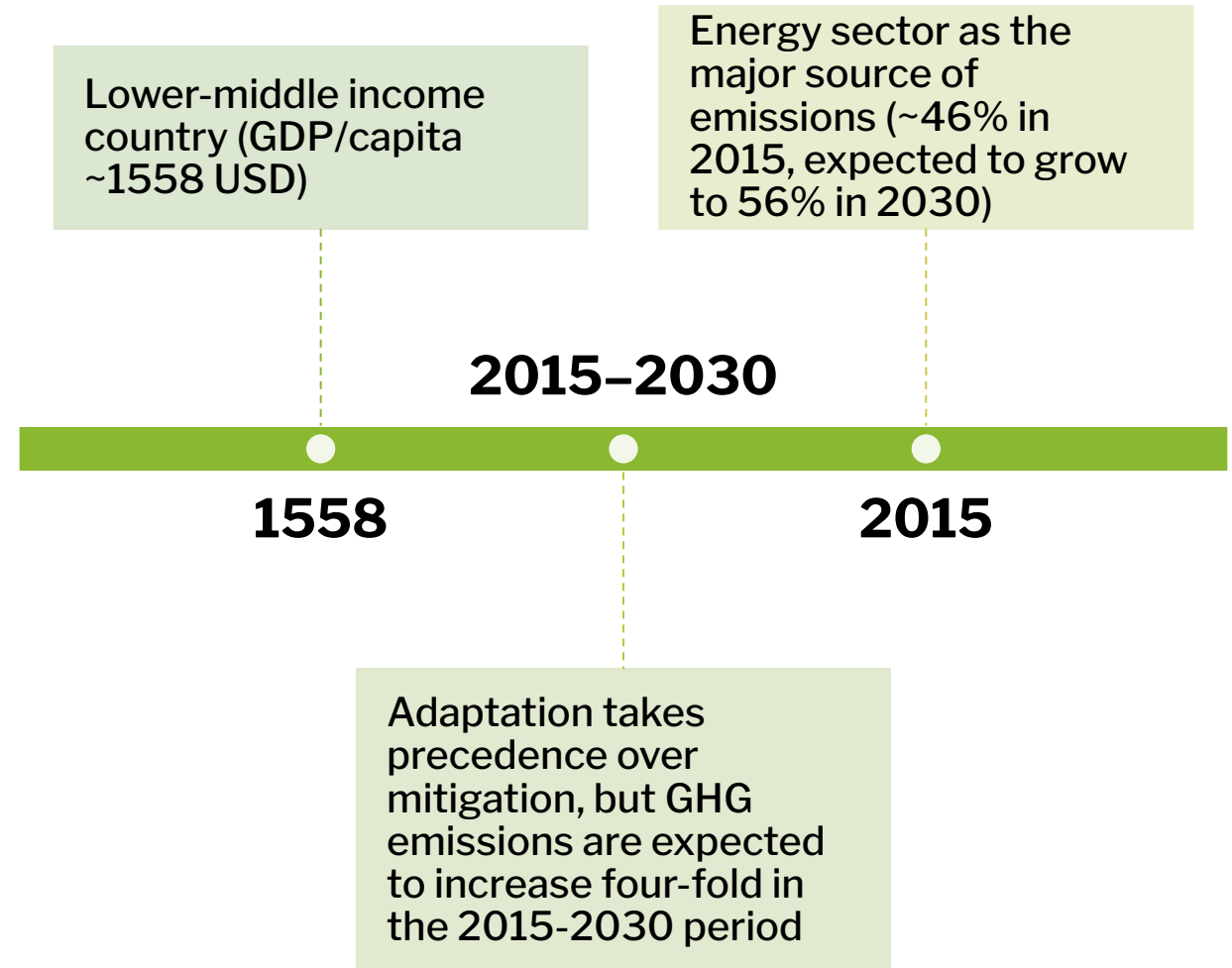


PAKISTAN'S EMERGING CARBON MARKETS

Presented by: Syeda Hadika Jamshaid
Climate Change Expert

PAKISTAN OVERVIEW



DEVELOPMENT PRIORITIES OF PAKISTAN

Sustainable
Economic
Growth

Poverty
reduction

Job creation

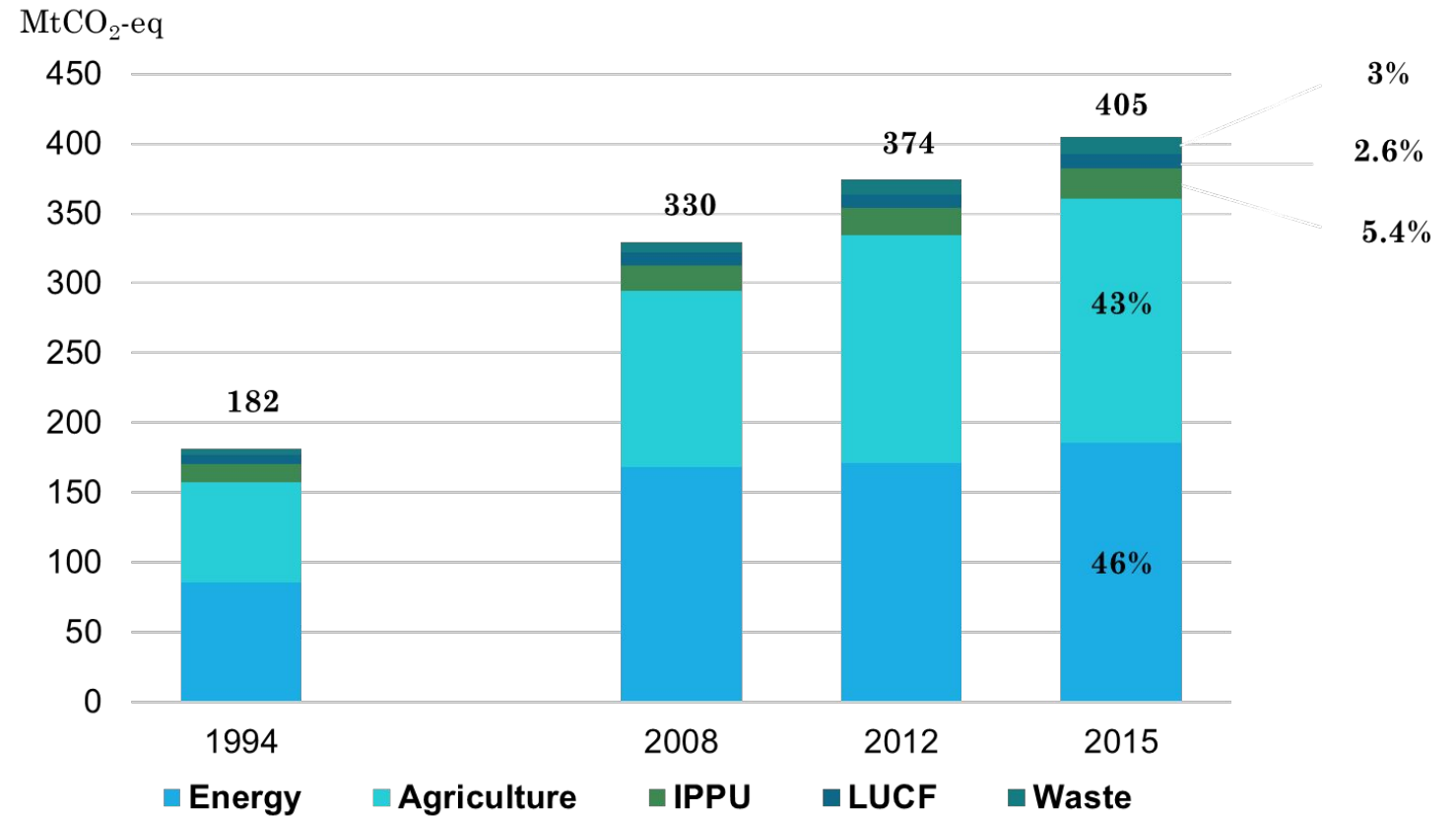
Enhanced
competitiveness

Food security

Energy access

Main sources of emissions in Pakistan

- Energy Sector
- Agriculture Sector



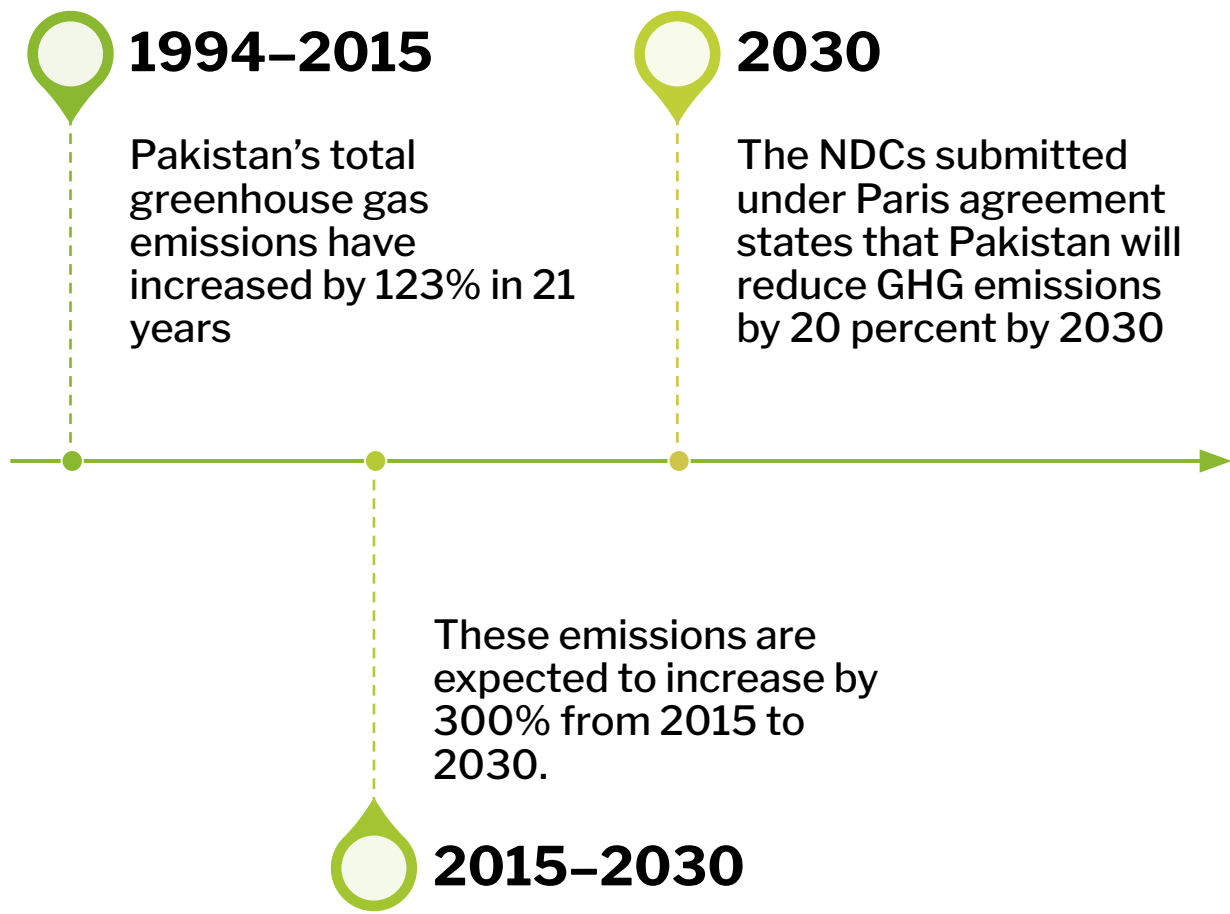
ANALYSIS OF DOMESTIC CONTEXT OF PAKISTAN

POTENTIAL BENEFITS OF CARBON PRICING IN PAKISTAN

Carbon pricing can support several benefits, which can be framed in relation to the 3 pillars of sustainable development

	Econ.	Social	Envir.
Reduction of GHG emissions	✓	✓	✓
Reduction of local pollutants	✓	✓	✓
Enhanced attractiveness to international investments on low-carbon technologies	✓		
Enhanced energy security	✓		
Job creation	✓	✓	
Technology innovation	✓		
Revenue generation	✓		

WHY IT MATTERS FOR PAKISTAN?



WHY IT MATTERS FOR PAKISTAN?

Achieving NDC
Targets

Navigating
Investment for
Efficient
Technologies

Viable
Carbon-Cutting
Policy

Carbon Credits
Trading

Low Carbon
Economy

ANALYSIS OF CARBON PRICING OPTIONS – EMISSIONS TRADING SYSTEM (ETS)



- + The national government can shape an ETS as it considers fit
- + High degree of flexibility both to the regulator and regulated entities
- + Basis for leveraging cooperative approaches under Article 6 of the Paris Agreement

- The relative complexity of an ETS
- The low familiarity of stakeholders to the ETS concept
- The need to establish governing elements and for capacity building

CARBON TAX – ANALYSIS OF CARBON PRICING OPTION#1

Adjustment of the Petroleum Development Levy to a carbon tax

Adjustment of PDL to reflect carbon content/emission potential of different fossil fuels




Build on already existing structures
Low administrative costs and would likely not be disruptive

Inelastic demand
Limited “fiscal space”
Low share of emissions covered

CARBON TAX – ANALYSIS OF CARBON PRICING OPTION#2

Economy-wide carbon tax

Carbon tax applied to the economy as a whole



Ease of understanding
Low implementation costs
Can be based on existing institutional structures

Expected resistance among different government agencies and the public to the tax
Risk of the poorest being disproportionately affected

CARBON TAX – ANALYSIS OF CARBON PRICING OPTION#3

Carbon tax on coal

A tax on coal to be charged upstream in the value chain



Ease of implementation

Puts a carbon price on one of the most carbon intensive fuels

Relatively small share of emissions covered

Expected resistance from business groups given the strategic importance of some of these resources (e.g. Thar)

NATIONAL CARBON MARKET ESTABLISHMENT COMMITTEE (NCEC)

1

Increasing sources
of revenue;

2

Spurring investment
into innovative
technologies;

3

Introducing new
financial product in
the market;

4

Engaging the
private sector in
addressing climate
change;

5

Becoming part of
the global carbon
market and;

6

Engaging actively
with multilateral
actors on
implementing the
Article 6.2 of the
Paris Agreement

NCEC DELIVERABLES

Indigenous design of the carbon market in Pakistan including

- Recommendation for the Federal Cabinet to establish carbon market
- Recommendation on legal, administrative and accounting issues vital for the creation of local carbon market
- Recommendation for creating linkages with international carbon markets
- Recommendation on incentivizing the private sector (s) participation in the national carbon market.
- Recommendation on identifying strategic entry points for awareness raising among the consumers and other stakeholders.

GOVERNMENT INITIATIVE



Green Jobs - Green Stimulus

Ecosystem Restoration Fund

Electric Vehicle Policy

Clean Green Pakistan Movement

Pakistan Clean Air Program

Blue Carbon Assessment

Natural Capital Accounting

Pakistan has many untapped opportunities for GHG reduction and carbon markets can set scene for Pakistan to trade carbon credits through these projects benefiting country to transit to low carbon economy

CONCLUSION

carbon pricing instruments, such as carbon tax and ETS, have their advantages and disadvantages. The best instrument is one that meets a country's

COVID-19 has implications for climate action. Carbon pricing can generate fiscal resources and green jobs to support sustainable recovery in the medium term.

International carbon markets can channel finance.

Putting a price on carbon must be and can be fair and just, but needs a pragmatic approach to deal with equity issues and potential regressive impacts (e.g. how to use carbon revenues).

Effective communication strategies are needed to highlight the multiple co-benefits of carbon pricing.

Putting an economic value on the losses

International cooperation and sharing of best practice is critical to achieve cost efficiencies in mitigation.



THANK YOU!

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