

SESSION 6. NAVIGATING THE POLITICAL ECONOMY OF CARBON PRICING AT A COUNTRY LEVEL

PMIF GLOBAL KNOWLEDGE FORUM
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DRIVING TOWARDS CARBON PRICING AS **A DELIVERY INSTRUMENT**, CREATING OPPORTUNITY



External: Greening Finance

- Taxonomies and Disclosures
- Transition Risk Management
- Alignment with Paris Agreement / Net Zero Pledges

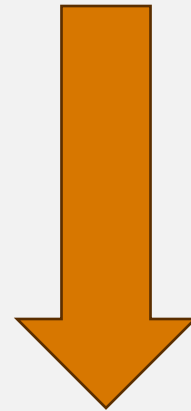
Internal: National

- Long Term Strategy
- NDC
- Fiscal Revenues for innovation, resilience and just transition
- Private sector mobilisation

External: Green Business

- Greening value chains
- CBAM (MRV starts Oct 2023)
- Competitiveness (new technology)
- Corporates net zero targets driving demand for carbon credits.

Songwe – Stern Report Significant Climate Investment Scale-up Needed
Carbon Pricing as systemic change enabling investments by private sector



IETA – UoM report shows that markets lead to cost efficiency (important in context of new climate finance targets).

CARBON PRICING

Co-operation, business and cost efficiency help to drive the uptake of climate ambition

WHAT DO WE OBSERVE? CARBON MARKETS ARE KEY TO **SYSTEMIC TRANSFORMATION**



Past 2 years saw a sharp increase in attention to carbon market and related systems:

- EU ETS Reform has led to significant higher EU Allowance prices
- Initiatives like G7 Climate Club, Canadian Global Carbon Pricing Challenge
- COP26 / COP27 decisions to operationalize Article 6
- A source of revenues for the climate funds.
- Value 2021 VCM credits (~\$2 billion) at par with the grant equivalent of climate funds commitments.

However, carbon markets to further grow at the speed / scale needed:

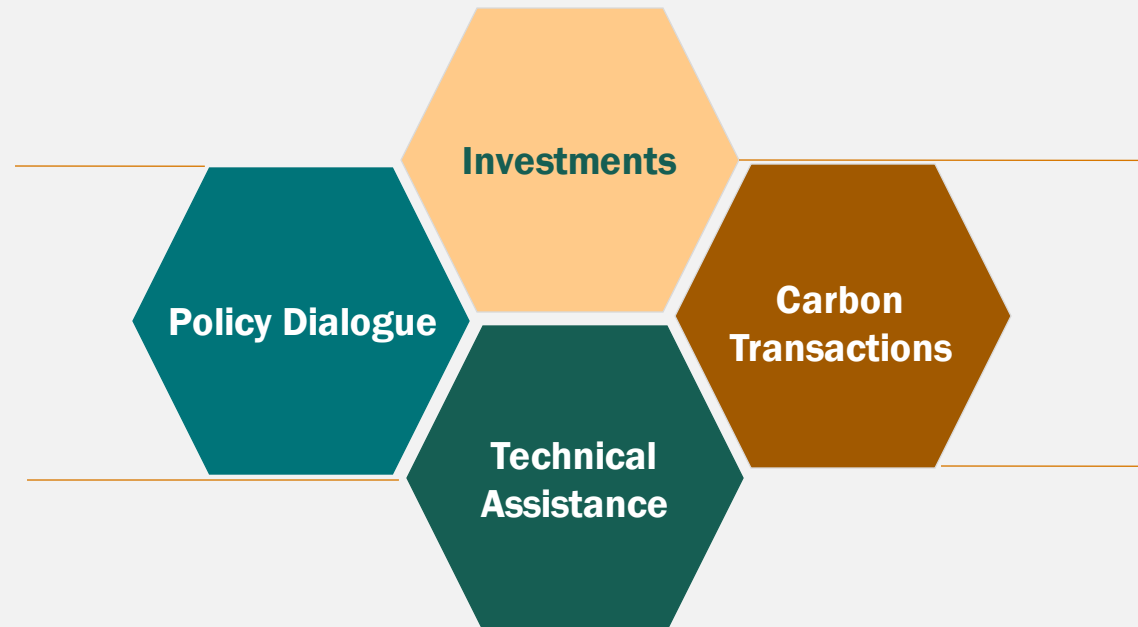
- Interaction with LTS/NDC, Paris Agreement alignment and net zero
- Interaction with greening financial systems
- Need for robust information (diagnostics); of use for policy and financing decisions
- Capacity building needs for countries, article 6 may help to trigger domestic carbon pricing
- Blend carbon market with climate funding to be the markets makers (to trigger results)
- Larger scale programmes for Article 6 and VCM needed, e.g. to drive a just energy transition
- Ensure high integrity (methodologies, standards, MRV and registries), digitalisation
- Ensure collaboration to reduce complexities and fragmentation

A MULTIDIMENSIONAL APPROACH AND COALITION BUILDING ARE KEY TO NAVIGATE THE POLITICAL ECONOMY OF CARBON PRICING



- Different actors will have different understanding and incentives, thus the need to combine policy and stakeholder dialogue, pilot transactions, investments and technical assistance in order to make the case for, and implement, carbon pricing.
- To overcome political challenges, any driving force behind carbon pricing implementation should build broad coalitions that support it. This ‘support coalitions’ should include relevant ministries, **financial sector**, environmental NGOs and green businesses (e.g. Foreign Investor Council).

- Support countries integrating carbon markets in NDCs and LTSs
- Capacity building for GHG accounting, D-MRV
- Support countries with the implementation of carbon pricing instruments (ETS, carbon tax, A6)
- Engaging in policy dialogue - UNFCCC, J-MDB Working Group, IETA, ICAP, VCM-standards
- Support recycling of auctioning proceeds (e.g. EU Innovation Fund, Modernisation Fund)



Leveraging carbon markets to facilitate flows into:

- Green Financial Systems
- Industrial Decarbonisation
- Sustainable Food Systems
- Energy Systems Integration
- Cities and Environmental Infrastructure
- Sustainable Connectivity
- Green Buildings
- Natural Capital

CASE STUDY

EBRD MIDSEFF CARBON MARKET DEVELOPMENT PROGRAMME (TÜRKIYE)



I. NATIONAL LEVEL



Promoting initiatives that can further increase **participation of sovereign and private sector actors** in the national and international carbon market incl. advising on the impacts of **CBAM, Article 6, CORSIA and the Turkish ETS**

II. BANK LEVEL



Banks are well positioned to help clients manage the risks and opportunities created by carbon markets. **EBRD provides training to Turkish partner banks** across a range of carbon market activities, including project origination; trading & brokerage

III. PROJECT LEVEL



TA to renewable energy and energy efficiency projects that are eligible for carbon financing. This support included **carbon asset development and monetisation of the generated carbon credits** under relevant carbon standards.

www.turkishcarbonmarket.com

AKBANK



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TÜRKIYE BANKASI



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Garanti

YapıKredi



Partner:



ERCST
European Roundtable on
Climate Change and
Sustainable Transition



THANK YOU



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