World Bank Partnership for Market Readiness begins push for new carbon markets

by Oscar Reyes
Friday, 17 June 2011

The World Bank is busily encouraging â€œmiddle incomeâ€• countries to create new carbon trading schemes, as we reported i our last newsletter. It hopes that this will lead to a â€œscaling upâ€• of carbon markets and has created a new Fund, the â€œPartnership for Market Readinessâ€• (PMR), to meet this aim.

Â

Without much fanfare, the Fund's first meeting took place on 30-31 May in Barcelona, just ahead of Carbon Expo, a huge carbon trading jamboree co-organised by the World Bank and the International Emissions Trading Association (IETA). Representatives of over 30 countries joined the meeting, according to the Bank.

The Partnership approved initial grants of $350,000 to Chile, China, Columbia, Costa Rica, Indonesia, Mexico, Thailand and Turkey.Â Each of the eight countries will now develop a â€œMarket Readiness Proposalâ€• to detail their plans. Two furthe countries, Morocco and Ukraine, have been confirmed as participants.

The Bank hopes that the PMR will stimulate two main activities: the creation of new cap and trade-style carbon markets, and engagement in â€œNAMA crediting.â€• The latter suggestion pre-empts ongoing debates within the United Nations Framework Convention on Climate Change (UNFCCC), which has yet to agree to this controversial means of â€œscaling upâ€• carbon finance beyond carbon offset projects.

A range of economic activities might be covered, with the current (non-exhaustive) list including: power generation, iron and steel, transport, construction/buildings/housing, cement, energy efficiency, waste management, and NAMAs for â€œlow-carbon citiesâ€•. In Mexico, the PMR will work to set up a carbon offset registry, while in China it is promoting the creation of regional emissions trading pilot schemes.

Funding pledges so far come from: Australia, the European Commission, Germany, Japan, Norway, The Netherlands, Spain, Switzerland, the United Kingdom and United States. These amount to a little under $70 million of the $100 million expected total.

The latest pledges include $7 million from the International Climate Fund (ICF), the UK government's means of channelling climate money through the World Bank. This follows the usual UK-government practice of re-announcing the same money several times: the money can be double-counted as part of the UK's Official Development Assistance (ODA) funding, and this same money also forms the UK's contribution to â€œfast-start financing.â€•

For â€œfastâ€• read â€œslowâ€• - while the rhetoric suggests that money will be directed towards the immediate needs of peop already facing the impacts of climate change, the use of such funds to develop new market-mechanisms is a boost for schemes that are notable for delaying action to address climate change.

The vast majority of the money from the PMR will be directed towards establishing systems for â€œmonitoring, reporting and verificationâ€• (MRV) â€“ in other words, technical support for the creation of a system of tradeable carbon credits. However, this remains a small proportion of the total needed to pilot market mechanisms, meaning that the scheme's â€œbeneficiariesâ€• are likely to spend far more on the schemes than the money that the Bank puts in.

More information

Carbon Trade Watch, Partnership for Market Readiness: a critical introduction, January 2011

World Bank Climate Finance Unit, Partnership for Market Readiness (PMR): Update and preliminary insights, March 2011

World Bank Climate Finance Unit, Partnership Approves Grants for Eight Carbon Market Initiatives, June 2011

Â