

## Carbon Market Platform

### Strategic Dialogue on Carbon Markets and the Regulatory Environment

At the G7 Summit in Germany in June, the heads of states emphasised that decarbonisation of the global economy over the course of this century is required. In the Leaders' Declaration, they decided to establish a political platform for strategic dialogue on carbon market-based and regulatory instruments, in order to facilitate a worldwide low-carbon development path.

Acting on this mandate, Germany has taken concrete steps towards establishing the "Carbon Market Platform: Strategic Dialogue on Carbon Markets and the Regulatory Environment". The kick-off event of the Platform took place in October 2015 in Berlin where the concept of the Platform has been discussed among policymakers from the G7 countries and the EU Commission as well as representatives of the World Bank, ICAP, OECD, and UNFCCC. In the next year the Platform will get down to work and countries outside the G7 with a strong interest in carbon markets are invited to join.

#### Rationale for a Carbon Market Platform

Market-based policies and other regulations that directly or indirectly put a price on greenhouse gas emissions can be key elements in the climate policy mix. The last decade has seen strong progress in this regard, both at the international and domestic level, with a wide range of instruments implemented and planned. However, there remain significant challenges. Despite broad interest in carbon markets, as indicated in many INDC submissions, negotiations at the level of the UNFCCC have yet to reach agreement on an overarching framework for rules, guidelines and best practices for using carbon markets.

Meanwhile, the international carbon market is struggling with low demand for credits and a loss of trust, so that existing market infrastructure is at risk of being demobilised. Around the world, a variety of domestic approaches are being steadily implemented but, development is taking place in a fragmented and uncoordinated manner. On these issues, the Carbon Market Platform can provide political insight and support to the global carbon market, while taking into account national preferences and circumstances.

#### A Political Platform for Strategic Dialogue

**Aim:** The aim of the Platform is to facilitate an informed and open strategic dialogue between countries interested in carbon market policy. The Platform will provide a forum to identify political and institutional gaps at the national and international level and allow for new cooperative and common approaches to be developed. To avoid duplication of efforts and exploit synergies, the Platform shall endeavour to closely cooperate with international organisations currently active in related fields, in-

cluding the UNFCCC, ICAP, OECD and the two initiatives of the World Bank, the Partnership for Market Readiness (PMR) and the Carbon Pricing Leadership Coalition (CPLC).

The main forum of the Platform is the annual strategic dialogue that will engage policy-makers at the Director-General level, and be supported by ongoing technical work at the expert level. The strategic dialogue is intended to facilitate policy-relevant knowledge sharing that can enable participants to gain an understanding of different perspectives, develop common approaches, and uncover new opportunities for cooperation. The Platform will be established with an initial five-year timeframe until 2020.

**Membership:** Membership is at the country level and the activities of the Platform should accommodate the diversity of approaches in its members' climate policy strategies. To ensure a balanced dialogue, resulting in more effective outcomes with broader acceptance, member countries should represent a range of domestic perspectives and circumstances beyond the G7. Ideally, a balanced membership will include other major emitters and a range of emerging and developing countries. Initially, those countries that have a clear interest in carbon markets will be invited to participate.

**Governance:** Two rotating Co-Chairs will take the main steering role, and will be responsible for organising the strategic dialogue meeting, preparing the agenda and short discussion papers, and summarising conclusions. Members may here support the Co-Chairs in several ways. In the initial phase of three years, Germany has offered to co-chair the Platform, accompanied by a rotating Co-Chair.

### **Common issues – common goals**

Participation in the Platform is voluntary, and there is no obligation to endorse a specific instrument or approach. Members are free to engage with the issues most relevant to their interests. The following key themes have been identified for discussion, prioritising the exploration of common guidelines and best practice for markets use in the international context; and potentially expanding to other issues over time based on participant interest.

**Common rules, guidelines and best practices for using carbon markets:** A new climate change agreement of the Paris COP21 will replace the Kyoto Protocol from 2020. However, a framework for international carbon accounting is still to be agreed on, and impetus is needed over the few years. This platform will support and complement activities to the UNFCCC process in the development of common rules, guidelines, and best practices, which are necessary to support environmental-sound and cost-effective outcomes while using carbon markets.

**Exploring options for the use of market mechanisms:** Discussions can explore prospects for the international use of market mechanisms in the short, medium, and longer term. Furthermore the future of centralised market mechanisms will be discussed and how experiences gained with the Kyoto Protocol's mechanisms might be addressed in the post-2020 climate policy landscape.

**Developing carbon pricing and markets:** Many countries have already implemented or are planning climate change mitigation policies in accordance with their own domestic circumstances. Approaches include explicit carbon pricing policies (e.g. emissions trading systems, carbon taxes) as well as regulatory measures (fuel taxes, subsidies, standards) that may also put an implicit price on carbon. In this increasingly fragmented policy landscape, discussions will thereby aim to foster understanding of the various domestic approaches, uncover their drivers and barriers, and identify best practice. Furthermore, the Platform could have the potential to uncover new options for policy coor-

dination that can enhance environmental integrity, leverage gains in efficiency, and reduce competitiveness concerns.