

The Partnership for Market Readiness

Shaping the Next Generation of Carbon Markets



PARTNERSHIP FOR
MARKET READINESS

The Partnership for Market Readiness (PMR)—bringing together developed and developing countries—provides a platform for sharing experience, fostering new & innovative market-based instruments, and building market readiness capacity for countries to scale up climate change mitigation efforts.

Carbon Markets to Support Mitigation

As the world seeks to enhance global greenhouse gas (GHG) mitigation efforts post-2012, countries are exploring innovative and cost-effective ways to scale up emission reductions and foster financial flows, including through carbon market instruments. To support, facilitate and build “readiness” for such instruments, the World Bank established the PMR, a grant-based, global partnership. The PMR also provides a platform for technical discussions on market-based instruments for mitigation.

The PMR supports four core objectives:

- ◆ **Provide grant funding** for building market readiness components;
- ◆ **Pilot and test new concepts for market instruments** (e.g., domestic ETS and new crediting mechanisms);
- ◆ **Provide a platform for technical discussions**, South-South exchange and collective innovation on new market instruments; and
- ◆ **Share lessons learned & best practices**



PMR First Year Achievements

- ✓ 15 Implementing Countries
- ✓ \$75 million pledged (11 donor countries)
- ✓ 9 of 15 Preparation Funding Grants awarded (US\$350,000 each) to support preparation of a readiness road map for a market instrument
- ✓ Forum & network for sharing experience and insights on development of market instruments

Who is the PMR?

The PMR brings together a diverse group of countries critical to curbing global GHG mitigation. Working together, these countries have quickly made the PMR a major platform for technical discussions on market instruments. Furthermore, countries have demonstrated a willingness to generate open dialogue on lessons learned from previous successes and failures and on insights for the design of future market-based instruments.

PMR Contributing Participants

Australia	Norway	The PMR is made up of Contributing Participants who provide financial support to the PMR Trust Fund, and Implementing Country Participants (listed below in proposed activities tables) who receive PMR funding.
European Commission	Spain	
Denmark	Switzerland	
Germany	United Kingdom	
Japan	United States	
The Netherlands		

Together, they constitute the Partnership Assembly (PA), the PMR's decision-making body. The PMR targets a capitalization US\$100 million.

PMR Implementing Country Participants—Proposed Activities

 Indicates Preparation Funding has been allocated

What does the PMR do?

The PMR is country-led. It provides financial and technical support to enhance a country's capacity to build market readiness components and implement market-based instruments, such as a domestic emissions trading system (ETS) or a scaled-up crediting mechanism.

PMR Implementing Countries are at different stages of market readiness and will approach the use of market instruments in different ways. Some will focus on building core readiness components, such as systems for monitoring, reporting and verification (MRV), data collection, baseline setting, and establishing regulatory institutions; others may be in a position to implement and pilot a new domestic or international market-based scheme.

Capacity building for market readiness and piloting can have cross-cutting benefits that are relevant to supporting domestic climate change policies, elaborating low emission development strategies, and implementing mitigation actions.

Participant	Country Context	PMR Support
Brazil	<ul style="list-style-type: none"> Reduce emissions by 36.1%-38.9% below BAU by 2020 as part of voluntary commitment. Mitigation plan covers forestry, agriculture, energy, iron, steel & other industry, transportation, mining & building sectors. 	<ul style="list-style-type: none"> Create Brazilian Emission Reduction Market. Analyze and select of suitable instrument for given sectors.
Chile	<ul style="list-style-type: none"> Reduce GHG emissions growth rate by 20% below BAU compared with 2007. Market instruments identified as important for meeting the mitigation objective. 	<ul style="list-style-type: none"> Support studies and design of domestic ETS. Develop MRV and GHG registry system.
Colombia	<ul style="list-style-type: none"> Low carbon strategy is one of three pillars for climate agenda under National Development Plan (2010-14). Participation in international crediting mechanism is considered a means to attract climate financing and scale up emission reductions. 	<ul style="list-style-type: none"> Establish carbon trading system between transport sectors of major cities. Identify sectoral leaders for market proposals in other sectors
Costa Rica	<ul style="list-style-type: none"> Carbon neutrality goal by 2021. Promote and use market instruments domestically to reduce emissions. 	<ul style="list-style-type: none"> Study mitigation potential and suitability for market instruments and facilitate policy dialogue and development in energy, transport, waste management, sustainable housing and agriculture sectors.
Mexico	<ul style="list-style-type: none"> Reduce emissions by 51 MtCO₂e/yr in 2012 compared to BAU as part of domestic commitment. Voluntary commitment of up to 30% reduction from BAU by 2020, conditional on international support, including carbon markets. 	<ul style="list-style-type: none"> Develop and implement crediting NAMAs in sectors (e.g., housing, appliances, public transport, solid waste & cement). Set up Registry/tracking system for GHG reductions.

How does the PMR Work?

1. Expression of Interest (Eoi) Phase: A country submits an Eoi to the PMR Secretariat, which is subsequently presented to the PA for confirmation as an Implementing Country Participant. In 2011, the PMR reached its target of 15 Implementing Country Participants. Following confirmation, a country presents to the PA a framework of proposed PMR activities in order to receive the first phase of PMR funding.

2. Preparation Phase: With a Preparation Funding allocation from the PA of US\$350,000, an Implementing Country Participant formulates its Market Readiness Proposal (MRP), which details the country's road map for its proposed market-based instrument and market readiness components, as well as a funding estimate for its implementation.

The central piece of an Implementing Country Participants' PMR work is its Market Readiness Proposal (MRP)

3. Implementation Phase: An Implementing Country Participant implements readiness components outlined in the MRP, including piloting the proposed market instrument(s) where possible. Implementation is supported by PMR funding allocated by the Partnership Assembly and other funding sources.

Unique Platform for Technical Discussion

Throughout the PMR phases, countries update one another, give and receive feedback and share lessons learned. In addition, the PMR provides an important platform for countries to engage in technical discussions on market mechanisms, and to foster collective action toward global GHG mitigation efforts post-2012 using such mechanisms. Workshops are one way that such an open forum is fostered. The PMR's first technical workshop was held in October 2011 and focused on mitigation programs for scaled-up crediting mechanisms using case studies to facilitate discussion. Future topics could include elements of domestic ETS, baseline setting, & setting up MRV systems.

PMR Implementing Country Participants—Proposed Activities in Asia

 Indicates Preparation Funding has been allocated

Participant	Country Context	PMR Support
China	<ul style="list-style-type: none"> Reduce emission intensity by 40-45% compared with 2005 level by 2020. Establish statistical and verification systems for GHG emissions included in 12th Five Year Plan. Pilot ETS programs with the objective to set up national scheme in 2015. 	<ul style="list-style-type: none"> Provide technical assistance on pilot ETS programs in cities and provinces.
India	<ul style="list-style-type: none"> Reduce emissions intensity by 20-25% compared with 2005 levels by 2020 as part of voluntary commitment. 	<ul style="list-style-type: none"> Expand energy efficiency Performance-and-Trade system to small & medium enterprises and transportation fuel efficiency. Accelerate Indian Solar Cities Program implementation (gather baseline data for GHG calculation & accounting).
Indonesia	<ul style="list-style-type: none"> Reduce emissions by up to 26% and 41% with international support by 2020 as part of voluntary target. 	<ul style="list-style-type: none"> Support energy sector programs (e.g., for scaled-up crediting instrument), such as "Reducing emissions from fossil fuel burning" (REFF-burn program). Support stakeholder consultations on market instrument(s).
Thailand	<ul style="list-style-type: none"> Per National Renewable Energy Development Plan, reduce energy intensity by 8% in 2015; 15% in 2020; and 25% by 2030 compared with 2005 levels. 	<ul style="list-style-type: none"> Legal/institutional frameworks for domestic ETS in factories, industrial estates' areas and domestic crediting in cities and carbon intensive industries.
Vietnam	<ul style="list-style-type: none"> Renewable energy and energy efficiency are priority areas under National Target Program (2008-15) to Respond to Climate Change. Green Development Strategy (expected June 2012) includes proposed GHG reduction target and policy instrument. 	<ul style="list-style-type: none"> Participate in new international market mechanism and explore NAMAs for energy, industry and agriculture sectors. Review ETS practices, and study of carbon tax options.

PMR Market Readiness Proposal Tool*

The PMR Market Readiness Proposal Tool is a guide for countries to take stock of domestic mitigation strategies and the potential role market instruments can play in the implementation of such strategies. The Tool helps assess existing market readiness capacity and identify capacity gaps. It is meant to support the ambitions of Implementing Country Participants, while allowing for flexibility to recognize country-specific circumstances.

The tool is structured around 6 Building Blocks:

Block 1: Overview of country's low emissions development strategy and GHG mitigation plan;

Block 2: Assessment of target sector(s)/sub-sector(s)/program(s)/region(s) for the implementation of market readiness components and market instruments to be supported by the PMR;

Block 3: Identification of core readiness components (e.g., MRV system, data collection, registry & tracking systems, regulatory & institutional frameworks), including assessment of market readiness;

Block 4: Identify essential readiness elements for a market instrument for proposed sector/program. Market instrument plan includes modules: (i) scaled-up GHG crediting instrument and (ii) domestic ETS;

Block 5: Organization and consultation of PMR work within country; and

Block 6: Summary of schedule and budget for PMR activities.

*The MRP Tool can be found on the PMR website: www.wbcarbonfinance.org/pmr



PMR Implementing Country Participants—Proposed Activities in Other Regions

 Indicates Preparation Funding has been allocated

Participant	Country Context	PMR Support
Jordan	<ul style="list-style-type: none"> Develop renewable energy and enhance energy efficiency as part of national priority. 	<ul style="list-style-type: none"> Explore market instruments, such as scaled-up crediting for NAMAs in sectors including energy and/or waste management. Support capacity building for data collection, establishment of baselines and MRV system.
Morocco	<ul style="list-style-type: none"> Implement climate change mitigation policy as part of National Plan against Global Warming. 	<ul style="list-style-type: none"> Establish MRV framework. Identify and develop crediting NAMAs in relevant sectors.
South Africa	<ul style="list-style-type: none"> Reduce emissions by 34% by 2020 and 42% by 2025 below BAU on condition of international financial and technical support. 2011 National Climate Change Response White Paper recognizes mix of economic instruments (including carbon taxes & ETS) and incentives. 	<ul style="list-style-type: none"> Analyze interaction between carbon tax and ETS. Study design aspects of ETS and new crediting mechanisms.
Turkey	<ul style="list-style-type: none"> Turkish Environmental Law recognizes use of carbon market for climate action. Studies underway to establish a carbon market by 2015. 	<ul style="list-style-type: none"> Implement robust, installation-level MRV system. Pilot market instrument; create carbon exchange.
Ukraine	<ul style="list-style-type: none"> Reduce emissions by 20% by 2020 and by 50% by 2050. ETS is key part of the proposed Law on Energy Efficiency Regulation. 	<ul style="list-style-type: none"> Support for market readiness analysis and capacity of electric power and metallurgy sectors. Analysis, planning and implementation of aspects of proposed ETS.

For additional information, please visit the PMR online at www.wbcarbonfinance.org/pmr or email the PMR Secretariat (pnrsecretariat@worldbank.org)