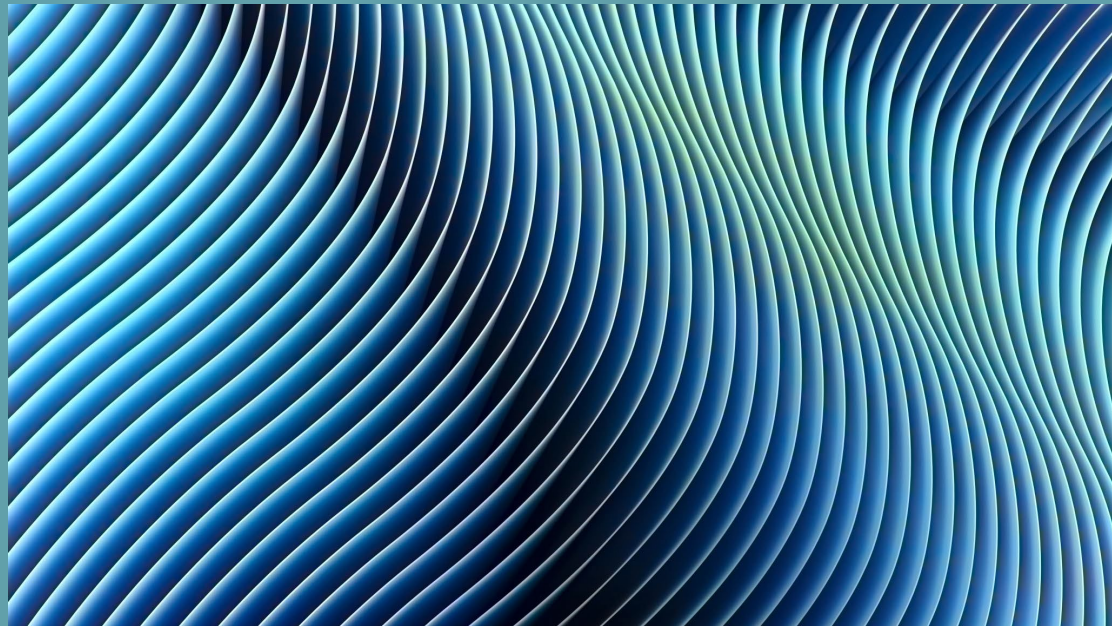


CAPACITY BUILDING FOR CARBON MARKETS – ROLE OF THE WORLD BANK



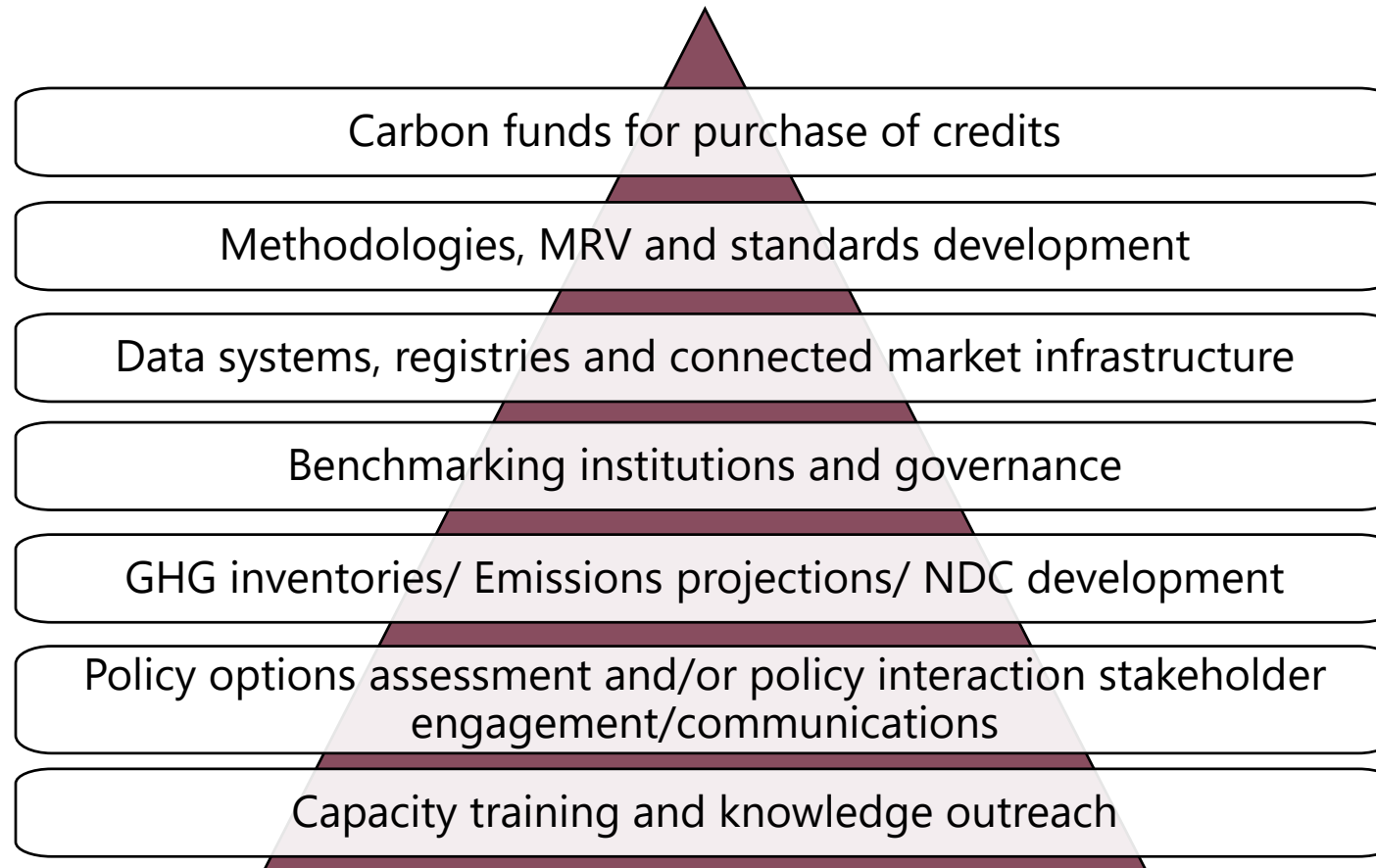
Wendy Hughes

**Practice Manager, Carbon Markets &
Innovation**



Working for carbon markets since Kyoto

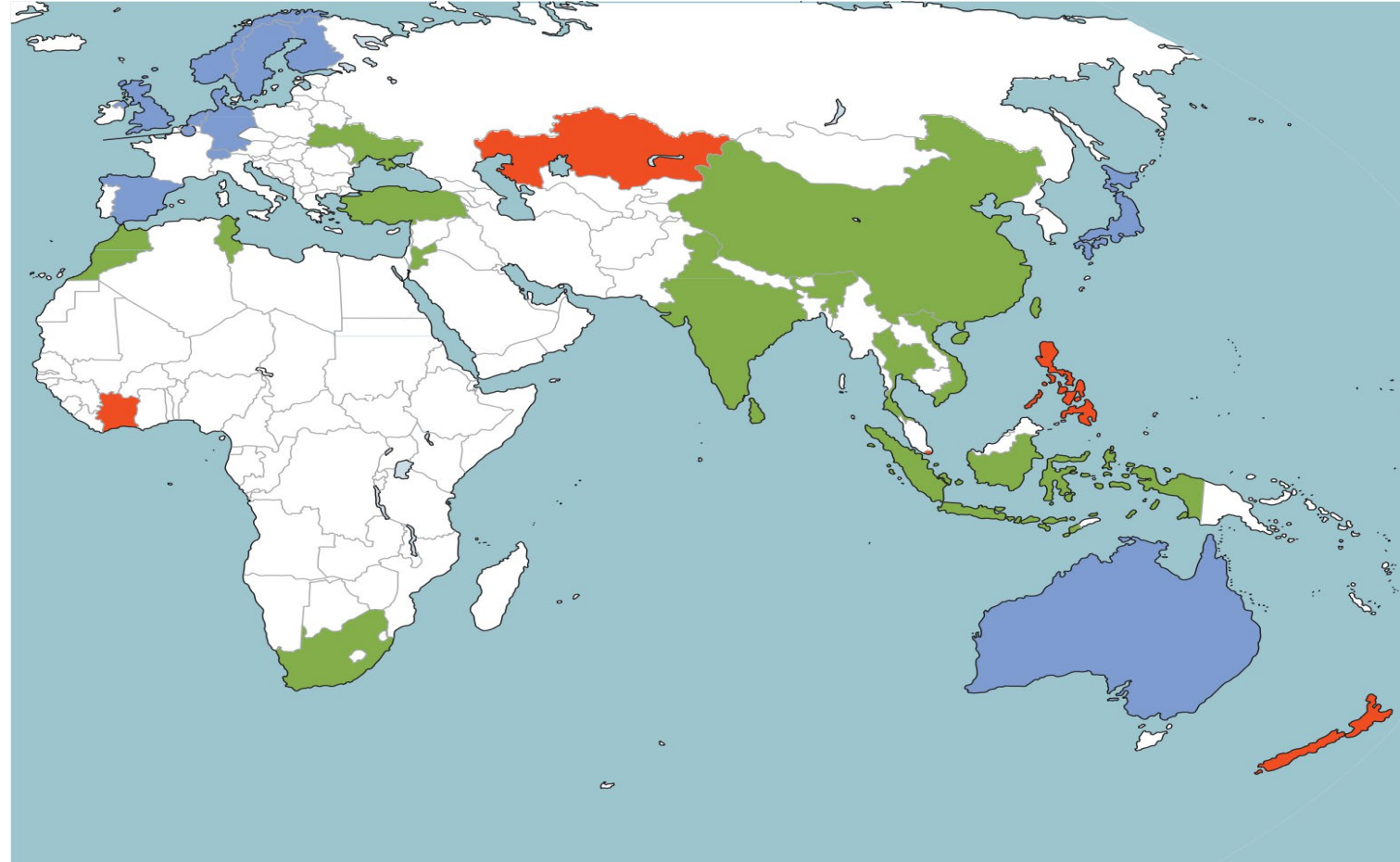
Since 2000, World Bank has supported development of carbon markets through implementation of Kyoto carbon funds, post-Kyoto facilities and various initiatives around the Paris Agreement including extensive capacity building and creation of the necessary building blocks.



Over the last decade, extensive capacity building was carried out through the Partnership for Market Readiness (2011-21)

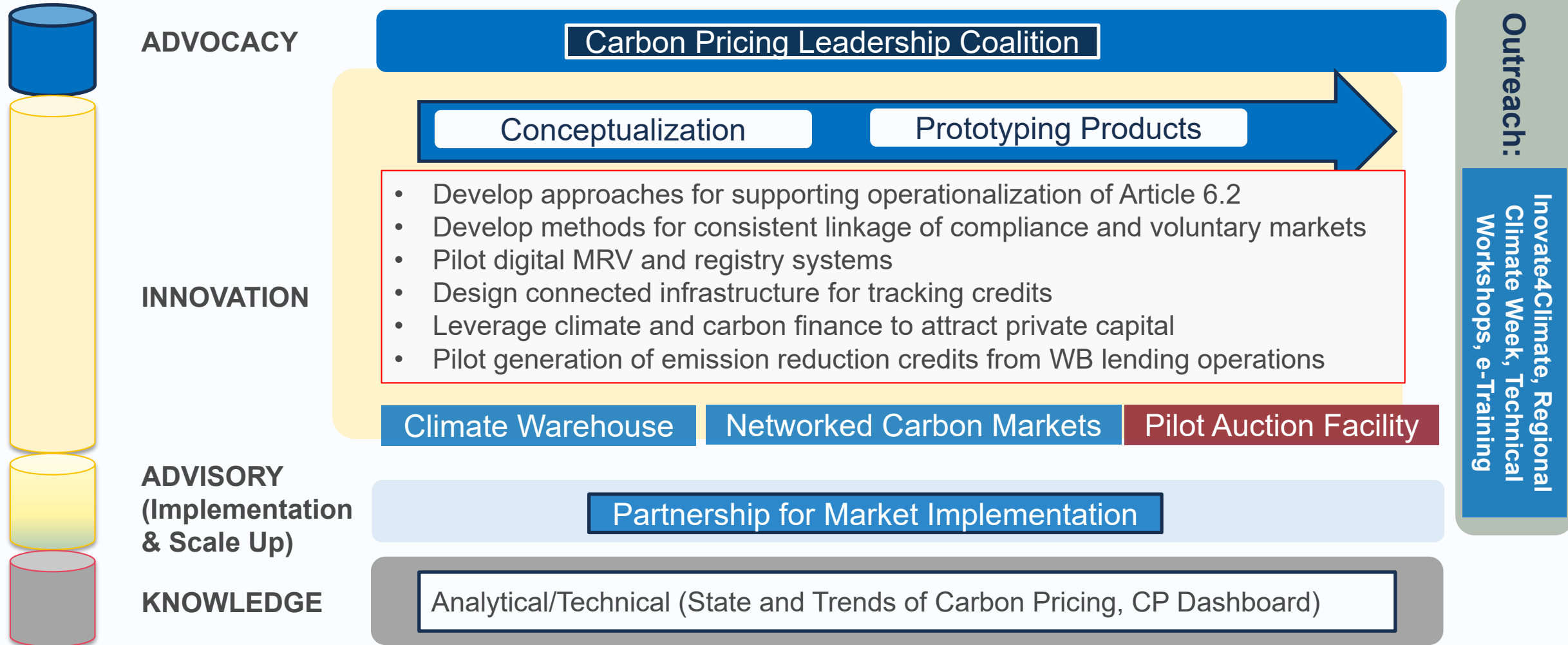
- 23 readiness countries
- 06 technical partners
- 13 donor partners
- Knowledge partners

- >20,000 professionals
- > 50 Publications
- 24 Partner Assemblies
- e-Training Courses
- Workshops



Partnership for Market Implementation Facility (PMIF)

➤ Product development, capacity, infrastructure, piloting and implementation:

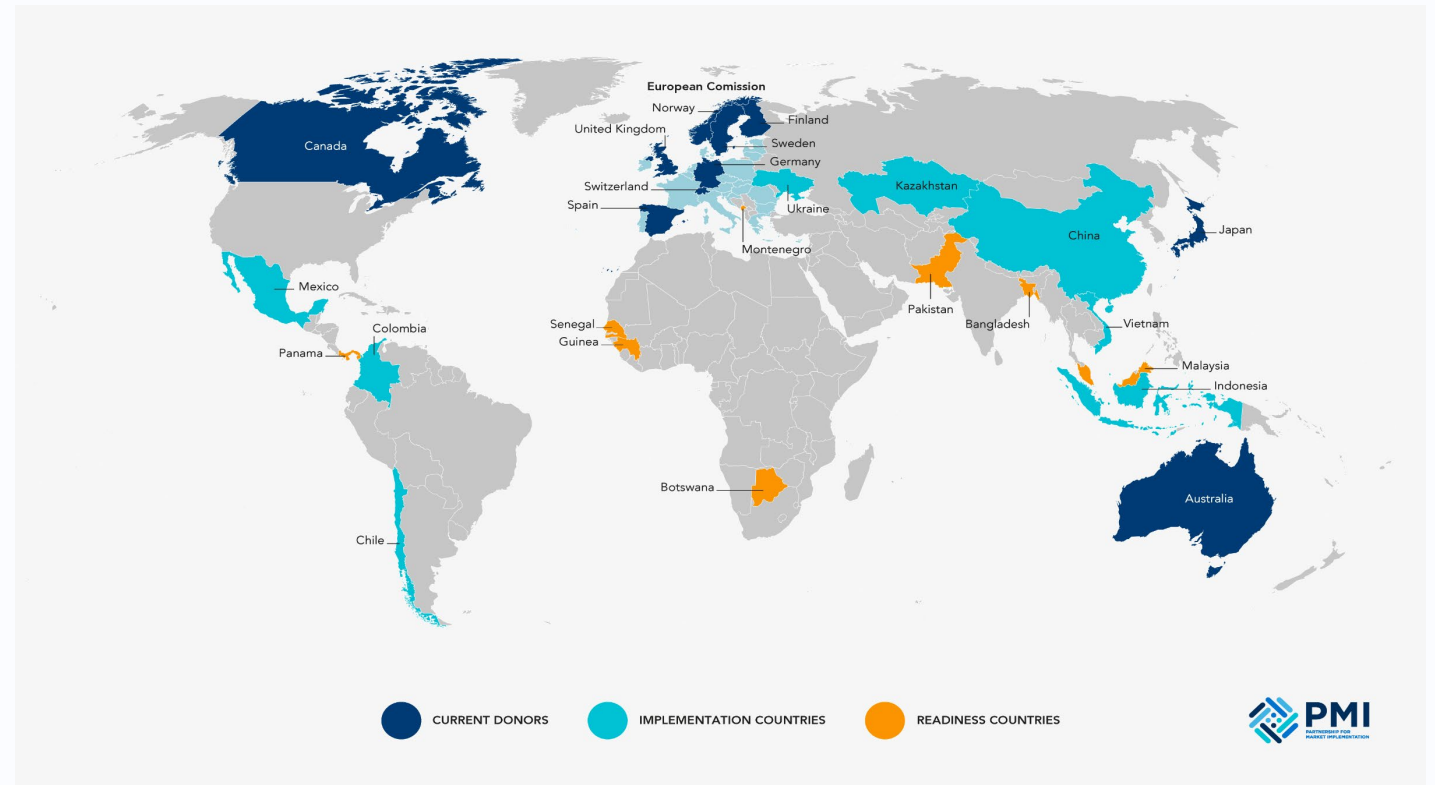


Capacity building for international carbon markets is part of PMIF mandate

Partnership for Market Implementation (PMI)

Supporting over 25 countries through 3 windows:

- **Implementation Support:** For 09 countries that have demonstrated political commitment to carbon pricing;
- **Readiness Support:** For 08 new countries committing to implement carbon pricing; and
- **Targeted support:** For regional, national and sub-national jurisdictions for harmonization of infrastructure, adoption of innovative tools, and development of transparent processes. (05 countries in Africa, 04 in Latin America)



Capacity building for international carbon markets is part of PMIF mandate

Climate Warehouse

The Climate Warehouse program conceptualizes and prototypes products for the carbon markets

The Climate Warehouse activities cover four themes.

For creating supply of emission reduction credits, the Warehouse program has been looking at the World Bank portfolio and pipeline for opportunities.

Activities to stimulate demand focusses on addressing key risks in the carbon market by developing approaches and products to leverage different forms of climate finance and identifies opportunities to attract private capital, including:

- **General terms and conditions for purchase:** Template documents for primary purchase contracts for emission reduction credits.
- **Guarantees:** MIGA breach of contract and World Bank policy reversal guarantee for corresponding adjustment.
- **Approaches for transparently monetizing emission reductions:** Exploring the role of auctions in price discovery of carbon credits with different attributes.
- **Buyers' platform:** Sharing lessons on the purchase of emission reductions



Creating MOs

Generate supply of MOs from World Bank lending



Warehousing MOs

Design connected infrastructure for tracking and recording of MOs (Climate Warehouse)



Trading MOs

Facilitate demand for and transactions of MOs through design of financial instruments and products

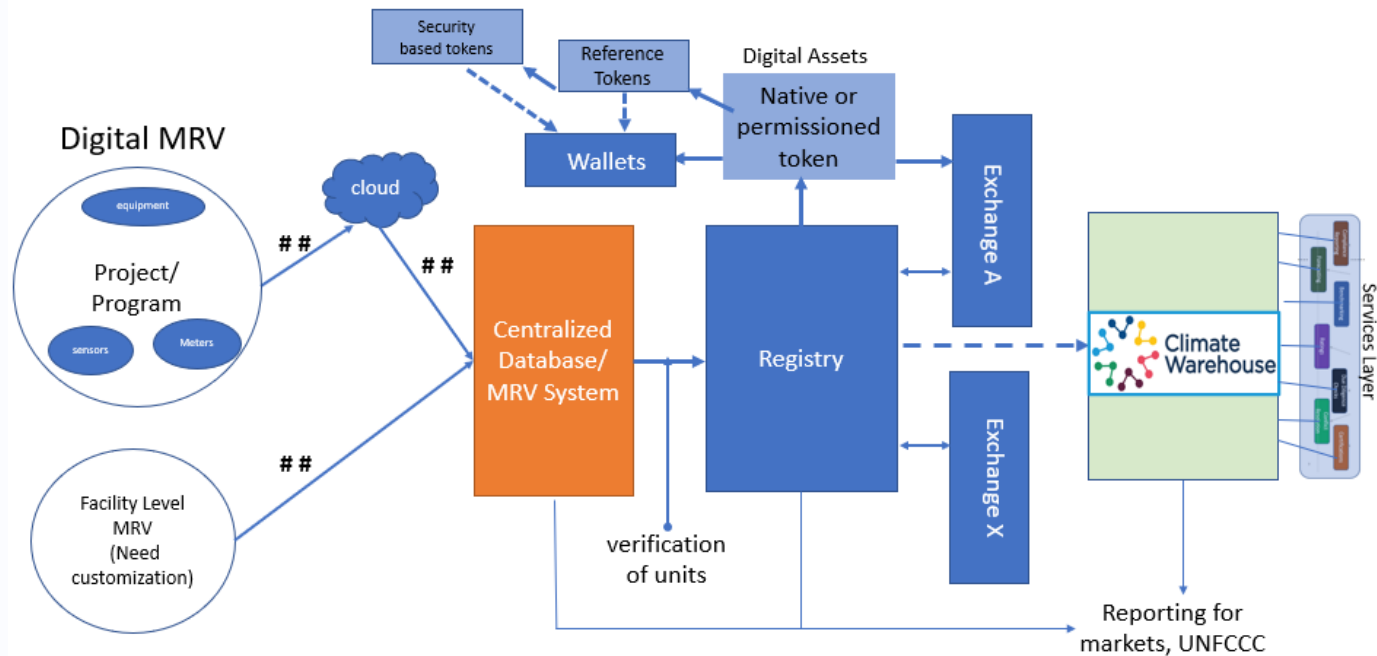
Create **enabling environment**, inform development of **regulatory framework**, **institutional arrangements** and efficient **market infrastructure** and associated **governance arrangements**, including:

- **Climate Market Club**
- **Approach Papers** on key technical issues related to Article 6
- **Assessment Frameworks** for enhancing comparability



CWH & PMI will help establish end-to-end digital infrastructure for a transparent carbon market

End-to-end- digital ecosystem for carbon markets, and beyond



- Goal is to have end-to-end automated and digitalized system, from mitigation project monitoring, reporting and verification system (MRV) to Registry to the market infrastructure through the Climate Warehouse with automated processes on a digital platform.

- Digitization of the MRV system will build on the work for the electricity sector in India, Jordan and in collaboration with other partners such as the EBRD.

- The initiative on digital MRV and productized MRV and Registry systems will coordinate through the Partnership for Market Implementation (<https://pmiclimat.org/>)



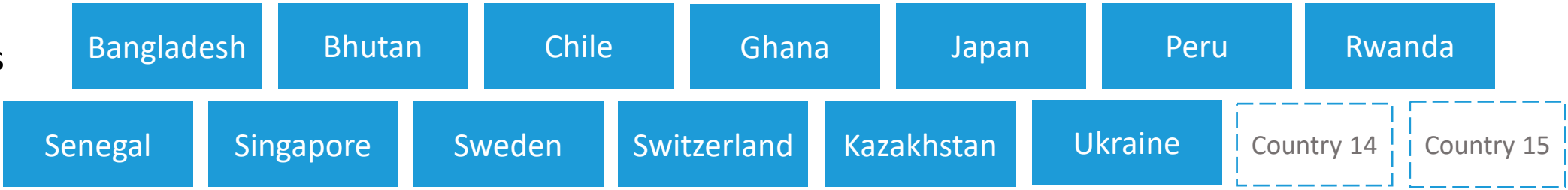
Climate Market Club consists of like-minded countries to discuss and learn about different aspects of Article 6

Governments agree on guidelines for piloting the generation, transfer, and use of mitigation outcomes

Principles

- Ensure environmental integrity of mitigation outcomes under Article 6.2 and increase ambition of climate action;
- Ensure corresponding adjustments and avoidance of double counting of mitigation outcomes; and
- Follow the rules and guidance that emerge from Article 6.2 of the Paris Agreement

Primary Members (Government)



Non-Primary Members (Non-Government)



Secretariat



Key conclusions and lessons from the experience so far

- Countries' comprehension of Article 6 rules and governmental role in implementation is rapidly evolving but there are still major gaps in understanding on what is needed to be put in place at domestic level. Facilitating exchange of experience from the initial pilots will be important to fill the gaps.
- Domestic level infrastructure (mainly registry) and capacity building are top priorities for many countries, even for those with Kyoto markets experience given the evolved nature of Article 6 framework. Coordinated efforts among development partners and initiatives will be helpful in providing concerted support. Use of new tools such as digital MRV can help in creating necessary infrastructure at much less cost and effort compared to the past.
- Support is needed for countries in prioritizing identification of sectors and mitigation activities eligible for international market transaction (without jeopardizing meeting the NDC targets) at a faster rate since uncertainty over these is making any cooperation and involvement in Article 6 pilots slow.



Key conclusions and lessons from the experience so far

- Rapid assessment of initial needs through available tools (e.g. WB's Mitigation Action Assessment Protocol – international market readiness (MAAP-ITR) can be useful in the preliminary decision making without investing too much time and resource. However, availability of data and information for such assessment remains a challenge and should be specifically addressed.
- Establishing a policy framework with legislative/regulatory support is very important to facilitate countries' participation in international markets
- Design of enabling policies/frameworks and institutional arrangements for various functions (authorization, inter-ministerial coordination, accounting, reporting, etc.) needs to take into account the specific country context including level of political buy-in, policy-making approach and institutional culture.



Thank You!

Program links & resources:

- Partnership for Market Implementation (PMI) - <https://pmiclimate.org/>
- Partnership for Market Readiness (PMR) – <https://thepmr.org/>
- Carbon Pricing Leadership Coalition (CPLC) - <https://www.carbonpricingleadership.org/>
- Climate Warehouse - <https://www.theclimatewarehouse.org/>
- Networked Carbon Markets - <https://www.worldbank.org/en/topic/climatechange/brief/globally-networked-carbon-markets>
- Innovate4Climate - <https://www.innovate4climate.com/>
- Pilot Auction Facility - <https://www.pilotauctionfacility.org/>

