

4th Strategic Dialogue of the Carbon Market Platform

15-16 May 2019

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1. Co-Chair Summary

In May of 2019, France hosted the Fourth Strategic Dialogue of the Carbon Market Platform in Paris. The meeting was co-chaired by Virginie Dumoulin, Director for European and International affairs at the French Ministry for an Ecological and Inclusive Transition and Catherine Stewart, Director General and Chief Negotiator for Climate Change at Environment and Climate Change Canada. The Carbon Market Platform (CMP) brings together a diverse group of countries and non-state actors each year to discuss how to develop and implement market-based approaches to reduce GHG emissions, including carbon pricing. There were 13 jurisdictions, and 15 international organizations that attended this year's Dialogue, as well as private sector representatives.

During the meeting, participants were encouraged to share knowledge and best practices on carbon pricing implementation, and to explore solutions to common political, technical and institutional challenges. The Dialogue sought to discuss potential synergies between domestic and international market mechanisms, without prejudice to ongoing negotiations under the Paris Agreement Work Programme.

Reviewing recent developments in carbon pricing

The first session was organized as an open roundtable where participants, mainly jurisdictions, shared their lessons learned and experiences in implementing carbon pricing. Some takeaways from the experiences shared focused on considerations of political context and long-term policy continuity; the continued work on carbon neutrality; and the linking of carbon markets through greater coordination and regional cooperation. Presenters included countries that have successfully implemented a large variety of carbon pricing policies (i.e., Emissions Trading Systems (ETS), different carbon levies, national offsetting initiatives and policies.) and revenue uses. In addition, public consultations and citizen initiatives were highlighted as key components in the creation of any carbon pricing system. However, it was emphasised that carbon pricing is not a silver bullet solution and that there is still significant work to be done as more than 80% of the global carbon pollution is not covered by any carbon pricing tool. With regards to the existing United National Framework Convention on Climate Change (UNFCCC) mechanism (i.e., the Clean Development Mechanism (CDM)), some participants expressed concern about repeating mistakes from the past when building a new mechanism under the Paris Agreement.

Unlocking the opportunities on carbon pricing

Participants discussed tools for unlocking private sector opportunities. To best support the participation and performance of private sector actors, it was noted that pricing schemes should be structured around key principles such as predictability, flexibility, efficiency, and that the use of generated revenues should be made transparent. Work on economic modelling of Article 6 was also introduced, aiming to explore the economic potential of international carbon markets (e.g. reducing the cost of achievement of Nationally Determined Contributions (NDCs) by 2030) while noting the importance for those markets to be implemented with strong provisions for no double counting. The role of forestry was also discussed as an important driver for greater mitigation, even if a number of participants felt that the sector is still facing major challenges such as leakage and non-permanence that would require further technical consideration and systems to address. Participants agreed on the need to foster greater private sector participation in order to enable their full carbon mitigation potential.

Stocktake on UN negotiations on carbon pricing (United Nations Framework Convention on Climate Change, International Civil Aviation Organization, International Maritime Organization)

Participants discussed the status of negotiations under the United Nations Framework Convention on Climate Change (UNFCCC), the International Civil Aviation Organization (ICAO), and the International Maritime Organization (IMO). Article 6 was recognized as the key provision of the Paris Agreement through which international cooperation would take place. However, participants agreed that more work is needed in order to achieve an outcome that will provide sufficient guidance on the avoidance of double counting and on the application of the corresponding adjustment in the short-term, especially as they relate to the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA). Under the ICAO, further risks of double counting were identified (other than emissions reductions from carbon credits used by Parties towards their NDC), in relation to use of alternative fuels under CORSIA. It was also expressed that carbon pricing can help meet the Paris Agreement temperature goal, enhance climate ambition in a cost efficient manner, balance domestic action while promoting international cooperation, and incentivise subnational and business actions. It was noted that the IMO is still considering which tool is best suited to their needs.

Supporting regional cooperation on carbon pricing

In this session, the Organization of Economic Cooperation and Development (OECD) presented on fostering regional cooperation on carbon pricing. Some participants also presented their respective carbon pricing initiatives as examples of successful regional cooperation. While some are already moving on cooperative approaches, it was noted that there remains a need for greater regional cooperation in most regions. The upcoming work of the OECD and the CMP working group will tackle this by examining how international coordination can bring mutual benefits. The OECD proposed to work on the modelling of efficiency gains as an input to regional initiatives that aim to co-ordinate efforts on carbon pricing. To support this work, in 2019 the OECD will undertake a literature survey and assessment of existing initiatives to identify the main factors affecting the economic and environmental effectiveness of national and/or sub-national cooperation. This will be followed by the identification of key dimensions of social welfare that could support enhanced ambition across a number of jurisdictions.

Transcending information barriers to carbon pricing

Participants discussed the importance of an effective narrative for the design and implementation of carbon pricing in order to ensure public acceptability. The World Bank presented their findings on how to most

effectively promote carbon pricing policies. In short, it concluded that any communications strategy should be contextualized to local values and identities and that stakeholders should be engaged as early as possible in the planning and implementing process in order to allow for the building of trust and increased the perception of fairness. This strategy must also be supported by evidence-based decision-making and strong research and analysis. Building on this, participants presented their national experience, illustrating some of the communication challenges they faced when implementing carbon pricing. Participants stressed the importance of good communication around the use of any revenues generated through carbon pricing. It was noted that there is a wide range of options for governments to use carbon pricing revenues, and that any decision on its use should take place at the initial conception phase.

Competitiveness and carbon pricing, the options on the table

This session aimed to explore how competitiveness concerns affect carbon pricing and to present some potential long-term solutions. The OECD presented their research on the topic, concluding that to date the effects of carbon pricing on competitiveness are limited, even absent. These findings are in part due to low carbon prices levied on industry (and exemptions) as well as the level of free allowances given to firms covered by ETS. It was noted that, in order to avoid competitiveness issues, free allocation of allowances and carbon tax exemptions are still needed in specific sectors recognizing significant differences in carbon pricing levels between jurisdictions. The Environmental Defense Fund also provided its vision on cost-effective decarbonisation in the European Union ETS. It suggested a combination between a more powerful Market Stability Reserve and a price floor or corridor would improve the scheme. Finally, participants acknowledged that the impact of pricing on competitiveness is difficult to evaluate but that efforts are needed to avoid potential impact in the future.

Looking ahead

Participants widely agreed that the Platform could be a space to build a stronger narrative on carbon pricing, which could in turn inform communication strategies for carbon pricing schemes. Additionally, participants widely supported the need to better engage civil society and the private sector in this conversation in order to build good will and mobilize the highest level of climate action ambition. The CMP continued to be recognized as a space to enhance inter-governmental communication and coordination on carbon pricing.

Participants supported the launch of an expert-level working group for the CMP, with a view to explore how to strengthen carbon pricing initiatives through regional cooperation.

Canada offered to host the 2020 strategic dialogue of the Platform, with France as co-chair. The appropriate time and place to meet for the fifth Strategic Dialogue will be identified in the coming months.

2. Presentations from each of the sessions (hyperlinked)

Session 2:

- [Latest developments on carbon pricing as seen by EDF](#), Pedro Piris-Cabezas – EDF
- [Value of Article 6: an IETA UMD research project](#), Stefano De Clara - IETA

Session 3:

- [Status on the Implementation of Article 6 of the Paris Agreement](#), Phillip Eyre - UNFCCC secretariat
- [A market based measure to reduce GHG emissions in shipping](#), Dominik Englert – World Bank Group

Session 4:

- [Support climate mitigation outcomes through international co-ordination on carbon pricing](#), Simon Buckle – OECD
- [Experience of implementing the Joint Crediting Mechanism \(JCM\) and way forward](#), Kazuhisa Koakutsu – Japan

Session 5:

- [Communicating Carbon Pricing](#), Dominik Englert - World Bank Group
- [Informational Barriers to Carbon Pricing: Singapore's Experience](#), Benedict Chia - Singapore PMO
- [Carbon revenues A communication prospect](#), Sébastien Postic - I4CE Institute for Climate Economics

Session 6:

- [Carbon pricing and competitiveness: are they at odds?](#), Jane Ellis – OECD
- Cost Effective Decarbonisation, Michel Matheu - Électricité de France

3. Meeting Agenda

Carbon Market Platform Strategic Dialogue 2019
15-16 May 2019
Agenda

*Ministère de la Transition écologique et solidaire,
 244 boulevard Saint-Germain, Paris 75007*

May 15	
Time	Agenda Item and Description
9:30 – 10:00	Registration and Coffee
10:00 – 10:15	Welcome Remarks and Introduction by Co-Chairs
10:00 – 10:15	Co-Chairs: Virginie Dumoulin, Director for European and International affairs, France Catherine Stewart, Director General and Chief Negotiator for Climate Change, Canada
10:15 – 10:45	Session 1: Setting the Scene Recent developments on how to ensure significant carbon pricing
10:15 – 10:45	Roundtable: Each participant shares their experiences in carbon pricing implementation Open discussion
10:45 – 12:15	Session 2: Unlocking the Opportunities of Carbon Pricing Exploring what the private sector does in favour of carbon pricing and how to foster those initiatives
10:45 – 12:15	Icebreakers: 1. Constanze Haug , Head of Secretariat ICAP, <i>The ICAP perspective</i> 2. Pedro Piris-Cabezas Environmental Defense Fund, <i>Latest developments on carbon pricing as seen by EDF</i> 3. Dirk Forrister , President IETA, <i>Review of Economic Modelling</i> Open discussion
12:15 – 14:00	Lunch Break

<p>14:00 – 15:15</p>	<p align="center">Session 3: International Fora for Market Mechanisms</p> <p align="center">Determining the linkages between UNFCCC, ICAO and IMO on the basis of the most recent developments</p> <p>Icebreakers:</p> <p>1. Phillip Eyre, Programme officer UNFCCC Secretariat, <i>Article 6 and Transparency decision developments and linkages with CORSIA</i></p> <p>2. Dominik Englert, Economist World Bank, <i>Most recent developments on carbon pricing under IMO and planified next steps</i></p> <p>Open discussion: What are the main challenges for fostering carbon pricing under the three foras of the UN? How to ensure efficient carbon pricing implementation under those?</p>
<p>15:15 – 15:45</p>	<p align="center">Coffee Break</p>
<p>15:45 – 17:00</p>	<p align="center">Session 4: Supporting regional cooperation on carbon pricing</p> <p align="center">Support international coordination on carbon pricing, including through real life experiences.</p> <p>Icebreakers:</p> <p>1. Simon Buckle, Head of the Climate, Biodiversity and Water Division OECD, <i>Support climate mitigation outcomes through international co-ordination on carbon pricing</i></p> <p>2. Andrew McKeon, Executive Director RGGI, <i>Regional US experience in supporting carbon pricing jurisdictions</i></p> <p>3. Kazuhisa Koakutsu, Director of International Negotiations Ministry of the Environment of Japan, <i>Experience in supporting carbon pricing and further plans</i></p> <p>Open discussion: Where do participants see the greatest opportunities to coordinate on support for carbon pricing? Which practical steps and decisions need to be taken to make progress on enhanced support? Which barriers and caveats do participants anticipate and how could these barriers be overcome?</p>
<p>17:00 – 18:30</p>	<p align="center">Cocktail</p>

End of Day 1

May 16	
Time	Agenda Item and Description
8:30 – 9:00	Coffee
9:00 – 9:30	<p style="text-align: center;">Recap from Day 1 and Introduction to Day 2</p> <p>Co-Chairs: Virginie Dumoulin and Catherine Stewart</p>
9:30 – 10:45	<p style="text-align: center;">Session 5: Transcending information barriers to carbon pricing</p> <p style="text-align: center;">Effective narrative is key to the design and implementation of a carbon price in order to ensure its acceptability.</p> <p>Icebreakers:</p> <ol style="list-style-type: none"> 1. Dominik Englert, Economist <i>World Bank, How to communicate carbon pricing: sharing research results and key outcomes of the World Bank study</i> 2. Benedict Chia, Director on Strategic Issues <i>Singapore PMO, Singapore experience</i> 3. Benoît Leguet, Director General <i>I4CE, I4CE perspective on use of revenues and communication challenges</i> <p>Open discussion: Is there a winning pathway in order to communicate successfully carbon pricing? Which barriers and caveats do participants anticipate and how could these barriers be overcome? How communication actions could be mutualized and better coordinated on a regional, national and international level?</p>
10:45 – 11:00	Coffee Break
11:00 – 12:15	<p style="text-align: center;">Session 6: Competitiveness and carbon pricing, the options on the table</p> <p style="text-align: center;">Discuss how competitiveness concerns affect carbon pricing and what could be done on the long run</p> <p>Icebreakers:</p> <ol style="list-style-type: none"> 1. Beatriz Yordi, Director for European and International Carbon Markets <i>European Commission, DG CLIMA, Long term perspective for carbon markets and challenges for competitiveness</i> 2. Jane Ellis, Principal analyst <i>OECD, Inventorying the research, current and possible proposals on carbon related competitiveness</i> 3. Michel Matheu, Head of EU Strategy & Stakeholder Relations <i>Électricité de France, European Affairs Division, Challenges and opportunities of carbon pricing for industry competitiveness</i> <p>Open discussion: How to address long term perspectives in carbon market design? How to ensure long term decarbonisation goal is achieved? How to articulate carbon pricing with research and sectoral policies?</p>

<p>12:15 – 12:45</p>	<p style="text-align: center;">Closing Session: Next steps for the Carbon Market Platform</p> <p style="text-align: center;">Discussion on takeaways from this year’s Dialogue, options for capturing/summarizing key points, outstanding questions for further research.</p> <p>Recap by Co-Chairs:</p> <p style="text-align: center;">Virginie Dumoulin and Catherine Stewart</p> <p>Open discussion:</p> <p>What are your main takeaways from this year’s Strategic Dialogue?</p> <p>What concepts/findings will be useful to remember during upcoming international negotiations?</p> <p>What outstanding questions should be investigated in the next Dialogue?</p>
<p>12:45 – 14:00</p>	<p style="text-align: center;">Departure Lunch</p>

End of Day 2