

7th Strategic Dialogue of the Carbon Market Platform

4-5 October 2022

Table of Contents

1. Co-Chair Summary.....	1
2. Presentations from each of the sessions (hyperlinked).....	2
3. Meeting Agenda.....	3

1. Co-Chair Summary

In October of 2022, Germany hosted the Seventh Strategic Dialogue of the Carbon Market Platform (CMP). The meeting was jointly chaired by the United Kingdom and Germany, as G7 Presidents in 2021 and in 2022. This political forum brings together G7, interested G20 and other countries and organisations to strengthen international co-operation in developing effective, sustainable and ambitious carbon pricing approaches. With the support of the OECD, discussion papers are prepared on one main topic of the respective meeting. This year's OECD discussion paper reflects on the topic " The role of carbon pricing in transforming pathways to reach net-zero emissions: Outlining potential issues and options in food systems".

The Seventh Strategic Dialogue meeting was hosted in a hybrid format with participation by approximately 50 officials from 18 different jurisdictions and 10 international organisations. The agenda of this meeting was focused on three topics:

- “Capacity building and support for Article 6”,
- “Enhancing the role and coverage of carbon pricing while ensuring a just transition”, and
- “Carbon pricing in food systems: Potential issues and options”.

During the Dialogue, participants were encouraged to share views, knowledge and best practices on carbon pricing implementation as well as discuss potential synergies between domestic and international market mechanisms. The discussion was held under the Chatham House rule to facilitate an open and deep discussion.

The Co-Chairs noted that this year’s meeting took place in challenging times. Russia’s attack on Ukraine in violation of international law has caused inflation, disruptions in trade of food and an increase of food and energy prices. As a result, this crisis amplifies the tension between climate mitigation action and energy affordability. Throughout all the sessions (see further details below), it was therefore a crosscutting issue to find strategies that can further advance the development of carbon markets under these circumstances.

At the end of the Dialogue, the co-chairs highlighted the importance of continuing to use forums such as the CMP to exchange on carbon pricing policy approaches to achieve and exceed our Paris commitments. In closing, it was noted that the issue of the interplay between voluntary carbon markets and the UNFCCC framework is of high relevance and should be further explored in the next CMP meeting (see further details below).

Capacity building and support for Article 6 of the Paris Agreement

The Strategic Dialogue began with a discussion on capacity building needs and current efforts to support implementation of Article 6 of the Paris Agreement. It was highlighted that both the G7 Climate, Energy and Environment Ministers' Communiqué and the Chair's Summary of the G20 Joint Environment and Climate Ministers' Meeting stress the importance of strengthening support for Art. 6 capacity building to developing countries. While recognizing the ongoing efforts from various actors, the discussion highlighted that a certain level of co-ordination of efforts could help to enhance the effectiveness of provided support. The UNFCCC capacity building program will be one of the core instruments to enhance the readiness for Art. 6 activities in countries. However, there is also a need for public and private sector contributions to capacity building to implement co-operative mitigation activities on the ground. These contributions are growing, and a mapping and co-ordination of these initiatives could help to optimize the impact of the ongoing capacity building programs. Furthermore, it was highlighted that there is a need for tailor made capacity building support to enable countries to develop an Art. 6 strategy in line with their National Determine Contribution (NDC) and Long-term Strategy (LTS) goals. The different initiatives should build partnerships, harmonize activities and workshops, and each organisation should use their individual strengths to support countries in this regard.

Enhancing the role and coverage of carbon pricing while ensuring a just transition

In the second session, participants discussed the role of carbon pricing, its implication for just transitions and how key challenges relating to just transitions could be overcome. Carbon pricing is seen by many countries as an important tool to reach their NDCs. However, the on-going crises are imposing new costs on countries and it is becoming even more challenging to consider more ambitious approaches to carbon pricing. The need to better understand the socio-economic effects of carbon pricing was raised. Participants stressed that different pricing instruments need to be aligned with other policy measures to effectively reduce GHG emissions. Participants drew attention to the significance of public acceptance for carbon pricing instruments and pointed out that income inequalities are challenges that need to be addressed. Findings of behavioural economics could usefully be incorporated into the design of carbon pricing instruments to make them more accepted and effective. Furthermore, the importance of good communication of carbon pricing policies, the price signal and their benefits to citizens were pointed out. Revenue recycling was emphasized as an important tool that can help raise acceptance and could be used to support a just transition as well as other issues, as the transition away from fossil fuels requires a lot of finances. The value to include carbon pricing instruments as part of the solution for a just transition was highlighted. However, it was also pointed out that not all pricing systems create enough revenues which can be recycled and used for complementary measures, especially in early implementation phases with low prices. Attention was drawn to the possibilities for crediting mechanisms highlighting other benefits to bring in financing for a just transition from the private sector.

Carbon pricing in food systems: Potential issues and options

In the third session, participants discussed opportunities and challenges of using carbon pricing as part of the policy package to address GHG emissions in food systems. To date, carbon pricing instruments have not yet been applied systematically to food systems as there are technical and methodological challenges such as diffuse emission sources, uncertainties in quantifying emissions from these sources and high GHG intensity variations within and between foods. In addition, GHG from food come from a variety of points in its lifecycle – mainly at the agricultural production stage overall, but with GHG emissions from i.e. land-use change, processing, transport. At the same time, addressing GHG emissions from food systems could lead to positive co-benefits like reducing deforestation and water footprint as well as incentivise a reduction in the dependency of fertilizer import that also impacts food prices.

The distributional impacts of mitigation policy in the food sector were deliberated against the background of high food inflation rates in 2022. Different mitigation approaches were discussed like removing environmentally harmful subsidies and reforming support to reduce emission intensity as well as implementing an effective pricing system for food GHG emissions. The participants recognized that further analysis is needed regarding how to apply different types of pricing approaches alongside other policies to reduce emissions from food systems; to identify which approaches could best be used to help reduce emissions in food systems while ensuring the affordability of food to all countries and all groups. Participants highlighted that this topic should be revisited at the next Strategic Dialogue meeting in 2023 to deepen the exchange and to give an update on new findings and experiences in this area.

THE WAY AHEAD

In the closing session, the OECD presented three potential topics for the Strategic Dialogue Meeting of the Carbon Market Platform in 2023.

There was broad consensus amongst participants that the topic of assessing the interplay between voluntary carbon markets (VCM) and the UNFCCC framework is of high relevance and that an input paper from the OECD would be a very timely contribution to this topic. Participants mentioned that the relationship between VCM and mitigation ambition of NDCs as well as net-zero targets adopted by Parties and non-Party stakeholders would be an interesting focus in this regard.

The co-chairs will investigate the discussed as well as other potential topics to ensure a fruitful discussion at the next Strategic Dialogue of the CMP.

Co-Chair 2023: Japan will host the 8th Strategic Dialogue of the CMP in 2023. The Co-Chairs of the CMP together with the OECD Secretariat will further explore the proposed topics to prepare a fruitful discussion and exchange at the 2023 CMP Strategic Dialogue. The appropriate time and place to meet for the 8th Strategic Dialogue will be identified and communicated in due time.

2. Presentations from each of the sessions (hyperlinked)

Session 1A:

- [Capacity Building on the implementation for Article 6 of the Paris Agreement](#), Keiko Segawa, Japan
- [Capacity Building and support for Article 6 of the Paris Agreement](#), Bianca Gichangi, Eastern Africa Alliance on Carbon Markets and Climate Finance

Session 1B:

- [Capacity building and support for Article 6 of the Paris Agreement](#), Perumal Arumugam, UNFCCC
- [Capacity Building for Article 6](#), Fenella Aouane, Global Green Growth Institute (GGGI)

Session 2A:

- [Carbon pricing and its role in reaching net-zero emissions](#), Sofie Errendal, OECD
- [Partnership for Market Implementation Facility](#), Dr. Venkata Ramana Putti, World Bank

Session 2B:

- [Ensuring a just transition in carbon pricing](#), Moustapha Kamal Gueye, ILO
- [California Climate Policy](#), Rajinder Sahota, California Air Resources Board (CARB)

Session 3A:

- [The potential role of carbon pricing in food systems: context, issues and options](#), Jane Ellis and Hugo Valin, OECD
- [Carbon pricing in food systems: Potential issues and options](#), Jessica Bensemann, New Zealand

Session 3B:

- [Taking agriculture to carbon markets](#), Joanna Ilicic, FAO
- [Carbon pricing in food systems: approaches in the EU](#), Varleria Forlin, European Commission

3. Meeting agenda

7th Strategic Dialogue of the Carbon Market Platform 4-5 October 2022

Mercure Hotel, Stephanstraße 41, 10559 Berlin, Germany

In-person dialogue with option for remote participation

4 October 2022	
09:15 - 09:30 CEST	Welcome and opening remarks
	<p>Co-chairs:</p> <ul style="list-style-type: none"> • Birgit Schwenk, DG Climate Protection, Federal Ministry Economic Affairs and Climate Action Germany • Zoe Norgate, Deputy Director International Climate Finance and Strategy Department for Business, Energy and Industrial Strategy, UK
09:30 – 11:00 CEST	Session 1A: Capacity building and support for Article 6 of the Paris Agreement
	<p>This session explored some of the data gaps, capacity building needs and current efforts to support implementation of Article 6 of the Paris Agreement.</p> <p>Co-facilitator: <u>Birgit Schwenk</u>, Germany</p> <p>Icebreaker presentations:</p> <ul style="list-style-type: none"> • <u>Keiko Segawa</u>, Japan • <u>Bianca Gichangi</u>, Eastern Africa Alliance on Carbon Markets and Climate Finance <p>Respondents:</p> <ul style="list-style-type: none"> • <u>Adriana Lizette Gutierrez Bayona</u>, Colombia • <u>Alejandro Kilpatrick</u>, UNFCCC <p>Discussion questions:</p> <ul style="list-style-type: none"> • What are the key data gaps and capacity building needs to implement Article 6 of the Paris Agreement? • What is currently being done by countries and organisations to fill these gaps?
11:30 – 13:00 CEST	Session 1B: Capacity building and support for Article 6 of the Paris Agreement (continued)
	<p>This session explored how capacity building and support for implementing Article 6 of the Paris Agreement could be enhanced at different levels.</p> <p>Co-facilitator: <u>Zoe Norgate</u>, UK</p>

	<p>Icebreaker presentations:</p> <ul style="list-style-type: none"> • Perumal Arumugam, UNFCCC • Fenella Aouane, Global Green Growth Institute (GGGI) <p>Respondents:</p> <ul style="list-style-type: none"> • Molly Peters-Stanley, US • Sven Egbers, GIZ <p>Discussion questions:</p> <ul style="list-style-type: none"> • How can the international community better co-ordinate delivery and share lessons on capacity building and support for Article 6? • Could special circumstances of particular groups and/or countries be considered in providing capacity building and support for Article 6, and if so, how? • What is needed to facilitate regional distribution of Article 6 activities?
<p>14:00 – 15:30 CEST</p>	<p>Session 2A: Enhancing the role and coverage of carbon pricing while ensuring a just transition - Initiatives to enhance the role of carbon pricing</p>
	<p>This session explored how the role of carbon pricing can be enhanced through national, regional and/or international efforts, discuss key challenges and how these could be overcome.</p> <p>Co-facilitators: Nicole Wilke, Germany</p> <p>Icebreaker presentations:</p> <ul style="list-style-type: none"> • Sofie Errendal, OECD • Venkata Ramana Putti, World Bank <p>Respondents:</p> <ul style="list-style-type: none"> • Judy Meltzer, Canada • Laksmi Dhewanthi, Indonesia <p>Questions for discussion:</p> <ul style="list-style-type: none"> • What can the international community and/or countries do to enhance the role and coverage of carbon pricing? • What are some of the key challenges to enhancing the role and coverage of carbon pricing, and how can these be overcome? • Are specific regional approaches needed (for instance in oil exporting countries)?
<p>16:00 – 17:30 CEST</p>	<p>Session 2B: Enhancing the role and coverage of carbon pricing while ensuring a just transition – Addressing just transition concerns</p>
	<p>This session explored the interplay between carbon pricing and just transition considerations, including the potential role of revenue recycling mechanisms and complementary policies in addressing just transition concerns.</p> <p>Co-facilitators: Zoe Norgate, UK</p> <p>Icebreaker presentations:</p> <ul style="list-style-type: none"> • Moustapha Kamal Gueye, ILO • Rajinder Sahota, California Air Resources Board (CARB)

	<p>Respondents:</p> <ul style="list-style-type: none"> • Juan Pedro Searle Solar, Chile • Mkhuthazi Steleki, South Africa <p>Discussion questions</p> <ul style="list-style-type: none"> • What just transition considerations need to be taken into account when considering an expanded role and coverage of carbon pricing? • What is the role of revenue recycling and/or complementary policies in addressing just transition concerns when considering an expansion of carbon pricing?
5 October 2022	
09:00 – 10:30 CEST	Session 3A: Carbon pricing in food systems: Potential issues and options
	<p>This session explored some of the opportunities and challenges for using carbon pricing as part of the policy package to address GHG emissions in food systems.</p> <p>Co-facilitators: Nicole Wilke, Germany</p> <p>Ice-breaker presentations:</p> <ul style="list-style-type: none"> • Jane Ellis & Hugo Valin, OECD • Jessica Bensemann, New Zealand <p>Respondents:</p> <ul style="list-style-type: none"> • Abhishek Jain, Council on Energy, Environment and Water (CEEW) • Rohit Kaushish, National Farmers Union (NFU) <p>Discussion questions:</p> <ul style="list-style-type: none"> • What are the potential opportunities and challenges for using carbon pricing to address emissions from food systems? • What kind of complementary policies could help to reduce food system emissions on the supply- and/or demand-side?
11:00 – 12:30 CEST	Session 3B: Carbon pricing in food systems: Potential issues and options
	<p>This will explored the potential distributional impacts of applying carbon pricing in food systems and how these could be addressed.</p> <p>Co-facilitators: Zoe Norgate, UK</p> <p>Ice-breaker presentations:</p> <ul style="list-style-type: none"> • Joanna Ilicic, FAO • Valeria Forlin, European Commission <p>Respondents:</p> <ul style="list-style-type: none"> • Dr. Umay Gökçe Özkan, Republic of Türkiye • Roberto Azofeifa, Costa Ricas

	Discussion questions: <ul style="list-style-type: none">• What are the social and distributional impacts of using a carbon price to address GHG emissions in the food sector?• How could such impacts be addressed?
12:30 – 13:00 CEST	Wrap up and closing
	Discussion on potential topics for CMP work in 2023 <ul style="list-style-type: none">• <u>Presentation by OECD team</u> Closing remarks