

PREPARING FOR NEW BUSINESS

Getting business on board is vital for the success of any emissions trading system. IETA's Business Partnership for Market Readiness aims to do just that in emerging markets, says Karl Upston-Hooper

Many in the carbon market see the World Bank's Partnership for Market Readiness (PMR) as the leading edge of future market innovation and expansion. A core group of the International Emissions Trading Association's (IETA's) members felt it was important for the international business community to do its part to make sure the market leaders in new jurisdictions appreciate the lessons learned in early emissions trading experiences – and the business opportunities on the horizon.

And so, last year, IETA launched its Business Partnership for Market Readiness, or B-PMR. IETA expressly designed this initiative to complement the World Bank's PMR and its goal of shaping the next generation of carbon markets.

The objectives of the B-PMR are to support the development of good business practices in the design and/or operation of market-based instruments to reduce emissions of greenhouse gases in new jurisdictions that are developing emissions trading and carbon pricing policies.

In this way, the B-PMR not only supports efforts led by the World Bank and the PMR implementing countries, but also helps speed up the process of getting businesses ready for emissions trading and carbon pricing.

Building bridges

As noted by IETA president and CEO Dirk Forrister at the launch of the B-PMR:

"IETA's B-PMR aims to bridge the gap between the private sector community and the exciting activities of the World Bank PMR. As these PMR programmes take shape, IETA is perfectly positioned to assist in building business readiness for these

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new markets, which includes sharing best practices from experiences in existing carbon markets, and where appropriate supporting the policy development process. IETA's B-PMR will provide the ideal forum to achieve this."

With 16 partner jurisdictions working in the PMR (see page 22), new emissions trading systems are poised to cover many businesses in developing countries and emerging economies in the next few years. Some of these companies have

experience with the Kyoto Protocol's Clean Development Mechanism (CDM) but most are unfamiliar with the core operations of an emissions trading market. They can make or break these systems, depending on their level of preparedness. This is why the work of the B-PMR is paramount to the actual policies that the PMR countries are implementing.

Business-to-business engagement

Emissions markets only succeed when the business community engages and makes the policy come alive. We know this from the early days of the CDM and the EU Emissions Trading System (ETS), when major European multinationals grew increasingly comfortable with the concept of emissions trading. Naturally, the fundamental public policy must be in place, with emissions targets, compliance deadlines and rules of the road. But, very quickly, it becomes a test of how business will respond to market incentives – beginning with simple awareness of the policy and evolving into expert skills, business practices and strategies.

This is where the B-PMR fits in. It helps fulfil the critical role of building business capacity by sharing real-world experience, both positive and negative. The raison d'être of the B-PMR is to provide a forum where experts are on hand to engage in robust dialogue with local industry stakeholders.



Participants in the Guangdong BPMR Mission. February 2013

The B-PMR does this through missions to host countries that have invited us. We organise business-to-business dialogues focused on key topics, such as how to assess the policy and market fundamentals, and to evaluate market trends and data. We also focus on the importance of assessing emissions reduction opportunities that form the basis of a market engagement strategy and how various trading instruments work in practice.

We touch on how our own companies got organised to trade carbon – and on what approaches we took to ensuring good performance.

The B-PMR presents this information from a business vantage point. But it does not start and finish in a single session. Just as with any new line of work, there is an early learning curve – so IETA’s plan is to build longer term relationships that can assist throughout the process of designing, implementing and operating an ETS.

The initiative got off to a strong start in 2013, with a week-long mission – its first – to Shenzhen and Guangdong in China, two of the seven jurisdictions in the country that will be hosting ETS pilots. Invited by local government leaders, the B-PMR organised a team of IETA experts from 20 companies to meet with local businesses and policy-makers in southern China.

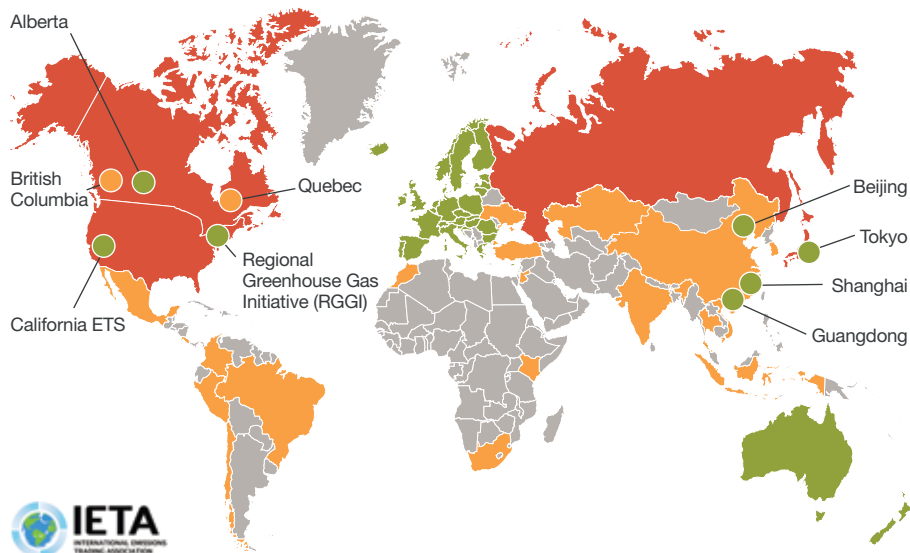
To get a lay of the land, the B-PMR team held a day of scoping meetings with local government leaders. Our partner in Guangdong is the Guangdong Low Carbon Development Promotion Association, a newly established and formative industry association for ETS participants. We gained political support from the Guangdong Development and Reform Commission (DRC), the Guangzhou Energy Research Institute (part of the Chinese Academy of Social Sciences), and the Guangdong Exchange. The time spent with these organisations provided an opportunity for our team to get an up to the minute assessment of developments in the ETS from the local design team – and those building market infrastructures.

The main part of the mission then followed, when the global team of experts from IETA’s membership, many of whom are fluent Mandarin speakers, led very well-attended workshops in Shenzhen and Guangzhou with key industry and regulatory stakeholders. These sessions included small roundtable discussions involving key industry sectors covered under the Guangdong ETS – such as cement, steel, power and petrochemicals. They could discuss specific challenges each sector faced – and how these

GLOBAL GHG TRADING MAP 2013 (International Emissions Trading Association)

A map of jurisdictions that are currently participating in emissions trading schemes or have a market-based policy tool for reducing emissions in progress.

- Existing emissions trading schemes
- Scheme design in progress
- Opted out of 2nd period of Kyoto Protocol



had been handled in other markets.

A large part of the dialogues focused on how to seize opportunities in the market, whether by using it to make money by reducing emissions more than required or simply to reduce compliance costs. It also described how companies can use the market to raise investment capital or to hedge risks. Finally, we stressed the potential to grow businesses in a carbon market by demonstrating ways that companies have made money by reducing emissions.

On-going relationships

As part of its commitment to be a living resource for the business community in jurisdictions that are developing emissions trading schemes, the key findings of the Shenzhen and Guangdong missions are captured in a digital Workbook. In addition, IETA is currently constructing a web portal as a channel for ongoing dialogue with mission participants.

Resolving the issue of where and when to deploy our resources is the key challenge for the B-PMR. We want to go where there is an appetite for interactive discussion, and we want that dialogue to be genuinely useful for businesses that are coming to grips with new carbon pricing policies. We can’t go everywhere we would want to but, where we do go, we want to make a difference and be

there for the long-haul.

Although the PMR has 16 implementing-country participants, the B-PMR does not expect to visit each of these – nor is it restricted from undertaking missions to countries outside the PMR. We will prioritise countries that have programmes ready to launch, as we know those are the places where the local business community will be interested in meeting us. To assess the readiness of these jurisdictions, we plan to coordinate closely with the local host governments and the World Bank’s PMR team.

Currently, the B-PMR is planning additional missions in 2013, one of which will probably be to some of the other regions in China that are preparing ETS pilots. Additional missions will be undertaken in 2014 and, increasingly, the B-PMR will focus on following up on the relationships it has built so that, as emerging emissions trading programmes evolve, the B-PMR is able to assist industry stakeholders in the oft-quoted learning-by-doing. *CF*

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