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PARIS AND BEYOND: ENSURING EFFECTIVE CLIMATE ACTION THROUGH COORDINATED EFFORTS

The Paris Agreement, reached in December 2015, provided a long-term vision for keeping the increase in global average temperatures to well below 2°C above pre-industrial levels, with the aim of limiting it to 1.5°C.

In addition, the Paris Agreement recognized voluntary cooperative approaches, including “internationally transferred mitigation outcomes” (ITMOs) and a UNFCCC-governed mechanism that will support mitigation and sustainable development post-2020, thereby reaffirming carbon markets as an instrument to achieve climate mitigation goals nationally and globally.

The Paris Agreement also reinforced the principle of bottom-up approaches, as exemplified in the establishment of an official process in which countries need to regularly propose, review and resubmit existing contributions – known as Nationally Determined Contributions (NDCs). And even though the collective NDCs’ ambition is not yet sufficient to keep global warming below 2°C target, the Agreement itself outlined the pathways for achieving it.

The bottom-up nature of the Agreement leaves countries with a choice regarding the policy instruments and measures to be taken, as stipulated by their NDCs and overall development and strategic priorities. To this end, around 90 of them indicated that carbon pricing and carbon markets

would have a role to play in achieving their mid- and long-term mitigation goals and, thereby, in meeting the objectives of the Paris Agreement.

STRENGTHENING DOMESTIC CLIMATE ACTIONS

In the year following COP21, many countries are accelerating their domestic climate action to ensure that GHG emission reductions targets or ambitions outlined in their NDCs are achieved. These on-the-ground efforts, many of which are supported by the World Bank’s Partnership for Market Readiness (PMR), are considered to be critical to achieving the collective ambition of the Paris Agreement.

As an illustration the Partnership for Market Readiness (PMR), an initiative of the World Bank, supports China’s National Development Reform Commission in developing its national ETS with an \$8 million grant, and by carrying out analytical work and consultations on several essential components of the ETS design, including the role of state-owned enterprises and the power sector.

China’s national ETS will be one of the most important means to achieving its mitigation targets put forward in the country’s NDC. Since many aspects of the national carbon market design – such as cap setting or interactions with government policies and development objectives – are closely linked with the country’s mid- and long-term mitigation targets, the PMR also provides analytical support that contributed to the development of the country’s NDC and facilitated the process of presenting and disclosing the key indicators, components and assumptions that are used for the mid- and long-term scenarios.

Similarly, the PMR is supporting South Africa’s efforts to strengthen the readiness for the preparation and implementation of an economy-wide carbon tax by refining its design features, supporting the implementation of the related carbon offset scheme and building capacity to enhance data management and MRV systems. To reach its GHG reduction objectives, South Africa has proposed a package of policies and economic instruments (in addition to the carbon tax), including Desired Emission Reduction Outcomes (DEROs) and carbon budgets. To complement its support, the PMR is also helping South Africa review the principles used in approaching GHG reduction in the country, as well as examines the interactions between the proposed carbon budget and carbon tax.

THE PMR IS ONE OF THE PRIME INITIATIVES TO SUPPORT COUNTRIES IN UNDERSTANDING AND TESTING THE USE OF CARBON PRICING TO ACHIEVE THEIR CLIMATE CHANGE MITIGATION OBJECTIVES, THEREFORE HELPING CREATE THE FOUNDATION FOR CARBON MARKETS.

SCALING-UP COORDINATED EFFORTS INTERNATIONALLY

In addition to these and other numerous examples of domestic climate action around the world, it is also encouraging to see that a number of bottom-up initiatives for fostering the international cooperation on carbon pricing and market-based instruments have already taken root. And even more so, day by day, new examples of cooperative approaches are emerging at the international level – ranging from the initiatives demonstrating political will and commitment to a number of technical and knowledge exchange platforms.

The PMR is one of the prime initiatives to support countries in understanding and testing the use of carbon pricing to achieve their climate change mitigation objectives, therefore helping create the foundation for carbon markets. The PMR has been delivering results on the ground since 2011; Post-Paris, the PMR is committed to scaling up its efforts to help countries design and implement innovative approaches to reduce GHG emissions. Another example of initiatives includes the G7 Carbon Market Platform, which provides a platform for a strategic dialogue on how to move from a variety of domestic approaches that are being implemented in

a fragmented manner, to new cooperative and common approaches related to international carbon markets.

There are also a number of initiatives which complement ongoing technical discussions – such as the Carbon Pricing Leadership Coalition (CPLC) – which builds high-level political buy-in and support for carbon pricing. Likewise, at the Paris climate change negotiations, New Zealand led a Ministerial Declaration on Carbon Markets that sent a clear signal that carbon markets will have an important role to play in post-2020 regime.

And there is more to come. Recently announced and soon to be officially launched, the NDC Partnership which is a joint initiative of several agencies and governments, will also assist countries transform their NDC targets into specific strategies and measures by merging existing climate and development goals, and achieving greater harmonization among the various initiatives.

GOING FORWARD

While the Paris Agreement clearly signals the international commitment to reduce global emissions, there are a number of

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challenges that the countries will face when translating such international commitment into their low carbon and climate resilient development plans. Through various platforms and initiatives to help advance these goals, policymakers have an opportunity to leverage political momentum and share valuable knowledge on technical and policy challenges faced during the design and implementation of carbon pricing and market-based instruments. Against this backdrop, there will be steady demand for supporting countries to translate the internationally agreed commitments into their low carbon and climate resilient development plans. What will be important is to build on the existing experience, leverage synergies and reveal new opportunities for cooperation among existing and forthcoming partnerships and initiatives. The Paris Agreement provided a solid basis. Now it is upon us to act on it.

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