

# Collaborative Instruments for Ambitious Climate Action



CI-ACA

*"Carbon pricing is the most effective policy for reducing emissions"*

(Christine Lagarde, Managing Director, IMF)

*"Putting a price on carbon is essential to meet the Paris Agreement goals and the global goals"*

(Patricia Espinosa, Executive Secretary, UNFCCC)

*"Explicit carbon prices remain a necessary condition of ambitious climate policies"*

(IPCC 1.5°C special report)

*"First, let's shift taxes from salaries to carbon. We should tax pollution, not people"*

(António Guterres, Secretary General, United Nations)

*"Putting a price on carbon is the only effective way to curb emissions to combat climate change"*

(Jean Tirole, Nobel Memorial Prize in Economic Sciences, 2014)

*"There can be no question that delivering on the promises of COP21 requires strengthening carbon pricing now"*

(José Ángel Gurría, Secretary General, OECD)

# COLLABORATIVE INSTRUMENTS FOR AMBITIOUS CLIMATE ACTION (CI-ACA)

## 1. Objective of the CI-ACA work stream:

*“To assist Parties in the development of carbon pricing approaches for implementing their Nationally Determined Contribution (NDC) under the Paris Agreement and foster cooperation”.*

### Background:

- Solving the climate crisis requires that the atmosphere is no longer a “free dumping ground for carbon pollution”. The economic system needs to reflect the cost of carbon pollution.
- The Paris Agreement explicitly recognizes the important role of carbon pricing (Decision CP21/1 para. 136).
- A growing number of Parties are considering carbon pricing as an approach for implementing their climate action under the Paris Agreement as part of their Nationally Determined Contribution (NDC).
- The Vision Statement by the Carbon Pricing Panel calls for achieving 25% of Greenhouse Gases (GHG) managed under a carbon pricing by 2020 and 50% within a decade<sup>1</sup>.

## 2. About carbon pricing:

### What is carbon pricing?

- Carbon pricing consists in a fee on greenhouse gases emissions.
- Carbon pricing is an effective approach for curbing greenhouse gases emissions and making economic development compatible with climate protection.

### Benefits of carbon pricing

As a tool for NDC implementation: For delivering mitigation action under the Paris Agreement in a cost-effective manner, at the domestic level, but also cooperatively (e.g. by using carbon markets together with other jurisdictions).

For long term low-carbon development: By giving an economic signal to foster low-carbon development.

Co-benefits: Carbon pricing can also deliver sustainable development co-benefits from a low-carbon economy: job creation, economic diversification, increased energy security, reduction of waste, reduced pollution and associated health benefits, etc.

To achieve policy objectives: Countries are increasingly using carbon pricing to achieve their own economic objectives: for poverty reduction, for reducing the cost of subsidies to fossil fuels, for cutting ineffective taxes, or for raising revenue for investments.

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<sup>1</sup> <http://www.worldbank.org/en/news/speech/2016/04/21/carbon-pricing-panel---setting-a-transformational-vision-for-2020-and-beyond>

### 3. Rationales for providing support for carbon pricing

- The challenge:**
- Most developing countries interested in developing instruments for carbon pricing/markets will require support.
  - Support is needed (i) to identify the options available and how these fit with their own circumstances and objectives; (ii) to elaborate concrete proposals to establish instruments; (iii) to adopt at the national level and instrument and (iv) to implement on the ground their instruments.

### 4. Why fostering collaboration?

■ <b>What is cooperative climate action?</b>	Approaches through which several jurisdictions achieve climate action jointly.
■ <b>Why is it important?</b>	<p>Worldwide, a mismatch exists between those jurisdictions which have the means for climate action (funding, capacity, technology) and those which have a large mitigation potential.</p> <p>In short, without cooperative action, advanced countries may face high mitigation costs, while low-cost options in developing countries may not be mobilized.</p>
■ <b>What are the benefits?</b>	Leading studies estimate that collaborative mitigation action can lead to 30% to 70% decrease in costs for mitigation action.
■ <b>Is it allowed?</b>	<p>The Paris Agreement enables cooperative action in its Article 6.</p> <p>This reflects the fact that the one tonne CO<sub>2</sub>-equivalent saved anywhere has the same impact to the atmospheric system.</p>
■ <b>What is the role of carbon pricing in this?</b>	Implementing carbon pricing puts in place two important elements for cooperative climate action: (i) a quantification of GHG emissions managed, and (ii) an economic value/price on GHG emissions.
■ <b>How is it concretely implemented?</b>	A typical example is when two jurisdictions link their carbon markets or establish a common carbon markets, for example in the form of an Emission Trading Scheme (ETS).
■ <b>What are the benefits to jurisdictions?</b>	Jurisdictions considering putting in place carbon pricing/market approaches to enable future participation in regional and global carbon markets for a variety of reasons: selling mitigation units, attracting funding for their mitigation action, and achieving their target more flexibly and more cost-effectively.

## 5. About the CI-ACA work stream

■ <b>Launch</b>	The CI-ACA work stream was announced during COP22 in Marrakesh and is established for an initial period from 2017 to the end 2018.
■ <b>Voluntary nature</b>	Activities are purely voluntary, and does not create obligations for jurisdictions supported or for donors.
■ <b>Donors</b>	The work stream is currently funded from voluntary contributions provided the Governments of Germany, Norway, Quebec, Switzerland and Sweden. It is jointly managed by the UNFCCC and its regional collaboration centres.
■ <b>Who can join</b>	The CI-ACA work stream is open to a broad range of donors/partners. Among others, this can include Governments at the national level, subnational level, but also philanthropies, foundations, NGOs, etc.
■ <b>Who acts as coordinator</b>	The UNFCCC Stakeholder and Regional Support (SRS) team ensures the global coordination of the work stream, interacting with donors, supported jurisdictions and implementers.
■ <b>How is it implemented</b>	Support is provided in a decentralized manner through the network of UNFCCC Regional Collaboration Centres (RCCs). The RCCs are partnerships between the UNFCCC and leading regional institutions.

## 6. Scope of support


### Areas of support:

- Support to jurisdictions (or groups of jurisdictions), for developing carbon pricing instruments suited to the domestic context, considering “just transition”.
- Support for fostering collaborative mitigation action through carbon pricing.

Instruments supported: Support can be provided for instruments which (i) set a price signal on carbon, (ii) rely on a robust system for monitoring, reporting and verification (MRV) and (iii) feature the use of carbon units. This includes:

- Emission trading systems (ETS),
- Carbon taxes with the flexible use of mitigation units, and
- Emission reduction funds, and other solutions, based on country needs and objectives.

Steps supported: Recognizing that countries interested in using carbon pricing as a mitigation approach are at different stages with their plans, support can be provided for the following steps:

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- Initial consideration of carbon pricing
  - Development of a proposal for a carbon pricing instrument
  - Support to the adoption of carbon pricing
  - Support to the implementation of a carbon pricing instrument

## 7. Support activities offered:

- Capacity building for the development of carbon pricing and carbon market instruments
- Support for national consultations to identify and validate the circumstances, needs, constraints and objectives of various groups of stakeholders involved
- Funding of studies by a consultant for the consideration and development of carbon pricing approaches at the level of the jurisdiction
- Technical support
- Regional workshops in for sharing experience or engaging in regional cooperation on carbon pricing and carbon market instruments

## 8. Key benefits for supported jurisdictions

Participating jurisdiction will benefit from:

- Support for the development of mitigation instruments at the domestic level
- Alignment between action and instruments on the ground and emerging instruments under Article 6 of the Paris Agreement
- The development of regional synergies and collaborations through alignment, convergence and multi-country approaches

## 9. Activities and outcomes from CI-ACA Phase I (2017-2019)

***“Over 2017-2018, the CI-ACA work stream engaged with a total of 18 jurisdictions, providing support for the consideration of carbon pricing at the domestic level, but also cooperatively, at the regional level”.***



### **ASEAN (Association of Southeast Asian Nations): Study on cooperative MRV as a foundation for a potential regional carbon market within ASEAN**

**Activities:** ► Capacity-building workshop ► In-country studies on *status quo* of MRV and carbon pricing ► Synthesis study on status quo of carbon pricing and supporting MRV in nine ASEAN member States.

**Results:** Identified options for harmonizing MRV at the facility level as foundation for a potential regional carbon market; Five-year action roadmap for cooperation activities among ASEAN Member States on MRV and carbon pricing.

**Potential next steps:** (i) Supporting to the convergence and harmonization of Monitoring and Reporting approaches and guidelines at the facility-level for key sectors; (ii) Support to the development of MRV at facility-level, and (iii) Focus study to explore the potential for the establishment of a regional ETS is proposed.

## Senegal: Study on opportunity for introducing a domestic carbon pricing

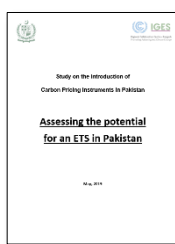
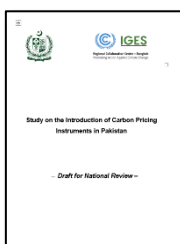


**Activities:** ▶ Capacity-building workshop ▶ National consultations ▶ Country-specific study.

**Results:** Identified a carbon tax on large GHG emitters in power, industry and waste sector as the most appropriate carbon pricing approach at the domestic level. Potentially, offsets could be used as compliance option towards the carbon tax.

**Potential next steps:** Next CI-ACA support step is a focused study on the implications of re-orientation of existing taxes and a carbon tax on economic impacts and compensation measures.

## Pakistan: Study on opportunity for introducing a domestic carbon pricing

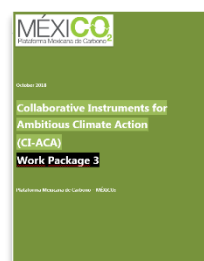


**Activities:** ▶ Capacity-building workshop ▶ National consultations ▶ Country-specific study on the introduction of carbon pricing ▶ Focused study on the feasibility of a domestic ETS.

**Results:** Identified the most promising option as a combination of (i) a domestic ETS (mid to long-term) on the power sector and industry (>121 participants) and (ii) an adjustment of the existing petroleum levy.

**Potential next steps:** (i) Consultations with national stakeholders and industries, and (ii) Readiness activities for a domestic ETS.

## Dominican Republic: Study on opportunity for introducing a domestic carbon pricing

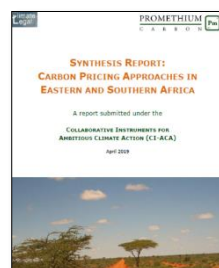


**Activities:** ▶ Capacity-building workshop ▶ National consultations ▶ Country-specific study on the introduction of carbon pricing.

**Results:** Identified the most promising option as either (i) a carbon tax on large scale GHG emitters or (ii) an ETS, for example linked with partners in the region.

**Potential next steps:** (i) Analysis of potential impacts and mitigation measures from specific carbon pricing approaches, and (ii) Support to engagement with partners in the region on the possibility of a regional ETS.

## East Africa: Carbon Pricing in Approaches in Eastern and Southern Africa



**Activities:** Study aim was to assess the countries' background and developments in carbon markets, carbon pricing and MRV system. Further, national legal frameworks to introduce carbon pricing and exploring possibilities for regional collaboration were researched.

**Results:** Analysis of status quo, barriers and legal framework in relation to carbon pricing for five East African countries.

**Potential next steps:** Support to the East African Alliance on Carbon Markets and Climate Finance.

Reports and overview of activities are available at:

<https://unfccc.int/about-us/regional-collaboration-centres/the-collaborative-instruments-for-ambitious-climate-action-ci-aca-initiative>

<http://bit.ly/CIACA-UNFCCC>

## 10. Next phase of the CI-ACA work stream

A next phase of the CI-ACA work stream is set to cover a timeframe from the middle of 2019 to December 2021. The intended focus is as follows:

■ <b>Deepening</b>	For supported jurisdictions: Progressing towards concrete adoption and implementation of instruments.
■ <b>Fostering collaboration</b>	Fostering the consideration of collaboration in carbon pricing instruments at the regional level, especially through regional carbon markets and knowledge sharing; This focus area may in particular take into account future decisions on Article 6 of the Paris Agreement.
■ <b>Expanding</b>	Stimulate the consideration and collaboration of carbon pricing instruments in new jurisdictions.

## 11. Contact us

Jurisdictions interested in joining the CI-ACA workstream can contact the Regional Collaboration Centres:

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