



Climate policy pathways after Paris

Tom Kerr, Lead, Climate Policy, International Finance Corporation
tkerr@ifc.org

Sebastian Wienges, Senior Climate Change Specialist, Climate Policy Team, World Bank
swienes@worldbank.org

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 and developing ones without: (almost) all countries have contributed!

2. Rules of the game flipped:

Kyoto Protocol

Top-down negotiations of individual national emission targets

Paris Agreement

Bottom-up, bilateral multistage game: bargaining and coalition building with carrots and sticks

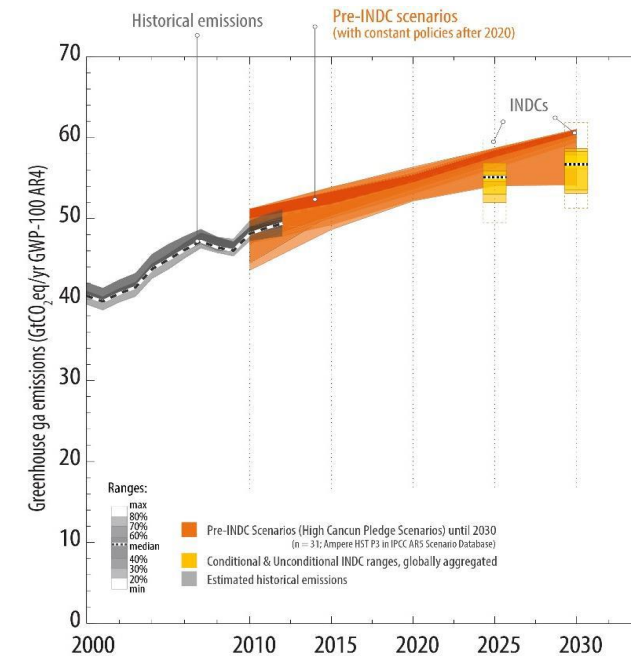
3. In the first stage of a new game:

- 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

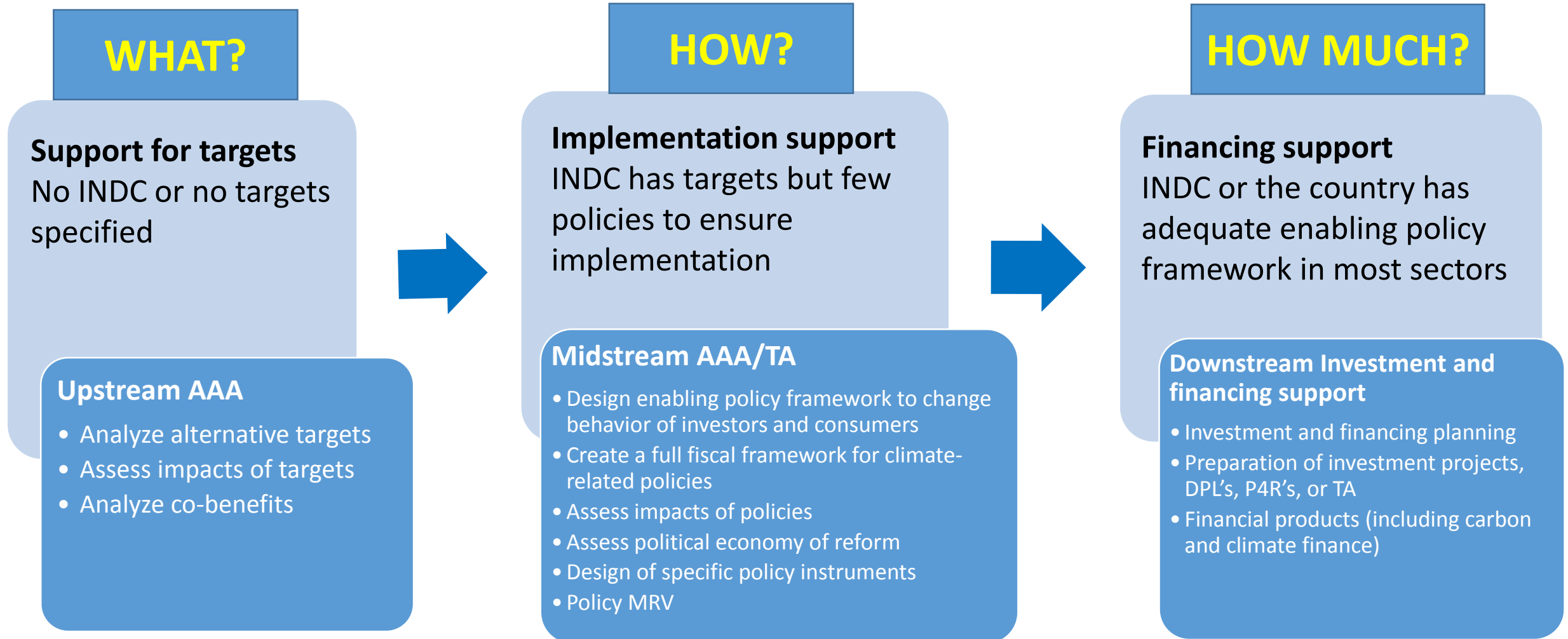
Level of Ambition underlying NDCs

NDCs actions will help to:

- Limit temperature rise to $\sim 2.7^{\circ}\text{C}$ 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



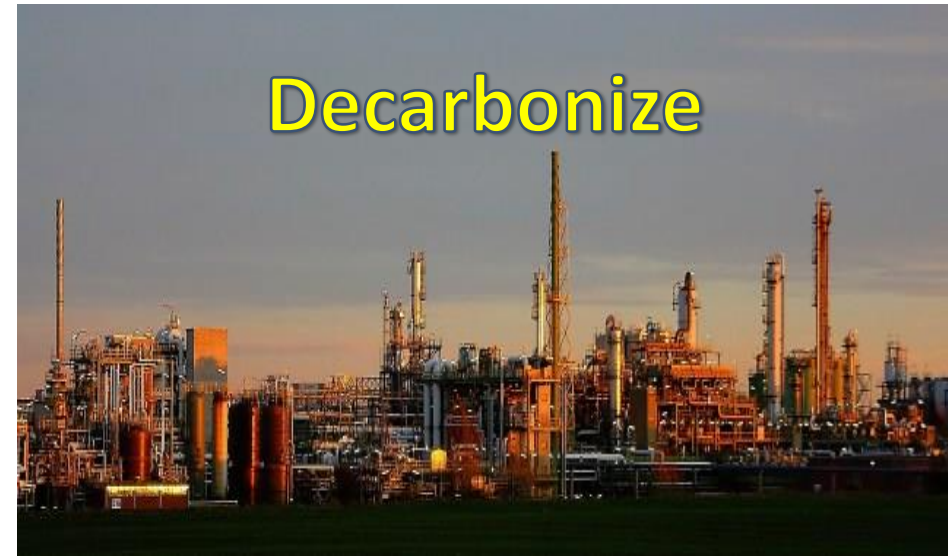
Methane in (I)NDCs

coalbeds	oil&gas systems (natural gas)	waste/ landfills	waste/ wastewater	agriculture
China	China	Marshall Islands	Burkina Faso	Benin
Bosnia-Herzegovina	Macedonia	Turkey	Madagascar	Namibia
Zimbabwe	Benin	Burkina Faso	Algeria	Senegal
	Ghana	Cabo Verde	Yemen	Afghanistan
	Mauritius	Cameroon		Bangladesh
	Mozambique	Gambia		
	Nigeria	Ghana		
	Sudan	Liberia		
	Tanzania	Malawi		
	Israel	Mozambique		
	Jordan	Rwanda		
	Morocco	Senegal		
	Saudi Arabia	Tanzania		
	Afghanistan	Iraq		
		Yemen		
		Afghanistan		
		Bangladesh		
		Dominica		
		El Salvador		
		Uruguay		

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



Germany – diversified modern economy



Termirtau, Kazakhstan. Region heavily dependent on carbon intensive industry

The Carbon Pricing Leadership Coalition

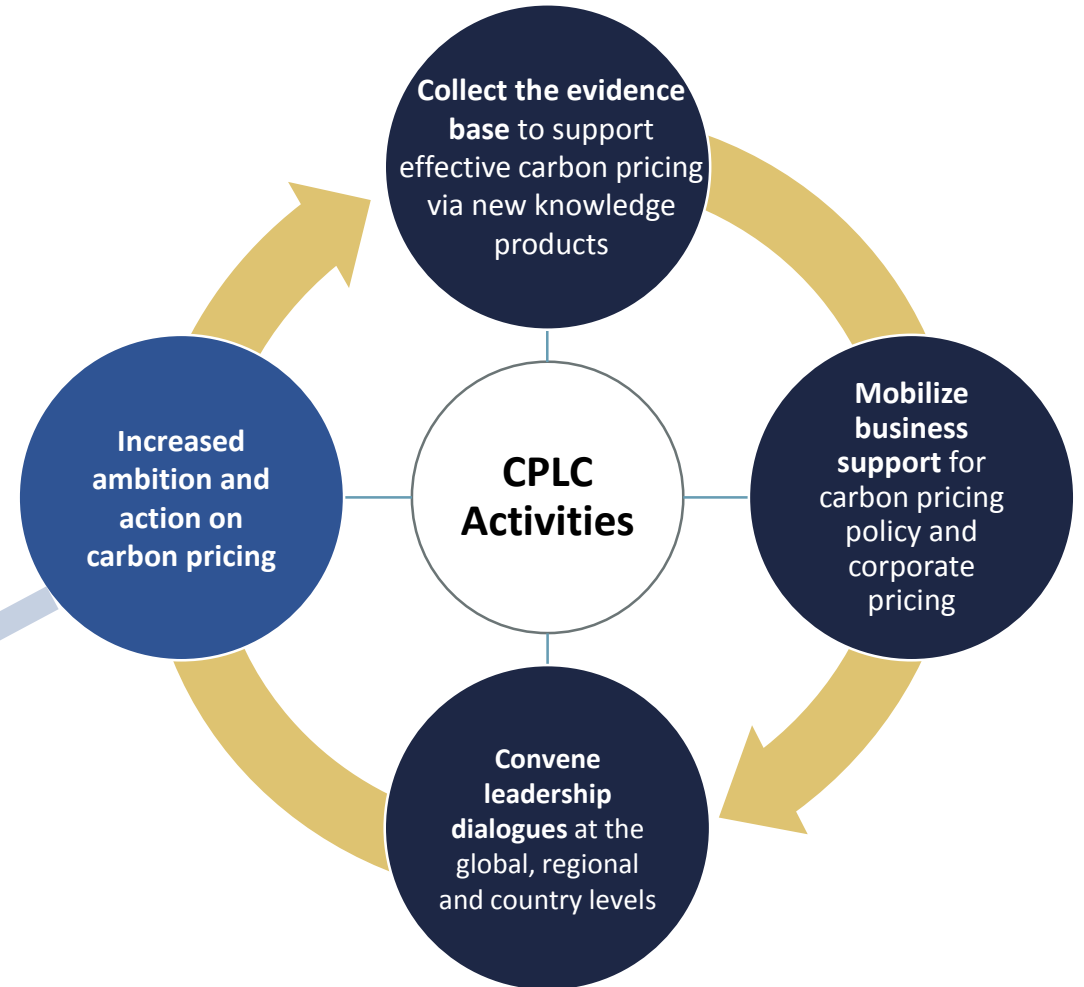
Goal: *to drive effective carbon pricing around the world by 2020*

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.

Results indicators

- # of governments implementing new carbon pricing policies
- # of governments raising ambition on existing carbon pricing policies
- # of businesses using internal carbon pricing
- Evaluation of effectiveness in delivering environmental & economic results



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 2° 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

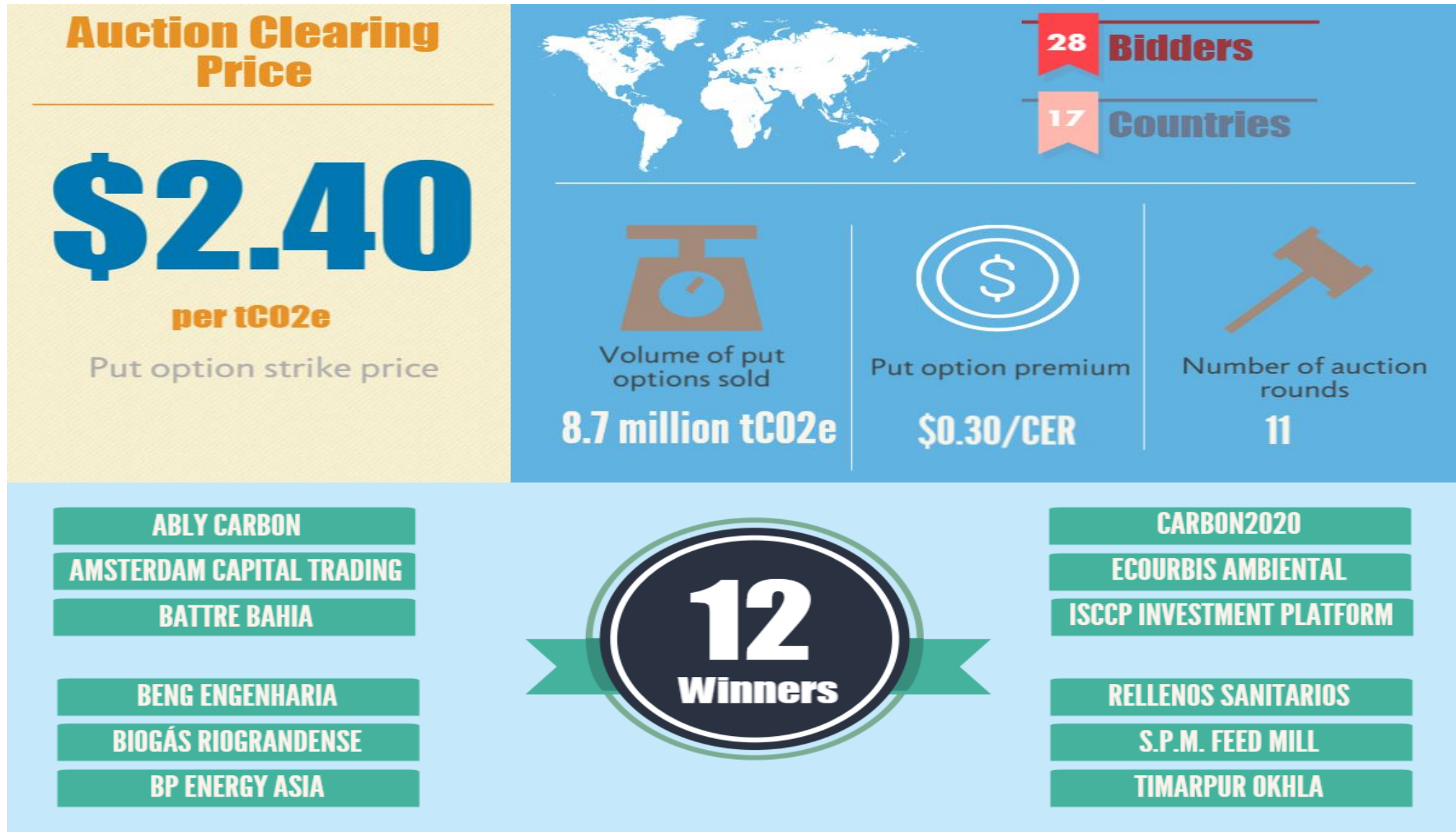
CEO Briefing Papers

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



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:

Auction Design

- Auction objectives, size and type
- Number and types of participants

Project eligibility

- Saving resources by leveraging existing monitoring, reporting, and verification (MRV) scheme

Marketing

- Marketing and outreach critical to attract robust competition

Focus on risk management

- Early assessment of risks and mitigation strategies ensure more positive auction and delivery outcomes

Delivery Mechanism

- Bonds offer an inexpensive and accessible put option delivery mechanism



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 screenshot shows the website's header with a search bar and navigation menu. The main content area features a large banner for the 'Pilot Auction Facility for Methane and Climate Change Mitigation' with a 'Read More' link. Below the banner are three smaller sections: 'Auctions' with a keyboard key image, 'What's New?' with a photo of a facility, and 'Recently updated' with a video player icon and a list of updates including 'Bond Terms published' and 'Bidders' Q&A'.

- 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 for more information

**Thank you
for your
time and attention**

Tom Kerr,
Lead Climate Policy
tkerr@ifc.org

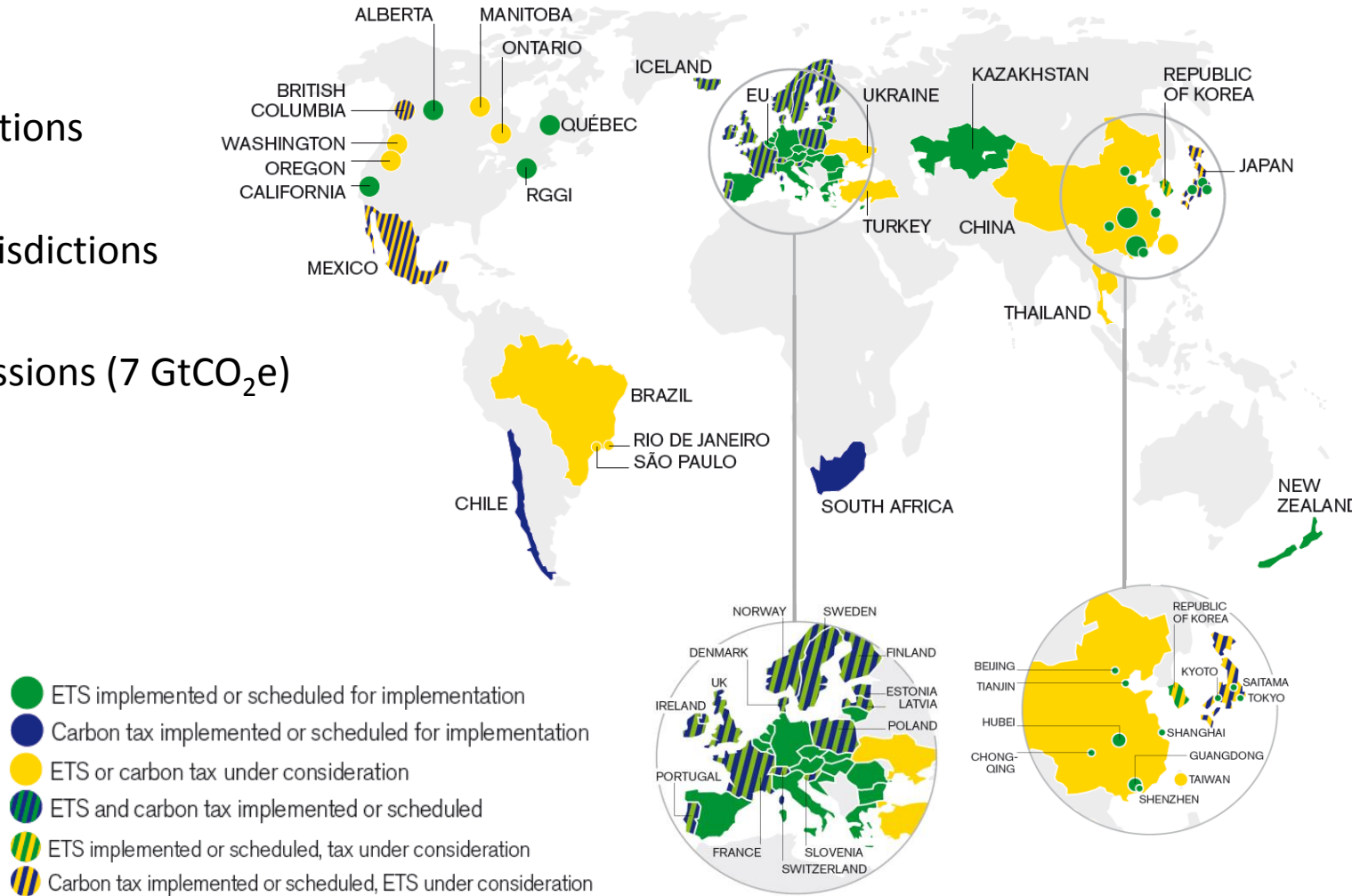
Sebastian Wienges,
Sr. Climate Change Specialist,
swienges@worldbank.org

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

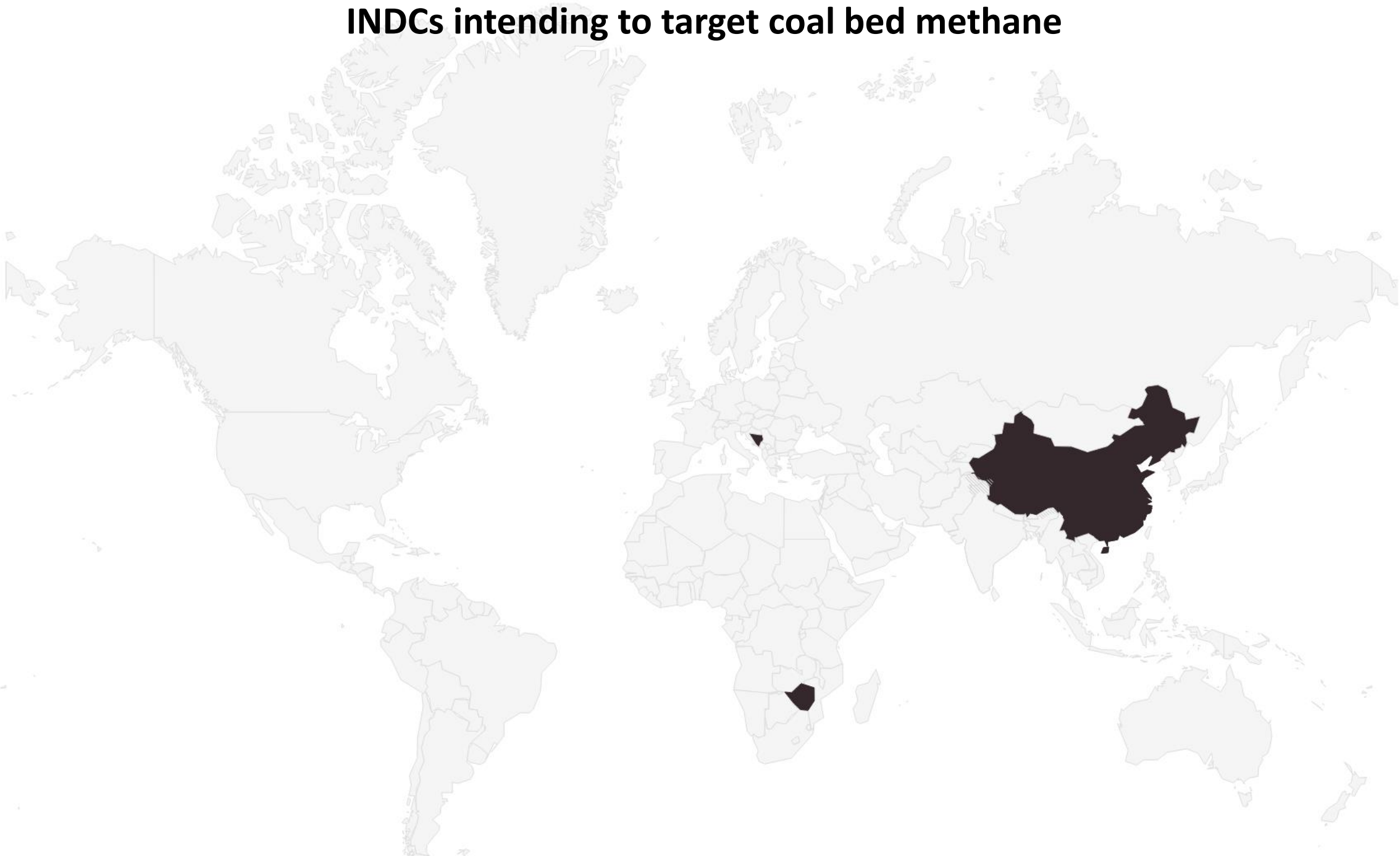
South Korea started one of the world's largest emissions trading systems

California and Quebec linked their cap-and-trade systems, which **Ontario** will join

China announces a national ETS

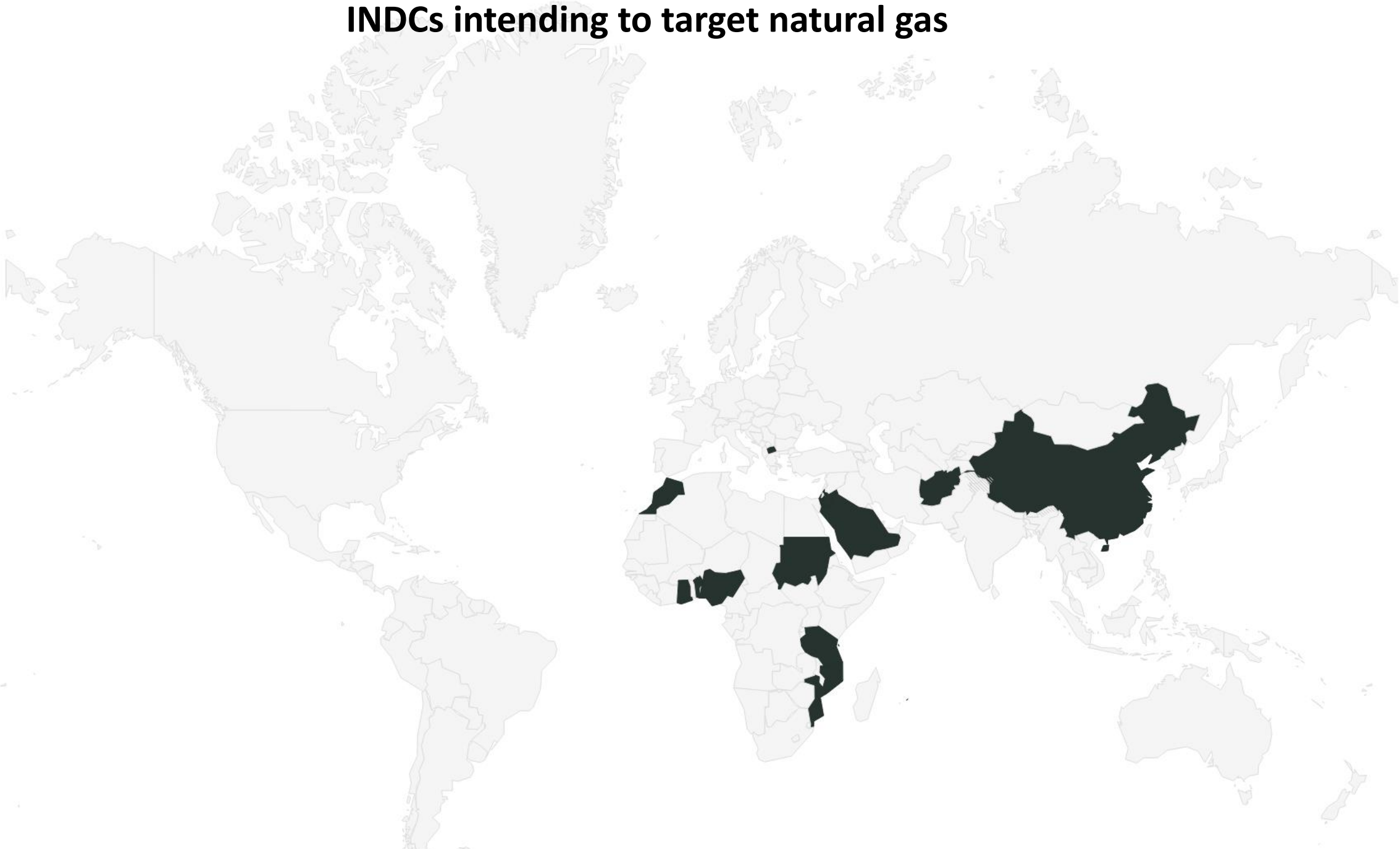
Please Select: coalbeds oil&gas systems waste/landfills waste/wastewater agriculture

INDCs intending to target coal bed methane



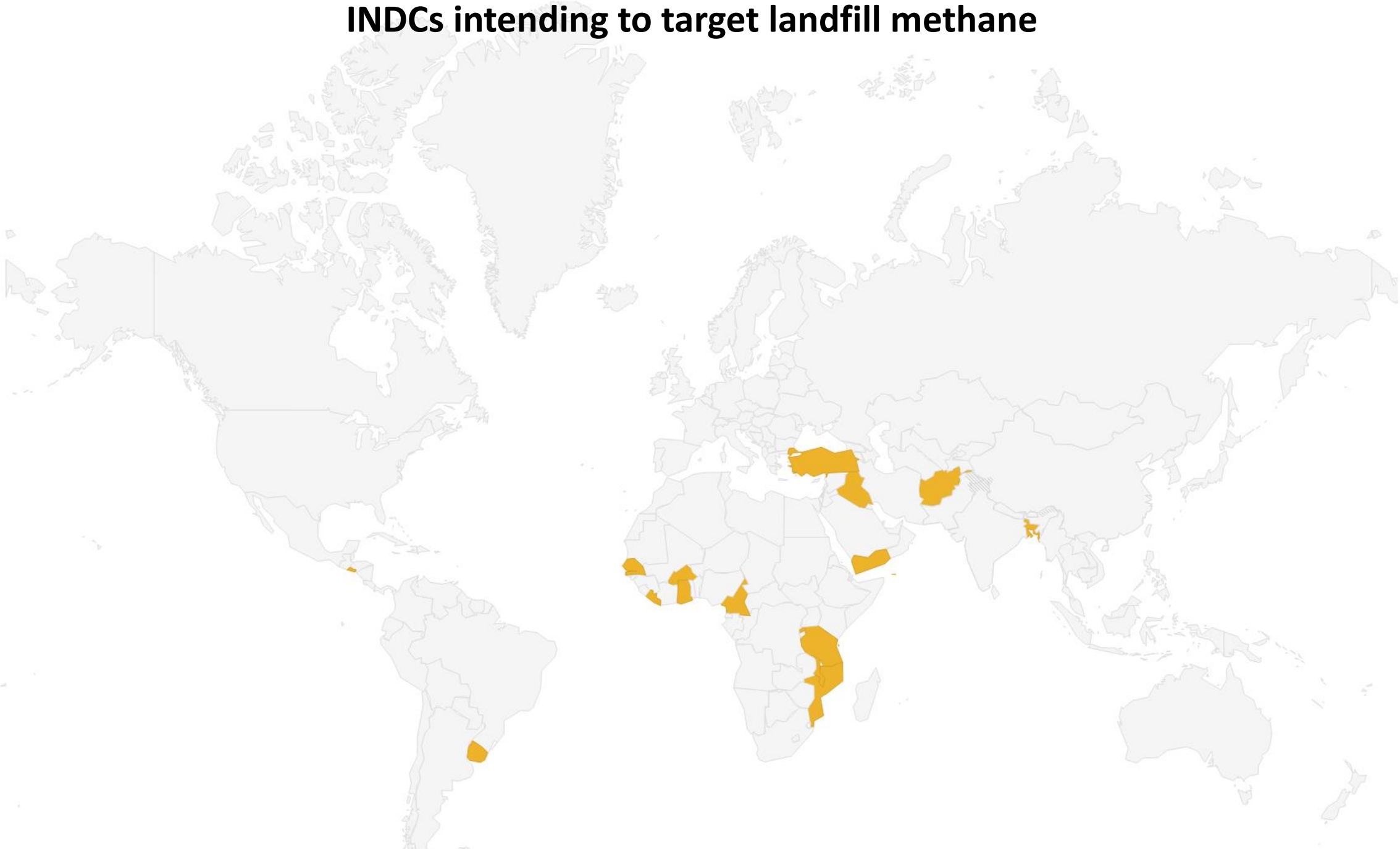
Please Select: coalbeds oil&gas systems waste/landfills waste/wastewater agriculture

INDCs intending to target natural gas



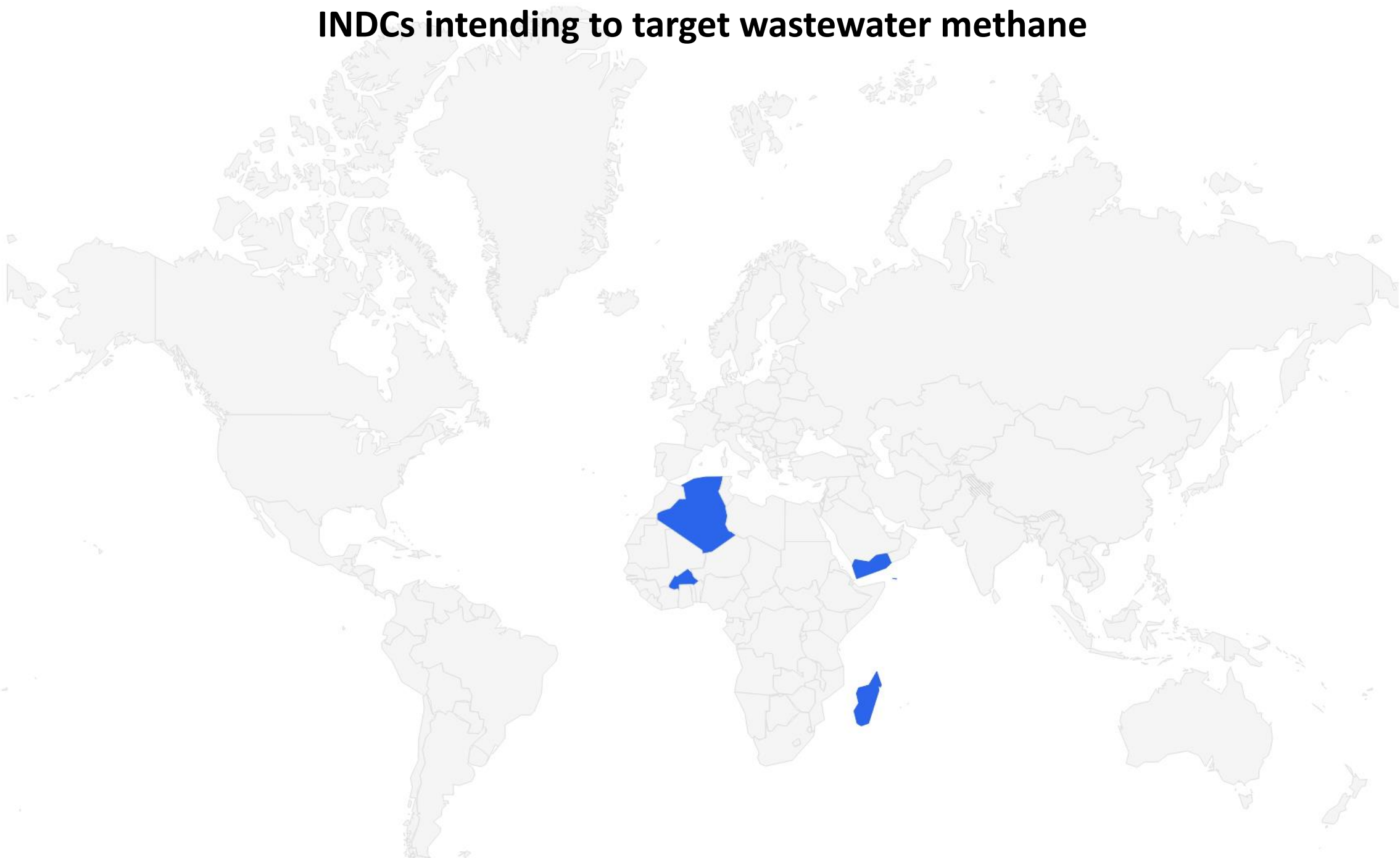
Please Select: coalbeds oil&gas systems waste/landfills waste/wastewater agriculture

INDCs intending to target landfill methane



Please Select: coalbeds oil&gas systems waste/landfills **waste/wastewater** agriculture

INDCs intending to target wastewater methane



Please Select: coalbeds oil&gas systems waste/landfills waste/wastewater **agriculture**

INDCs intending to target methane in agriculture

