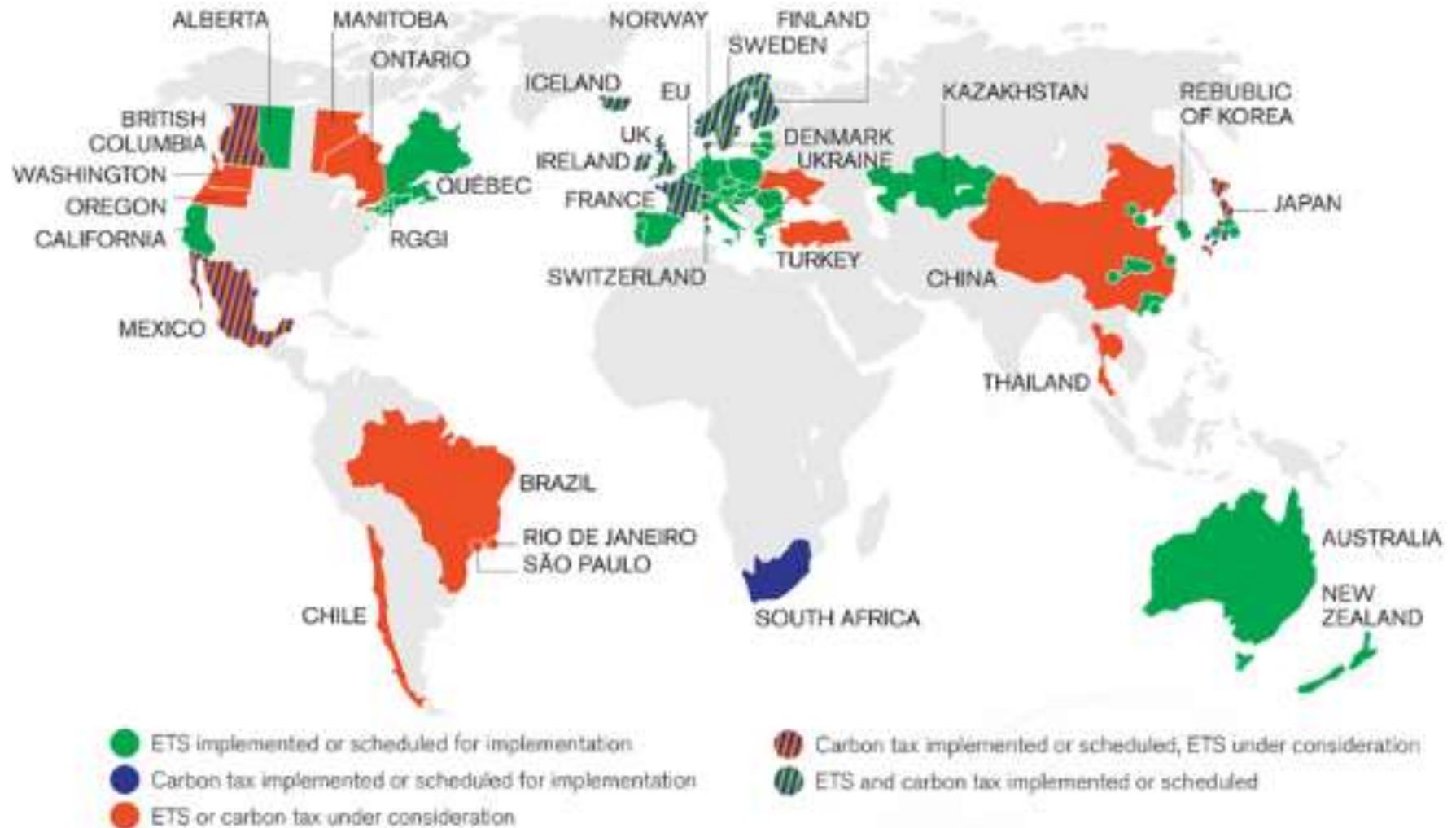




Networked Carbon Markets

Global Climate Policy Conference 2015
New Delhi, May 1, 2015

Around the world, jurisdictions are developing ways to mitigate climate change and are choosing different and heterogeneous approaches



Key components of Networked Carbon Markets

1

Independent assessment framework to determine the **climate change mitigation value** of different climate actions and enable their fungibility in the international market.

2

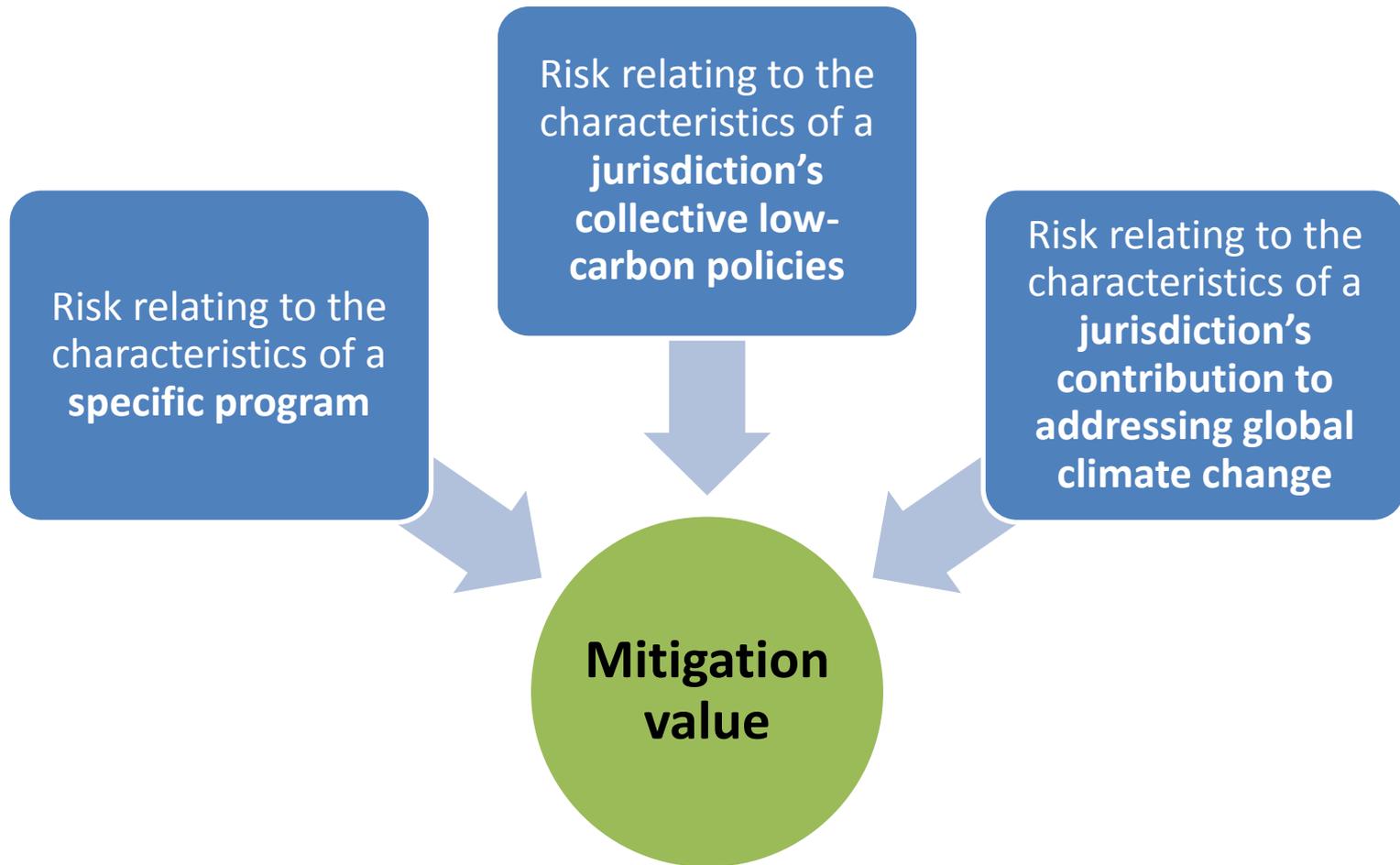
International Carbon Asset Reserve to support and facilitate carbon market related functions.

3

International Settlement Platform to track cross-border trades and possible clearing house function.

The concept of Mitigation Value is fundamental to NCM and an independent assessment framework

Approaches to determining climate change mitigation value can be structured around the risks that it seeks to capture



Fungibility through carbon exchange rates

- Mechanics: How to translate rating into rates?
- Governance:
 - Who sets the rates? Use of a central aggregator or reserve?
 - What is the role of regulators versus market participants?
- Frequency:
 - What is the frequency at which they should be set?
 - Fixed or floating rates?
- Lessons learned: what can we learn from other environmental and financial markets that use trading ratios?

International Carbon Asset Reserve (ICAR)

International Carbon Asset Reserve could provide functions that help manage certain market risks and market failures, in conjunction with jurisdiction-level mechanisms:

- Provide a source of liquidity;
- Provide a back-up for domestic reserves;
- Provide a market maker function.

How could the NCM framework support a carbon 'club' of countries

- For 'mitigation value' and 'carbon exchange rates' to enable cross-border trade of club units:
 - Would all units be eligible for compliance in the club? Or only units with a certain mitigation value?
 - Institutions involved in setting 'mitigation value' and 'carbon exchange rates'?
 - How would 'mitigation value' affect the price of different club units?
- To what extent would comparability and benchmarking among club participants incentivize:
 - Countries to increase their level of ambition?
 - Capital and trade to be re-directed toward low-carbon technologies?
 - Low-carbon technology innovation?
- Lessons learned from other commodity and financial markets/clubs?

NCM's Key partners

Independent Assessment Framework

- DNV GL
- IISD
- New Climate Institute
- Climate Transparency Initiative*

International Carbon Asset Reserve

- Grantham Institute, London School of Economics
- INFRAS

Concept development and revision

- Harvard Project on Climate Agreements
- International Emissions Trading Association

Working Group, which included governments (California, Netherlands, Indonesia, etc.), multilaterals (ADB, EU, UNFCCC Secretariat, etc.), civil society organizations (EDF, TNC, etc.) and private sector (CMIA, CDC Climat, IdeaCarbon.ec) , has guided the development of the Initiative.

* The Climate Transparency Initiative is a consortium of organizations that are currently assessing/tracking the climate actions of countries and sub-nationals. The consortium includes: World Resources Institute, Yale University, Climate Action Tracker, Climate Works, Germanwatch.



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