

# Climate Warehouse and its potential use for regional infrastructure

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27 November 2020



# **Paris Agreement: Decentralized Climate Markets**

# Climate Markets: Decentralized Systems

- The Paris Agreement recognizes the heterogeneity of approaches and enables Parties to link decentralized climate markets from the bottom up.
- The draft Article 6.2 text indicates that countries will have, or have access to, a registry or utilize a centralized registry to-be-implemented by the UNFCCC.
  - Centralized registries currently exist under the United Nations for the Clean Development Mechanism and voluntary standards (e.g., Gold Standard, Verra).
  - Several countries are developing MRV databases and country-level or national registries for participation in climate markets under Article 6.
- Differences in systems constrain market integration and scalability and add to the complexity of conducting transactions.
- The Paris Agreement does not elaborate on how registry systems will be connected so that carbon assets could be tracked. Going forward, international climate markets, such as those under CORSIA or Article 6, will likely require different registry systems to communicate with another for compliance purposes including to avoid double counting.
- Against this backdrop, **there is a need to establish connections among decentralized databases and registries in order to track the trade of mitigation outcomes, enhance transparency, and reduce double counting risks.**
  - In addition, a common “language” is needed for registries to address the complexity of conducting transactions between heterogeneous climate actions.



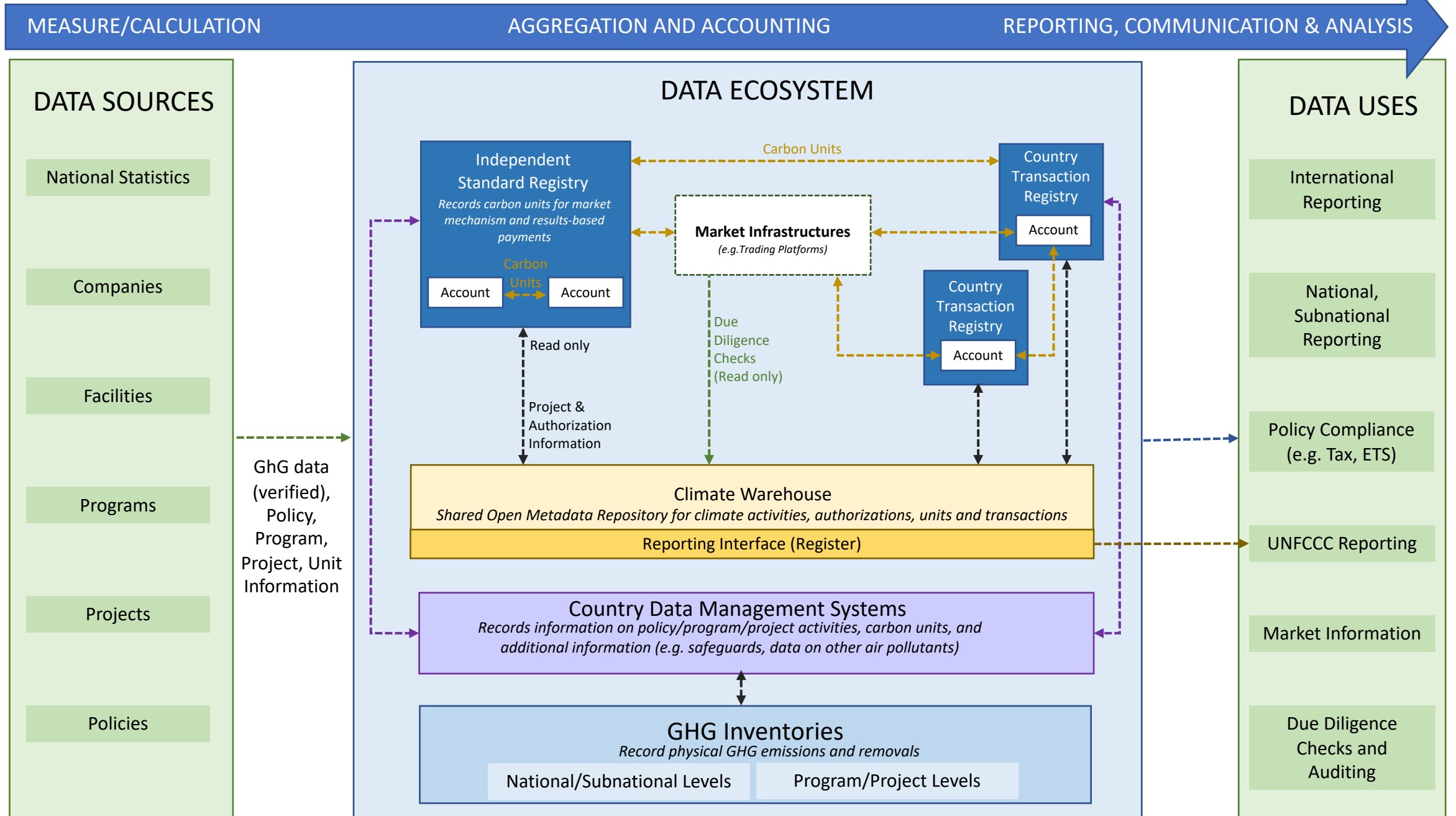
# The World Bank's Role

- The World Bank is focusing on Article 6 to support countries in achieving climate ambitions through cooperative action.
- The World Bank is:
  - **Piloting** options to contribute to Paris Agreement Rulebook discussions and demonstrate opportunities and challenges;
  - **Building client capacities**, including on emerging technologies;
  - Supporting alignment of **investments** with Paris Agreement goals; and
  - **Enhancing international cooperation.**
- Consistent with the World Bank's role in testing **development** solutions and the bottom-up ethos of the Paris Agreement, there is value in demonstrating the viability of a decentralized, connected climate markets systems.
- The World Bank implemented a simulation of the Climate Warehouse meta-registry to demonstrate the technical feasibility of the concept.
- Phase I of the simulation was completed in November 2019, and the World Bank has initiated phase II of the simulation to further develop the prototype and broaden partners involved in the simulation.
- Phase I participating partners: (a) Government of Chile, Ministry of Energy; (b) Government of Japan, Ministry of the Environment; (c) The Gold Standard Foundation; and (d) Verra

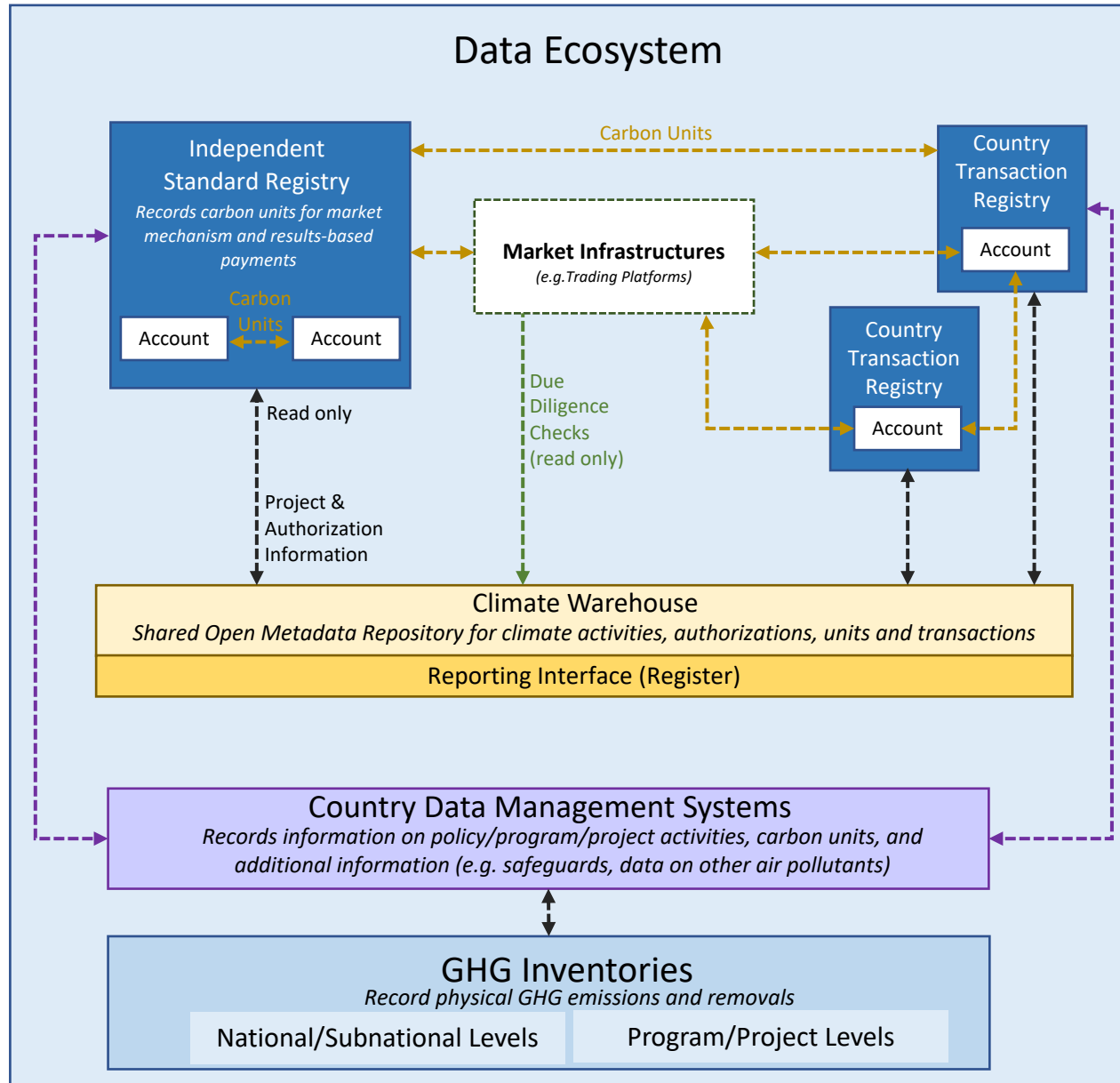


# Potential Designs of the Climate Warehouse

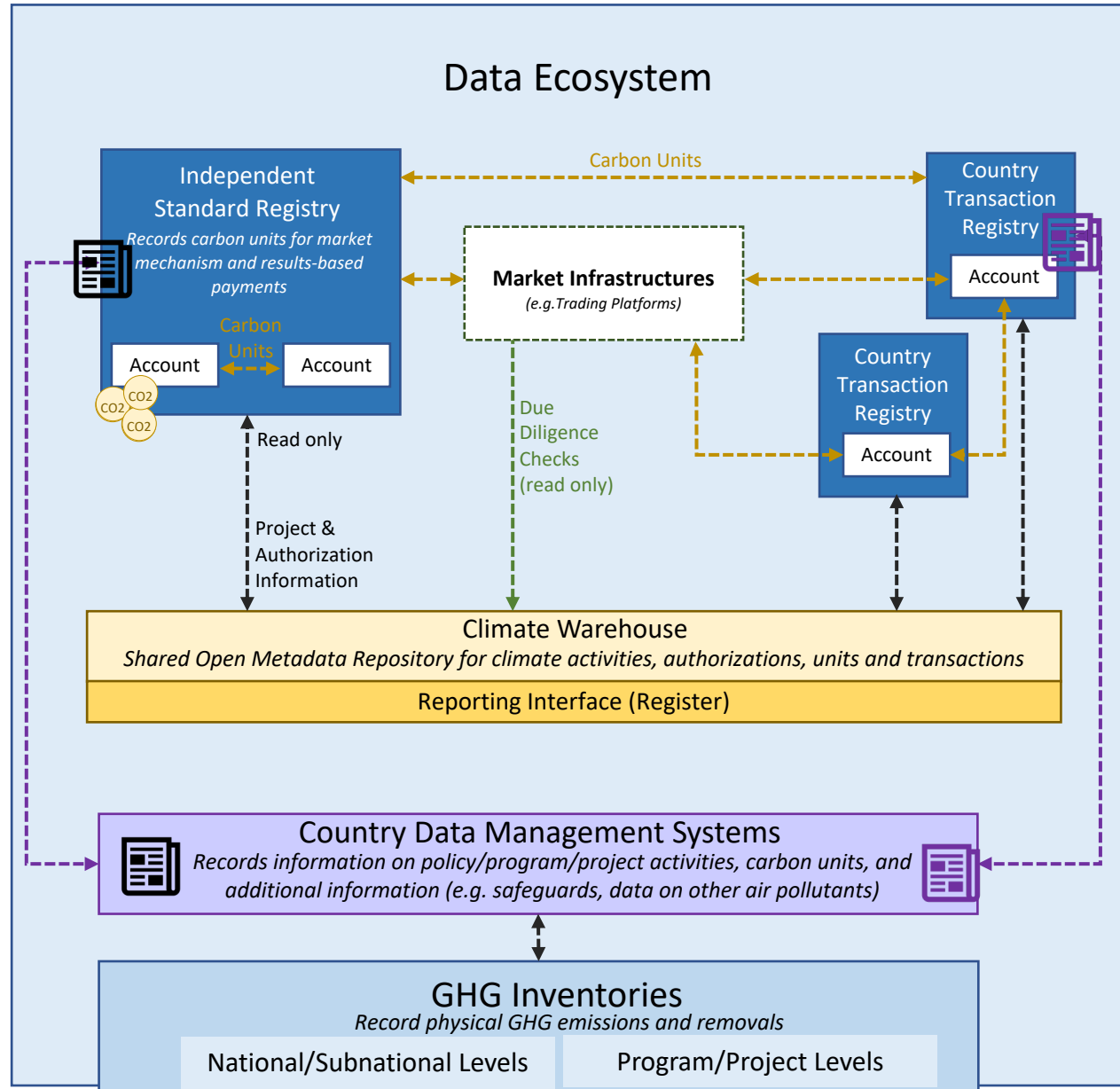
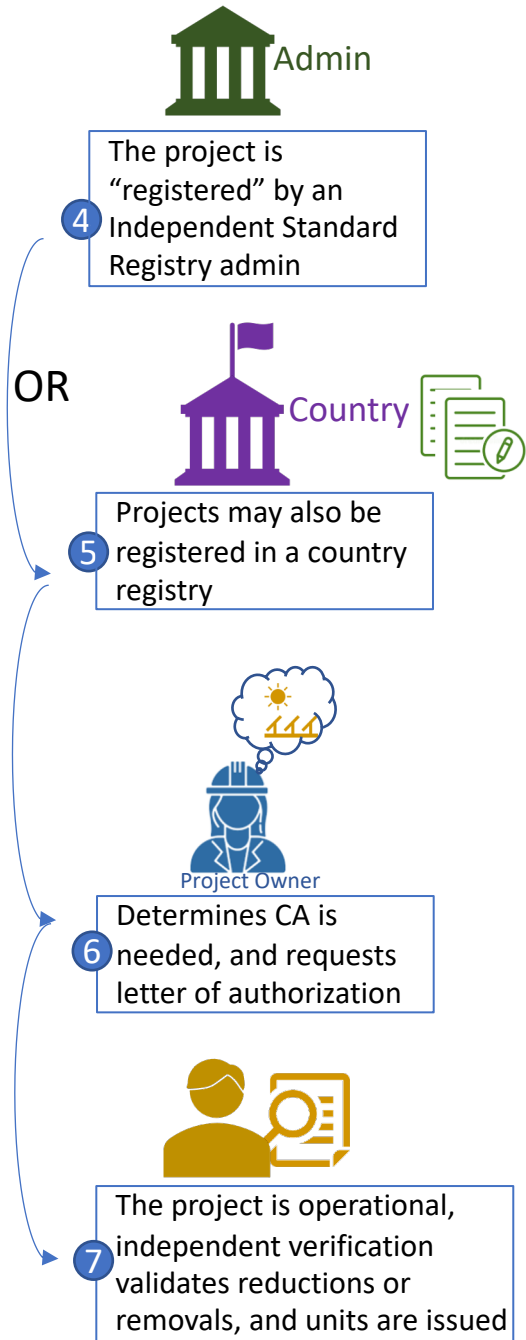
# Design Option A: Connection with separate registries



# Carbon Asset Development Process



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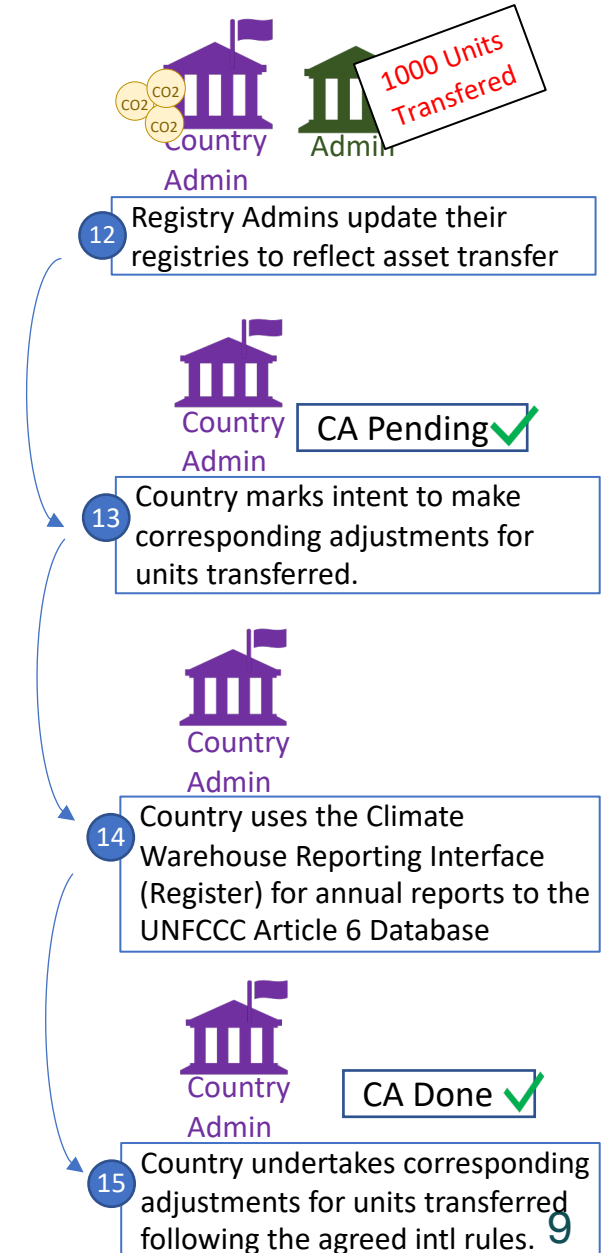
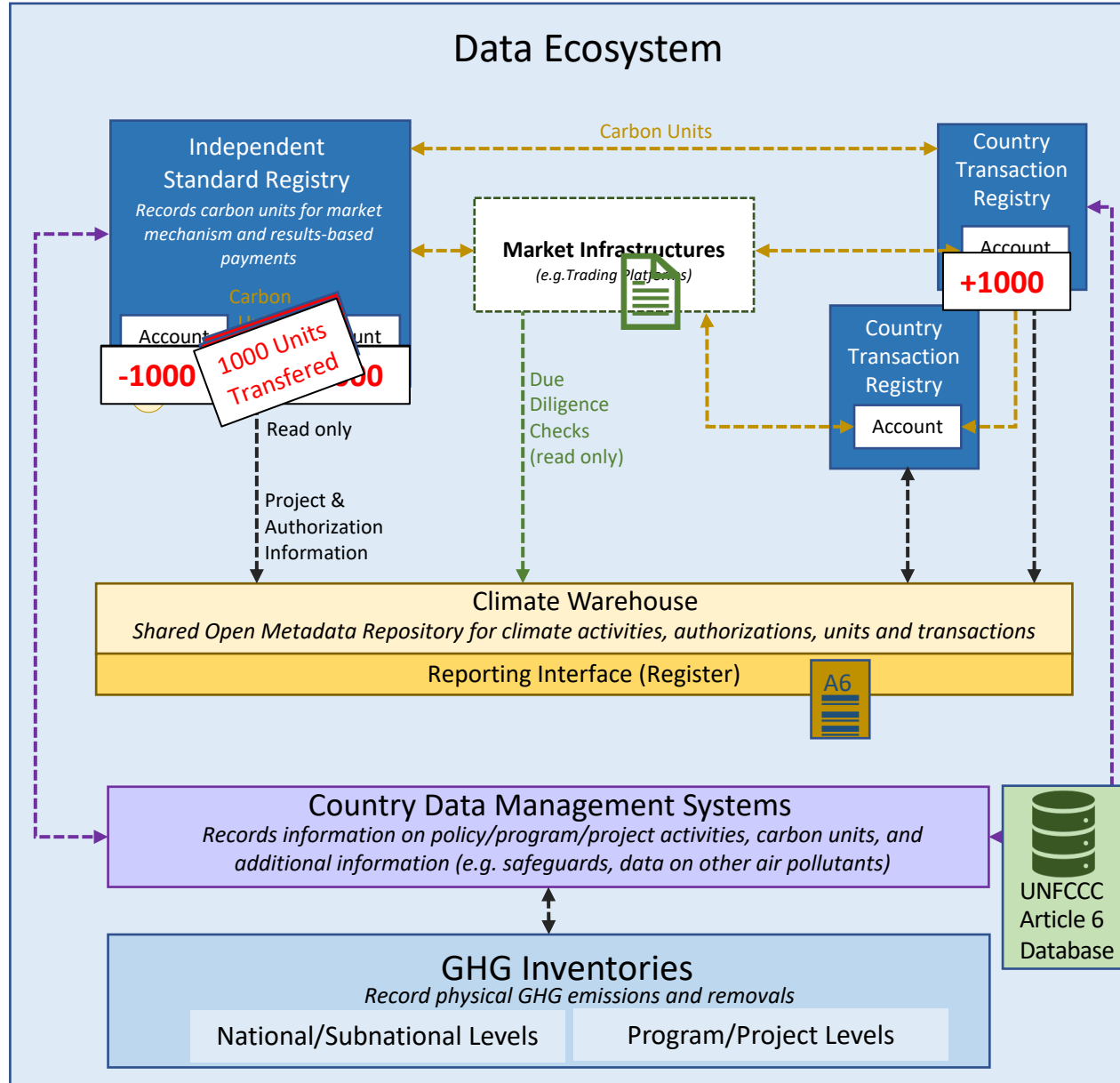
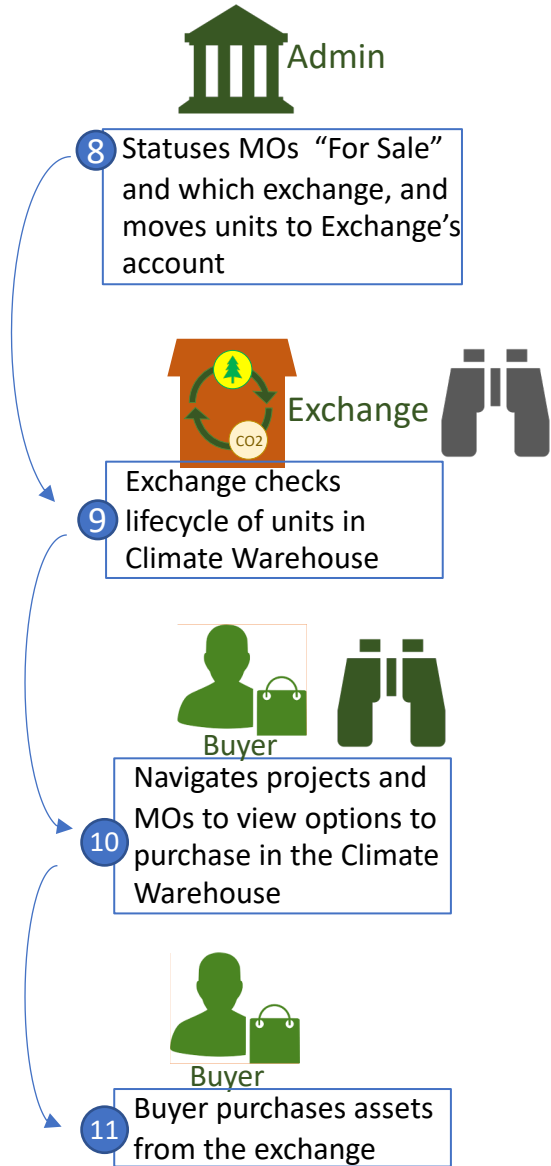


Changes to public data in Registries are surfaced to the Climate Warehouse!

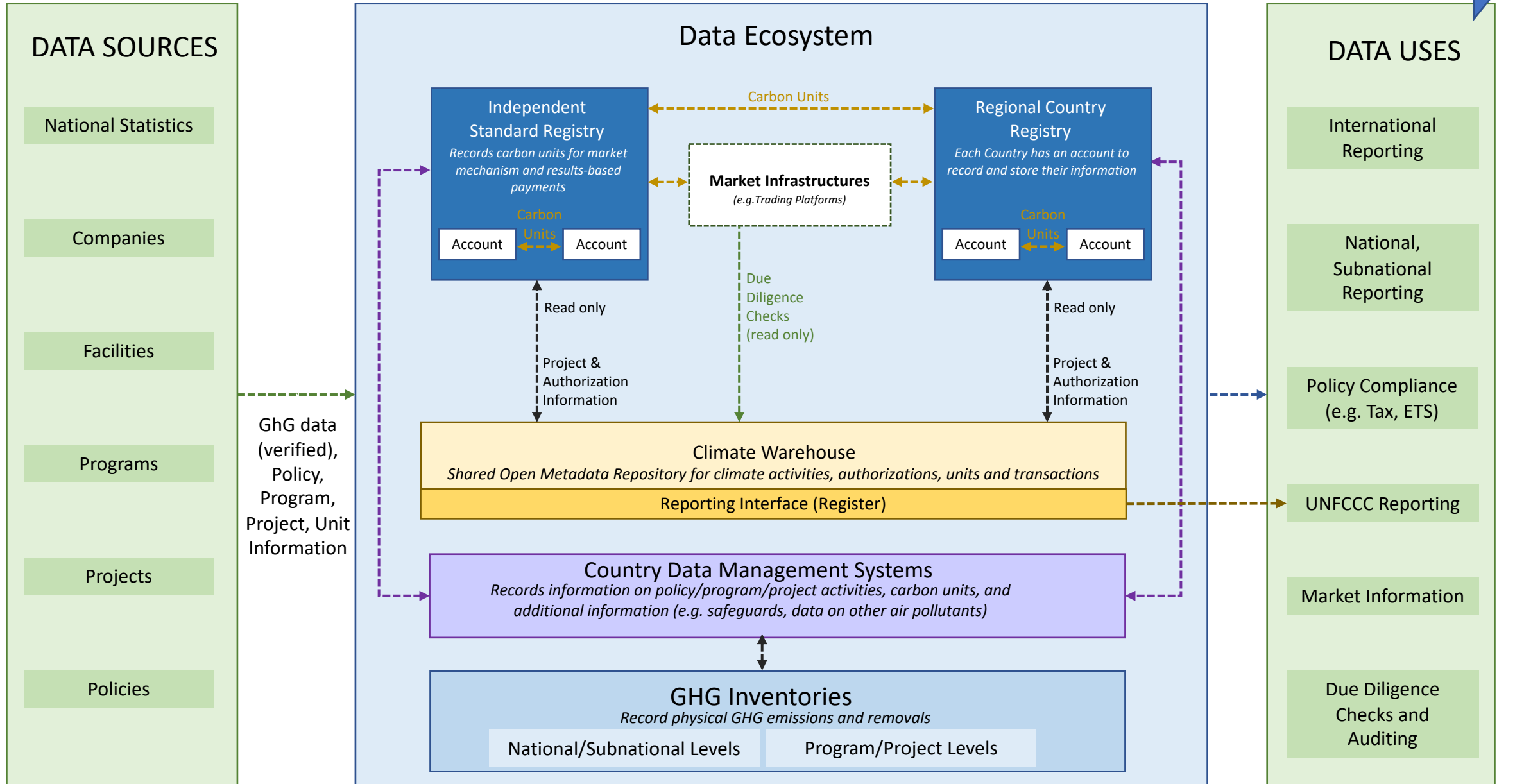
Letters of authorization are also provided to Standards Registries



# Asset Trading Process



# Design Option B: Connection with a meta-registry/regional registry system for multiple countries



# Questions for Discussion to Define Next Steps

- Are there any plans for countries in the region to establish the infrastructure for carbon markets such as national registry, data management system, etc.?
- Do the countries in the region see value in exploring the possibility of developing a regional registry system?
- In addition to the regional registry system, are there other services and/or infrastructure that will be needed by the countries in the region to set up the carbon market infrastructure?
- Are there any other regional efforts for promoting carbon markets that can be supported by the Asian Development Bank and the World Bank?