Climate policy pathways after Paris

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Global Methane Initiative Event, 29 March 2016
Momentum
Paris Agreement: Global Governance in the Making

- **The Agreement**: A global framework to promote resilient and low carbon development growth.
- **UNFCCC process**: 188 countries submitted national commitments on their contribution to climate adaptation/mitigation goals until 2030. Eight countries are yet to comply.
- **Timelines**: INDCs will become NDCs after ratification by countries starting April 22, 2016
- **Ratcheting-up** of NDCs by 2020 every 5 years

Global objective (UNFCCC):
- Stabilization of GHGs concentrations in atmosphere at a level which allows ecosystems to adapt to climate change naturally.
- Limit GHG emissions until 2050 so that average global warming until 2100 remains below 2°C.
Paris Agreement = new rules of climate games

1. No more division between developed countries with mitigation obligations and developing ones without: (almost) all countries have contributed!

2. Rules of the game flipped:

3. In the first stage of a new game:
   - INDCs do not add up to 2-Degree target
   - INDCs differ in scope, level of details and ambition
   - No more blaming and shaming → bilateral sticks and carrots → coalitions and clubs
Level of Ambition underlying NDCs

NDCs actions will help to:

• Limit temperature rise to ~ 2.7°C by 2100 --without NDCs, temperature rise is projected to be around 4°C or more--

• Bring down global average emissions per capita by 9% in 2030 compared to 1990

• **Address Adaptation goals** - in addition to Mitigation- and targets

• Establish a process of ambition (every five years enhanced NDCs)

  ➢ Support for development of feasible and ratcheted up targets needed (by 2020, 2025, etc.)
Tailoring WBG NDC support to the stage of NDC development in a country

**WHAT?**
Support for targets
No INDC or no targets specified

**Upstream AAA**
- Analyze alternative targets
- Assess impacts of targets
- Analyze co-benefits

**HOW?**
Implementation support
INDC has targets but few policies to ensure implementation

**Midstream AAA/TA**
- Design enabling policy framework to change behavior of investors and consumers
- Create a full fiscal framework for climate-related policies
- Assess impacts of policies
- Assess political economy of reform
- Design of specific policy instruments
- Policy MRV

**HOW MUCH?**
Financing support
INDC or the country has adequate enabling policy framework in most sectors

**Financing support**
- Investment and financing planning
- Preparation of investment projects, DPL's, P4R's, or TA
- Financial products (including carbon and climate finance)

**Downstream Investment and financing support**
<table>
<thead>
<tr>
<th>Methane in (I)NDCs</th>
<th>coalbeds</th>
<th>oil&amp;gas systems (natural gas)</th>
<th>waste/ landfills</th>
<th>waste/ wastewater</th>
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No one left behind?

Helping transition of countries dependent on carbon intensive assets

- Understanding country exposure and vulnerabilities to international climate policies, technology megatrends of shifts in investors/consumers preferences affecting demand of fossil fuels and the costs of burning them

- Strategies to deal with major structural transformations without falling back into poverty trap or stranding systemic assets (flexibility, adaptability, resilience to shocks through portfolio diversification of national assets)

- Tools to make informed decisions under uncertainty about future climate policies and technology mega trends
The Carbon Pricing Leadership Coalition
Goal: to drive effective carbon pricing around the world by 2020

The Carbon Pricing Leadership Coalition formed in 2014, from a groundswell of support for carbon pricing at the UN Climate Summit, where 74 countries, 22 sub-national governments and more than 1,000 businesses agreed to work together to accelerate the uptake of carbon pricing.

The Coalition is translating this support into action by bringing together government, business, and civil society leaders to share experiences with carbon pricing and expand the evidence base for effective carbon pricing systems and policies—leading to increased ambition, political support and action.

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<th>Results indicators</th>
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<td># of governments implementing new carbon pricing policies</td>
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<td># of governments raising ambition on existing carbon pricing policies</td>
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<td># of businesses using internal carbon pricing</td>
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<td>Evaluation of effectiveness in delivering environmental &amp; economic results</td>
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Mobilizing Business Support for Increased Action

- An increasing number of businesses support carbon pricing and need support/tools to engage policy makers

**Activities**

**Pathways:**
- Create a set of narratives and a learning toolkit to aid discussion about how carbon pricing might scale up
- Convene dialogues to inform business decisions on the key role of carbon pricing to achieve a global economy aligned with a 2º C pathway.

  **Internal Carbon Pricing:**
  - Collect best practices and share experiences with business use of internal carbon pricing as a climate change “readiness” strategy
  - Encourage private sector partners to sign up to the UNGC program
  - Partner with UNGC, CDP & activate IFC colleagues

  **Supporting Business Advocacy:**
  - Provide CEO Briefing Papers and Carbon Pricing Pathways
  - Create business to business outreach opportunities and events through partner groups like IETA

**Deliverables**

- **Pathways**
  - Create narratives of success to demonstrate how & why carbon pricing is an effective tool for greenhouse gas mitigation

- **Internal Carbon Pricing**
  - Collect a set of best practices and case studies on how existing companies were able to implement effective carbon pricing

- **CEO Briefing Papers**
  - Collect and publish a set of messaging points which CEOs can use to help make the business case for carbon pricing
What’s the Business Case for Carbon Pricing?

✓ Lower costs of emissions reduction compared to alternative policies
  • Flexibility where, when and how to reduce emission
  • Discover unknown low-emission opportunities

✓ Improve economic efficiency by pricing true economic costs, including costs imposed on others

✓ Help achieve other policy objectives (e.g. local air quality, EE, RE)

✓ Mobilize financial flows between firms/countries

✓ Can efficiently raise additional government revenues

✓ Stimulate green technology innovation
Innovative financial products: Pilot Auction Facility – July 2015 auction results

**Auction Clearing Price**

$2.40 per tCO2e

Put option strike price

- **Volume of put options sold**: 8.7 million tCO2e
- **Put option premium**: $0.30/CER
- **Number of auction rounds**: 11

**Bidders**

- 28

**Countries**

- 17

**Winners**

- ABLY CARBON
- AMSTERDAM CAPITAL TRADING
- BATTRE BAHIA
- BENG ENGENHARIA
- BIOGÁS RIogrândense
- BP ENERGY ASIA
- CARBON2020
- ECOBURIS AMBIENTAL
- ISCCP INVESTMENT PLATFORM
- RELLENOS SANITARIOS
- S.P.M. FEED MILL
- TIMARPUR OKHLA
Lessons learned from the first auction

- 40+ lessons learned from the establishment of the facility and the first auction, summarized in report
- Report intends to inform entities that are considering replicating or scaling up the PAF mechanism
- Summarized in 5 categories:

<table>
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<tr>
<th>Category</th>
<th>Lessons</th>
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<tr>
<td>Auction Design</td>
<td>• Auction objectives, size and type</td>
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<td>• Number and types of participants</td>
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<td>Project eligibility</td>
<td>• Saving resources by leveraging existing monitoring, reporting, and</td>
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<td>verification (MRV) scheme</td>
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<td>Marketing</td>
<td>• Marketing and outreach critical to attract robust competition</td>
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<tr>
<td>Focus on risk management</td>
<td>• Early assessment of risks and mitigation strategies ensure more</td>
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<td>positive auction and delivery outcomes</td>
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<td>Delivery Mechanism</td>
<td>• Bonds offer an inexpensive and accessible put option delivery</td>
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The PAF will hold its second auction in 2016

- Auction will again focus on methane projects
- Verified Carbon Standard and Gold Standard methodologies added to CDM
- The PAF will test a forward auction, where the guarantee price is set and the premium is bid upwards
- A series of webinars, starting December 17th for interested parties
- Visit [www.pilotauctionfacility.org](http://www.pilotauctionfacility.org) for more information
Thank you for your time and attention

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Expansion of jurisdictions putting a price on carbon

39 national jurisdictions

23 sub-national jurisdictions

12% of global emissions (7 GtCO₂e)

The annual value of instruments implemented is just under US$ 50 billion.

Prices used vary from US$ 1-130/tCO₂e.

Key developments (2014-15):

- Portugal and Mexico have implemented new carbon taxes
- South Korea started one of the world’s largest emissions trading systems
- California and Quebec linked their cap-and-trade systems, which Ontario will join
- China announces a national ETS

INDCs intending to target coal bed methane
INDCs intending to target natural gas
INDCs intending to target landfill methane
INDCs intending to target wastewater methane
INDCs intending to target methane in agriculture