

Technical Workshop

Country Experiences on Using International Carbon Markets to Achieve NDC Targets

*March 29-31, 2023
Kigali Serena Hotel
Kigali, Rwanda*

I. BACKGROUND

At the Glasgow Conference of the Parties (COP26), the Rulebook for the Paris Agreement was adopted. This included decisions around Article 6, which puts the basic framework in place for international carbon markets. Follow up discussions during the COP27 in Egypt brought more clarity on various operationalization aspects including the infrastructure and reporting requirements for countries. Despite the finalization of the rulebook and increased clarity on different technical aspects of markets under Article 6, increased support to understand the evolving requirements of carbon markets and infrastructure needs to operationalize at domestic level is urgently needed for aspirant host countries looking to generate and transact market eligible carbon credits. With the launch of different initiatives, support mechanisms for countries and pilot transactions, there is an opportunity to coordinate, collaborate and learn from each other. As such, cohesive national strategies that would allow a country to balance decarbonization targets, effective utilization of international carbon markets and to leverage these to access increased climate finance flows are also needed.

The World Bank's Partnership for Market Implementation Facility (PMIF) promotes carbon pricing policies and development of next generation carbon markets. Under the facility, the Partnership for Market Implementation (PMI)¹, an anchor trust fund, was launched in 2021 to assist countries to design, pilot, and implement carbon pricing instruments aligned with their development priorities and facilitate their participation in international carbon markets through policy frameworks, infrastructure requirements and capacity building. In the initial round of support the PMI is working with 17 countries—nine on implementing activities and eight on building readiness for domestic carbon pricing as well as facilitating their participation in international carbon markets. The PMI is also implementing a regional capacity-building program on carbon markets and pricing in Sub-Saharan Africa. In addition, the Climate Warehouse program² under the PMIF Innovation pillar supports countries with operationalization of international carbon markets through Climate Market Club and prototyping of the Climate Action Data Trust³.

The PMIF also has a complementary initiative – Compact with Africa Green Business Fund (CwA GBF) - to help countries leverage carbon markets and attract green/climate finance and to enable African small and medium-sized enterprises (SMEs) and Financial Intermediaries (FIs) to access these finance flows. The CwA aims to achieve this objective through: (1) policy dialogue and creating an enabling environment; (2) capacity building and technical assistance; and (3) deployment of innovative financial instruments.

¹<http://pmiclimate.org>

² <http://theclimatewarehouse.org>

³ <http://climateaciondata.org>

This two- and half day workshop, jointly organized by the PMI and CwA GBF, aims to facilitate discussions and support learning and information sharing between countries, which already have experience in building readiness to participate in international carbon markets and identifying opportunities to access associated financing flows. The workshop will address various topics including key ingredients to shape country strategies, such as country-level policy framework, building infrastructure such as Measurement, Reporting, and Verification (MRV) and registry system, pricing considerations, capacity building needs, private sector requirements and other related aspects. Additionally, the interaction between country participation in international carbon markets and using domestic carbon pricing instruments will be discussed.

II. AGENDA

Day #1	
8:30 – 9:00 Registration	
Opening and Welcome	
9:00-9:20	<p>Welcome</p> <p>Venkata Ramana Putti, Program Manager, Partnership for Market Implementation, World Bank</p> <p>Opening Remarks</p> <ul style="list-style-type: none"> • Juliet Kabera, Director General, Rwanda Environment Management Authority, Government of Rwanda • Rolande Simone Pryce, Country Manager, World Bank Rwanda
<p>Session 1: Updates on UNFCCC COP27 and latest developments</p> <p>This introductory session will discuss the updates on international carbon markets following the COP27 in Sharm el-Sheikh, Egypt, and will take stock of the latest developments in different regions.</p>	
9:20-10:45	<p>Moderator: Venkata Ramana Putti, World Bank</p> <ul style="list-style-type: none"> • Phillip Eyre, UN Climate Change Secretariat • Sherif Ayoub, Senior Director, Finance and Operations, Sustainable Energy for All and Technical Director, Africa Carbon Markets Initiative • Maiko Uga, Section Chief, Director of International Negotiations, Office of Director for International Cooperation for Transition to Decarbonization and Sustainable Infrastructure, Japan • Ousmane Fall Sarr, West African Alliance on Carbon Markets and Climate Finance • Isaac Rubayiza, Eastern Africa Alliance on Carbon Markets and Climate Finance <p>Q&A</p>
10:45-11:15	Coffee Break
<p>Session 2: Building a country-level policy framework on Article 6</p> <p>Article 6, compared to the requirements for the Clean Development Mechanism (CDM) under the Kyoto Protocol, requires considerably higher levels of engagement and oversight from host countries, including decisions on how to quantify, monitor, verify, authorize, and report emission reductions. Establishing a</p>	

national policy framework that outlines their approach to operationalizing Article 6 can provide clarity to the private sector and potential buyers, as well as facilitate negotiations and subsequent agreements.

This session will discuss what such a country-level policy framework could look like and how it can support the country's participation in carbon markets. Specifically, the session will focus on the framework to authorize emission reductions for Cooperative Approaches under Article 6.2.

11:15-12:45	<p>Moderator: Gareth Phillips, African Development Bank</p> <ul style="list-style-type: none"> • Daniel Lamptey, Environmental Protection Agency, Ghana • Faustin Munyazikwiye, Deputy Director General, REMA, Rwanda • Ousmane Fall Sarr, West African Alliance on Carbon Markets and Climate Finance • Juan Pedro Searle, Head of Climate Change Unit, Division for Energy and Environmental Policies and Studies, Ministry of Energy, Chile <p>Q&A</p>
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12:45-14:15	Lunch Break
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Session 3: Institutional and Governance Arrangements
 Countries intending to engage in cooperative activities will need their own robust institutional and governance framework at the domestic level to make informed decisions on their participation in international carbon markets and to respond to requirements of market participants. This session will discuss institutional requirements to establish the policy and regulatory process that defines and supports the country's participation in carbon markets and how coordination between different domestic actors could be achieved, including addressing challenges with achieving such engagement across different actors.

14:15-15:15	<p>Moderator: Fenella Aouane, Global Green Growth Institute (GGGI)</p> <ul style="list-style-type: none"> • Maiko Uga, Section Chief, Director of International Negotiations, Office of Director for International Cooperation for Transition to Decarbonization and Sustainable Infrastructure, Japan • Syeda Hadika Jamshaid, Carbon Market Advisor, Pakistan • Baba Drame, Directeur de l'Environnement et des Etablissements classés, Ministère de l'Environnement et du Développement durable, Senegal (tbc) • Sandhya Srinivasan, World Bank <p>Q&A</p>
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15:15-15:45	Coffee Break
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Session 4: Formulation of Pricing Strategy
 Every country has mitigation opportunities in different sectors with varying abatement costs depending on factors such as the maturity of technologies, access to finance, policy support, and natural resources available. Without informed decisions on which sectors and measures would be eligible for carbon markets, the cost of mitigation, and opportunity costs to meet their NDCs, countries could find themselves in a position where they must implement more expensive mitigation activities to meet their NDCs due to prior Corresponding Adjustment commitments for transferred Authorized emission reduction credits. This session will discuss how the opportunity cost-based pricing approach can mitigate overselling risks (risking the NDC compliance) linked to corresponding adjustment.

15:45-16:45	<p>Moderator: Harikumar Gadde, World Bank</p> <ul style="list-style-type: none"> • Daniel Lambtey, Environmental Protection Agency, Ghana • Marina Adel, Swedish Energy Agency, Sweden • Francois Sammut, Carbon Limits • Luca Lo Re, IEA <p>Q&A</p>
16:45-17:00	Summary of Day #1 and Way Forward
Reception	
Day #2	
<p><u>Session 5: Infrastructure for A6 Implementation such as MRV and Registry System</u></p> <p>To ensure environmental integrity and transparency, participating Parties are required to regularly submit information on projects and programs related to their Article 6 activities. To meet the reporting requirements, the development of a data management system linked to a robust MRV system and registry is necessary. This session will discuss the necessary infrastructure, how countries can equip themselves and what resources available to support infrastructure development.</p>	
9:00-10:15	<p>Moderator: Gemma Torras Vives, IT Officer, World Bank</p> <ul style="list-style-type: none"> • Mock Yi Jun, Manager (Global Partnerships), National Climate Change Secretariat, Singapore (remote) • Dr Saifur Rahman, Deputy Secretary, Ministry of Environment, Forest and Climate Change, Bangladesh • Andrew Howard, Senior Director, Climate Policy and Strategy, Verra (remote) • Francois Sammut, Carbon Limits • Gloria Namande, UNDP <p>Q&A</p>
10:15-10:45	Coffee Break
<p><u>Session 6: A host country choice – Article 6 (6.2 or 6.4), voluntary markets or both?</u></p> <p>A convergence of requirements for compliance and voluntary carbon markets may help streamline the requirements for host countries. Since compliance markets under Article 6 are likely to take some time to operationalize, voluntary carbon markets could help mitigation in the short run. This session will examine the implications of different options and discuss how countries are responding to and making decisions when it comes to supporting private sector participation in compliance vs voluntary markets; as well as gain insights into the private sector’s perspectives.</p>	
10:45-12:15	<p>Moderator: Phillip Eyre, UN Climate Change Secretariat</p> <ul style="list-style-type: none"> • Herman Hakuzimana, Rwanda • Pham Nam Hung, Department of Climate Change, Ministry of Natural Resources and Environment, Vietnam

	<ul style="list-style-type: none"> • Gustavo Luedemann, Coordinator for Sustainable Development Financing, Brazil (tbc) • Teleola Oyegoke, Senior Specialist, Energy, Africa Carbon Markets Initiative • Kavya Bajaj, Gold Standard <p>Q&A</p>
12:15-13:45	Lunch Break
<p>Session 7: Role of the Private Sector in NDCs</p> <p>Private sector involvement is critical for mobilizing climate finance at scale to meet NDC targets. In the context of Africa, SMEs are the backbone of the private sector and can play a big role in supporting countries to meet their climate targets and at the same time provide green jobs. This session discusses the opportunities, challenges, and needs of the private sector, including SMEs, in implementing the Paris Agreement and supporting countries to meet their climate targets.</p>	
13:45-15:00	<p>Moderator: Pedro Venzon, IETA</p> <ul style="list-style-type: none"> • Lawrence Cole-Morgan, Standard Bank • Eric Naivasha, Equity Group Foundation • Brenda Mutoni, Development Bank of Rwanda • Emma van de Ven, Rabobank • Joshua Romisher, Stellenbosch University LaunchLab <p>Q&A</p>
15:00 – 15:30	Coffee/Tea Break
<p>Session 8: Interaction of international carbon markets and carbon pricing instruments to meet NDC targets</p> <p>Some countries are using both domestic carbon pricing instruments (CPIs) and international carbon markets to achieve their climate goals. This session will discuss how, and under what conditions, domestic carbon pricing instruments and international carbon markets interact in different national contexts and what safeguards or measures should be considered when coordinating these instruments to maximize their potential and avoid any unintended policy impacts on the effectiveness of the carbon pricing instruments.</p>	
15:30-16:45	<p>Moderator: Juan Pedro Searle, Head of Climate Change Unit, Division for Energy and Environmental Policies and Studies, Ministry of Energy, Chile</p> <ul style="list-style-type: none"> • Luca Lo Re, International Energy Agency (IEA) • Dr Nirwan Noh, Deputy Chief Economist, FED, Malaysia • Han Wenya, Head of Department of Eco-Environment and Economic Policy, Policy Research Center for Environment and Economy, Ministry of Ecology and Environment of the People's Republic of China • Okan Ugurlu, Climate Change Expert, Department of Carbon Pricing, Turkiye <p>Q&A</p>
16:45– 17:00	Summary of Day #2 and Way Forward

Day #3

Session 9: Deep Dive with Innovators in the African Climate Finance Landscape

SMEs are a vital component of Africa’s economic fabric and are crucial in driving economic development. However, high cost of capital and limited access to finance are key systemic challenges that continue to plague the sector. Research has shown that only between a third and a fifth of SMEs in sub-Saharan Africa have a bank loan or line of credit. Given this challenging context, this session brings together innovators in the broader African climate finance landscape to discuss climate business models that are changing the landscape for the private sector.

9:00-
10:30

Moderator: Timila Dhakhwa, World Bank

- Emma van de Ven, RaboBank
- Gareth Phillips, African Development Bank
- Eric Naivasha, Equity Group Foundation
- Joshua Romisher, Stellenbosch University LaunchLab
- Gloria Namande, UNDP Ghana

Q&A

Digital Infrastructure for Carbon Markets

In order to achieve global deep decarbonization, data and trade infrastructure is a precondition for a transparent, verifiable, inclusive and cost-effective carbon market promoting genuine mitigation action of high environmental integrity. The bottom-up implementation of Paris Agreement presents an opportunity to underpin and streamline post-2020 carbon markets with digital infrastructure.

Opportunities to improve efficiency and transparency, while reducing costs of generating and transacting carbon assets, exist both the upstream and downstream processes of carbon markets. These sessions will provide key regional stakeholders with an overview of available infrastructure systems to support the cooperation and collaboration as part of the PMI country readiness programs

10:30-
12:00

Demo of infrastructure systems

- National MRV system
- Core Registry and enhanced registry
- Climate Action Data Trust

Q&A

12:00-
12:15

Wrap-up and Conclusions

- World Bank

Lunch and end of the Workshop