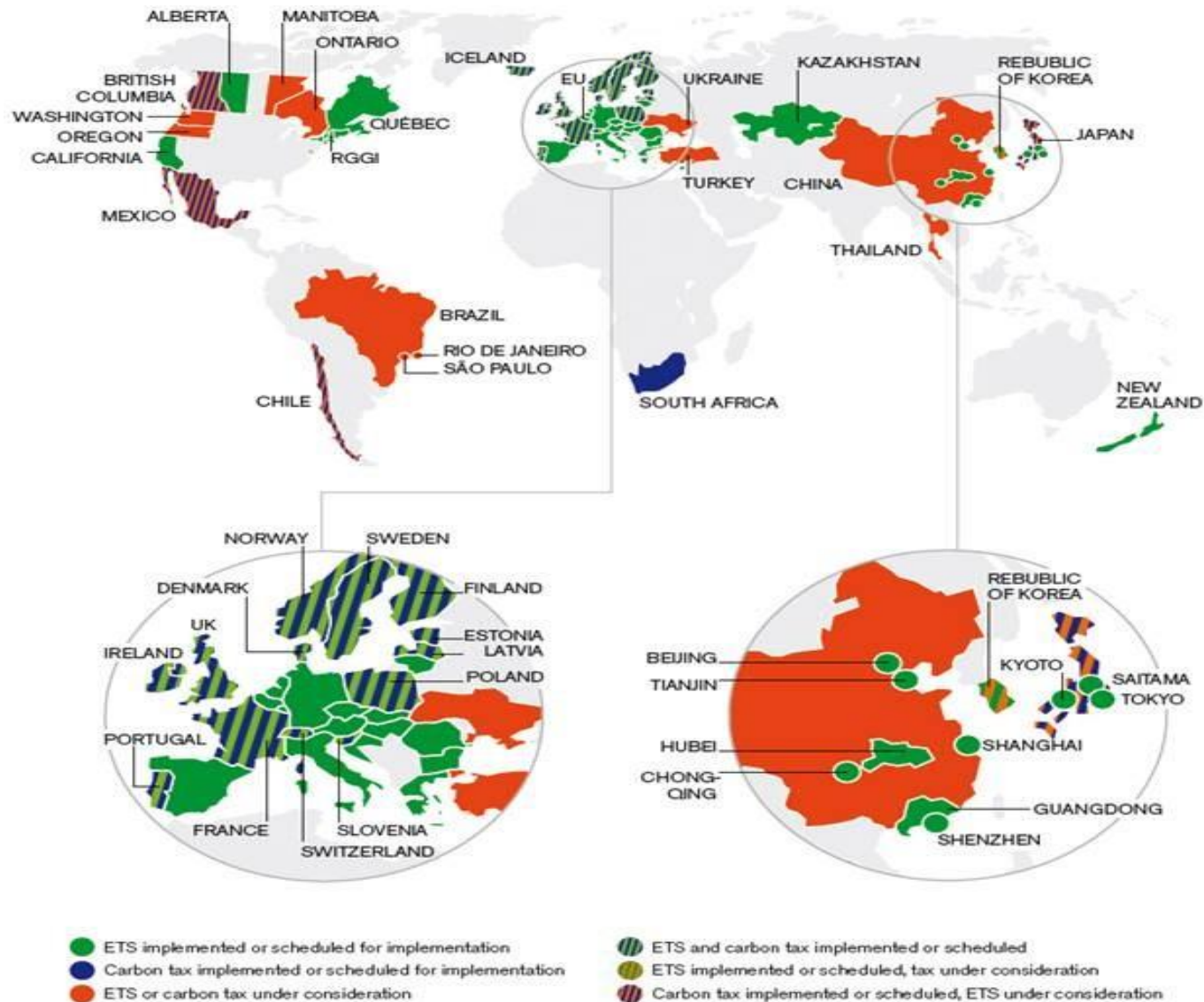
- Almost 75% of total flows invested in the country of origin.
- 90% of private investments remained in the country of origin.
- This demonstrates that investment environments that are more familiar are key to private investment decisions, highlighting the importance of domestic policy frameworks in unlocking scaled up climate finance flows.

Carbon pricing instruments are one type of policy framework that can leverage greater climate finance flows

CP instruments have features that can leverage greater climate finance flows:

- **Resource mobilization and private finance leveraging.** CP instruments provide an economic incentive for investors to assume additional investment risks and shift resources from carbon-intensive to low-carbon technologies.
- **Flexibility.** CP instruments provide policy makers with the ability to deal with uncertainties in future economic development and emission trajectories.
- **Generating public revenue.** CP instruments can generate public revenues, which can be allocated toward climate finance.

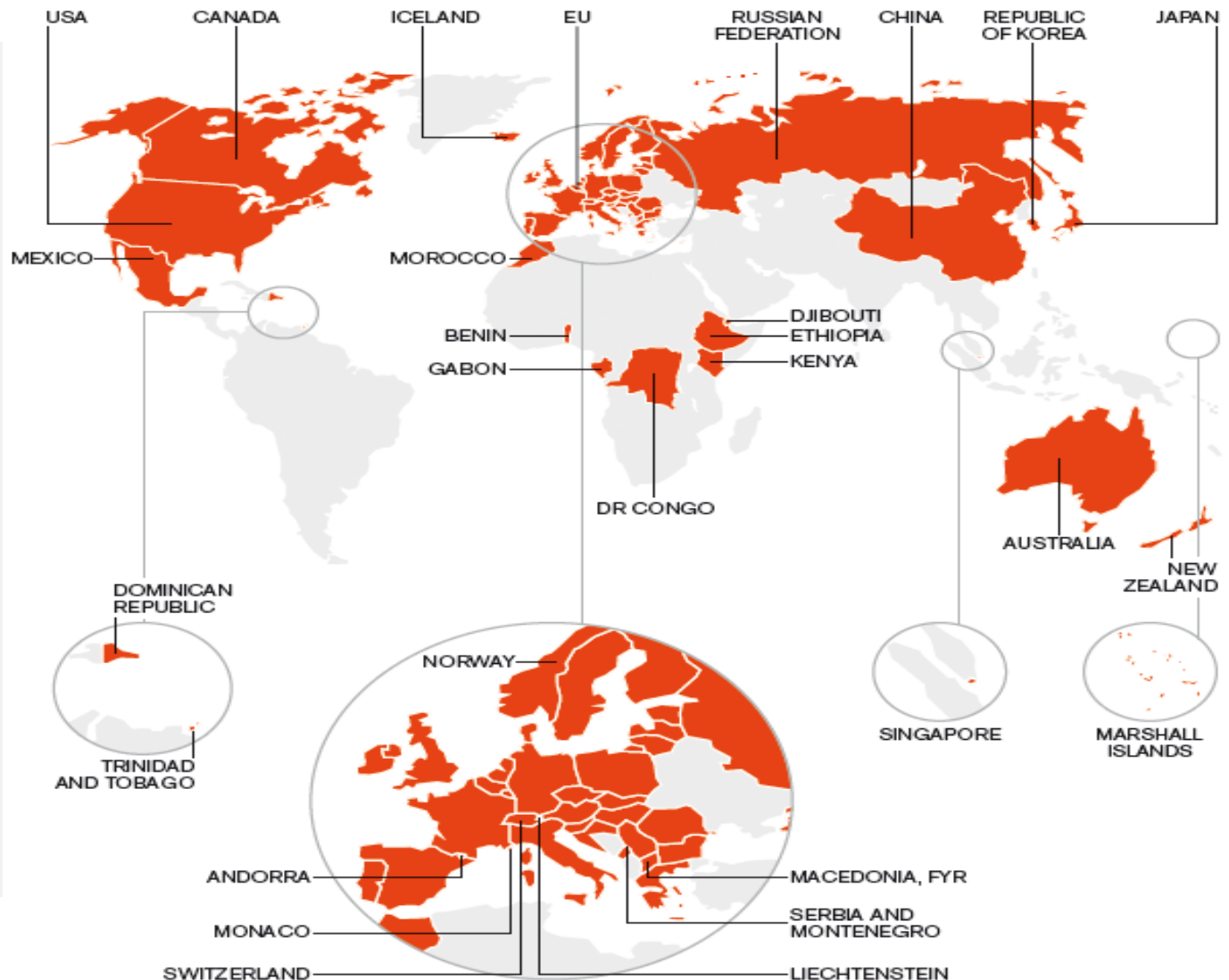
Carbon Pricing is gaining momentum



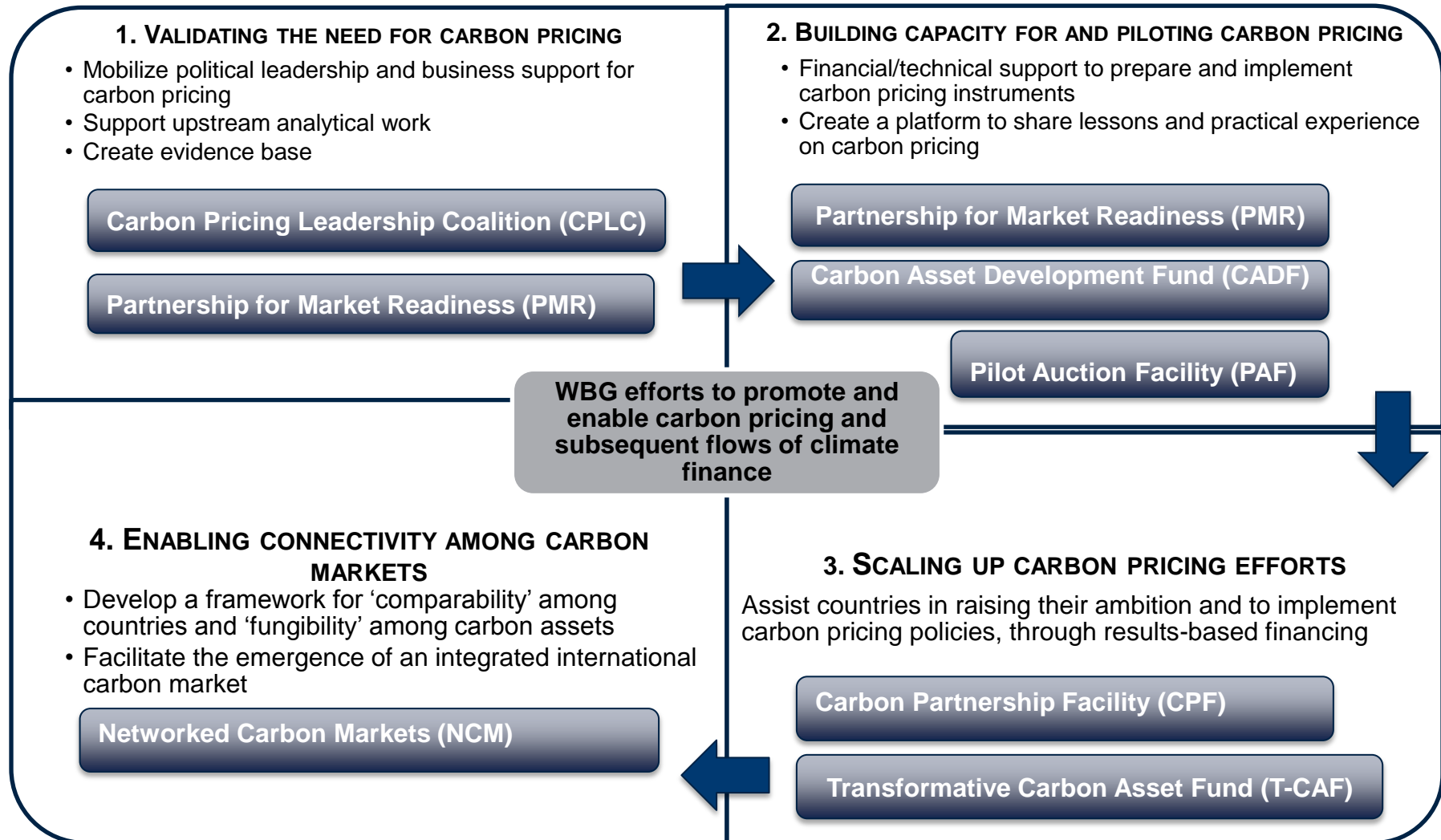
Several INDCs explicitly reference carbon pricing

Observations

- 49 countries, representing almost 60% of global emissions, have submitted their INDCs
- Several INDCs explicitly include carbon pricing in country mitigation strategies



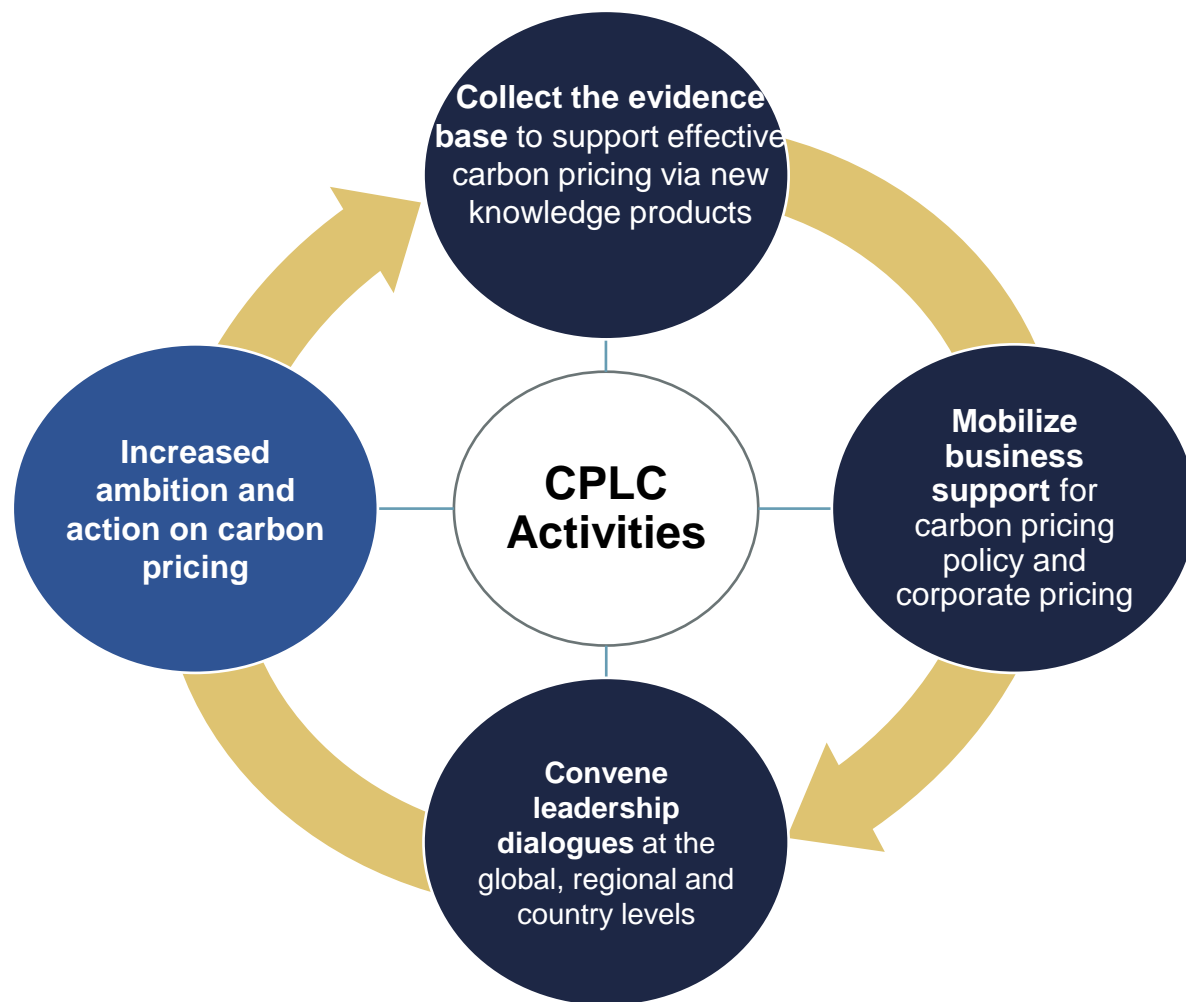
World Bank Group efforts to promote and enable carbon pricing and subsequent flows of climate finance



The Carbon Pricing Leadership Coalition

Driving effective carbon pricing around the world by 2020

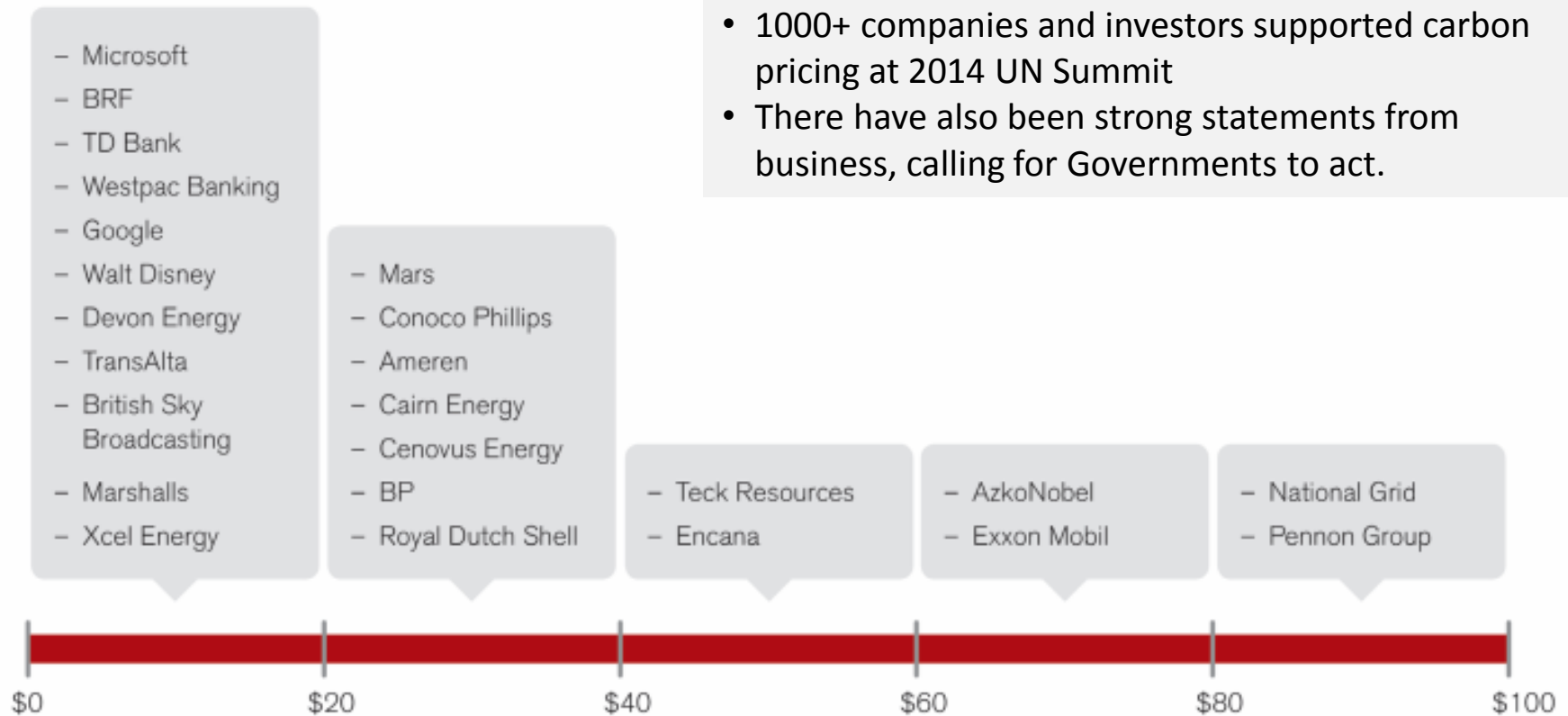
- The CPLC brings together **government, business, and civil society** leaders
- Partners share experiences to **expand the evidence base** for effective carbon pricing systems and policies
- Collaboration leads to **increased ambition, political support and action.**



Observations from the CPLC: there is widespread support for carbon pricing from business, as well as governments

Additional observations:

- 150+ companies are using an internal price on carbon
- 1000+ companies and investors supported carbon pricing at 2014 UN Summit
- There have also been strong statements from business, calling for Governments to act.



The price range of the average internal carbon price disclosed by companies to CDP

The Partnership for Market Readiness (PMR)

PMR provides support to countries to design and implement a range of climate change mitigation policies and cost-effective measures – including carbon pricing instruments – in order to scale up GHG mitigation and finance.

Objectives

- Improve technical and institutional “readiness”, including work on GHG registries; MRV systems, data collection and management tools, and regulatory frameworks
- Support piloting and testing of innovative market instruments [e.g., domestic emissions trading schemes (ETS) or scaled-up crediting mechanisms]
- Provide a platform for technical discussions and knowledge creation, country-to-country exchanges, and collective innovation on new market instruments
- Share lessons learned & best practices among policy makers and practitioners

Participation

18 developing countries/emerging economies & 13 donor countries



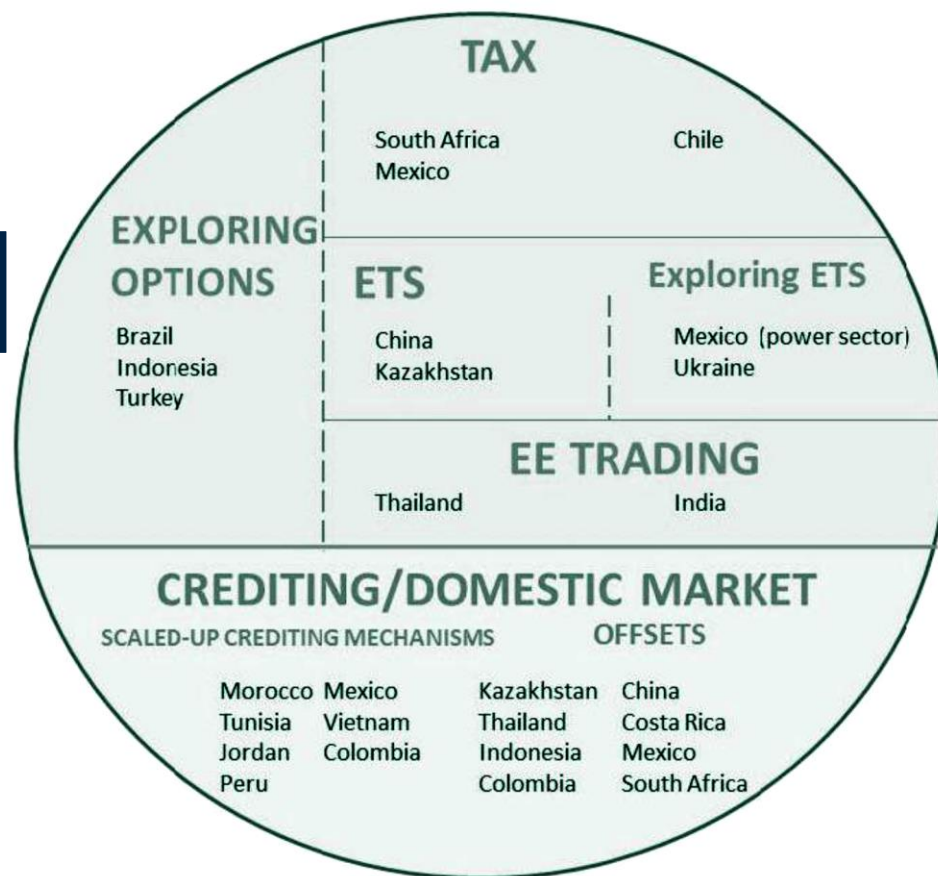
PMR's efforts to support countries in developing Domestic Market Approaches

Levels of PMR support to countries

Readiness building for facilitating a choice of instruments

Readiness building to facilitate a design of an instrument

Support for actual implementation of ETS, carbon tax or other instruments



The Networked Carbon Markets (NCM) initiative

	Component	Partners
1	Independent assessment framework to determine the climate change mitigation value of carbon assets and enable their fungibility in the international market.	<ul style="list-style-type: none">• IISD• NewClimate Institute• DNV GL• International Standards Organization
2	International Carbon Asset Reserve to support and facilitate carbon market related functions.	Climate Transparency Initiative. E.g. Comprises: <ul style="list-style-type: none">• Climate Action Tracker• Carbon Transparency Index• Climate Change Performance Index
3	International Settlement Platform To track cross-border trades and possible clearing house function.	<ul style="list-style-type: none">• INFRAS• Grantham Institute of Climate Change

Observations from the NCM Initiative's efforts to prompt a global discussion about post-2020 carbon market services and institutions

NCM's influence on the post-2020 discussion to date

'Mitigation Value'

Growing recognition of the importance of assessing Climate Change Mitigation Value, and its inevitability in the context of increasingly fragmented climate mitigation efforts.

Enhancing climate performance assessments

The Climate Transparency initiative is developing a common conceptual framework to coordinate the development and implementation of Climate Performance Assessments, while also assisting users to interpret the outcomes. It includes common language, terminology, concepts and agreement on general principles.

'Carbon Clubs'

Prompted alternative visions for linking domestic, bottom-up climate actions. Many innovative new approaches are now emerging. E.g., For 'carbon clubs'.

Upcoming studies to broaden and deepen the post-2020 discussion

- 'Comparison and Linkage of Climate Mitigation Efforts in a New Paris Regime' (**Harvard/IETA**)
- Achieving compatibility and synergy between NCM and Climate Clubs (**Climate Strategies**)
- NCM and its compatibility with a future UNFCCC regime' (**Marcu**)
- 'A model for NCM based on the key elements and principles of Comparative Markets' (**Macinante**)
- 'Options for Operationalizing a Carbon Trading Ratio Mechanism' (**Austin**)
- 'Enabling Comparability of heterogeneous Emissions Trading Systems – Caps, MRV frameworks and non-compliance penalties' (**Munnings**)

Conclusion – carbon pricing instruments and climate finance are complementary

- ❑ Public sector resources remain key drivers of the climate finance system, bridging viability gaps and covering risks that private actors are unable or unwilling to bear
- ❑ Carbon pricing is one type of policy framework that can be used to leverage greater climate finance flows
- ❑ The World Bank Group is involved in several initiatives to promote and enable carbon pricing, and subsequent flows of climate finance. Key observations include:
 - There is increasing momentum for carbon pricing both among business and Governments.
 - Countries are preparing/developing a very broad range of carbon pricing instruments
 - A future international carbon market has the potential to scale-up climate finance and should accommodate a wide range of heterogeneous carbon pricing instruments
- ❑ While carbon pricing has the capacity to deliver climate finance flows, delivering climate impact is as important as delivering climate flows

Thank you