

Calling in the Heavyweights: Why the World Bank Established the Carbon Pricing Leadership Coalition, and What It Might Achieve

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ABSTRACT: The initial key international climate policy and carbon market hub was the United Nations Framework Convention on Climate Change. Over time several international organizations and networks have been added to the “international carbon market web,” such as several World Bank (WB) initiatives. As to the latter, the Carbon Pricing Leadership Coalition (CPLC) was launched in 2015. A key question then becomes: considering an increasingly dense international environment, why was the Coalition formed? Our analysis shows the importance of taking into account institutional pathways in the Bank itself and the character of previous WB-internal initiatives. However, it is particularly important to note interaction with a strong external pull, stemming both from more “systemic” developments such as the collapse of the Clean Development Mechanism system and the explicit request for new initiatives from key actors, such as UN General Secretary Ban-Ki Moon. We suggest seeing entrepreneurship from the bureaucracies of international organizations as conditional on member-state behavior or a conducive institutional environment (or both). We also discuss main prospects ahead, both for the Coalition and the more general organizational set-up in this issue-area. Here we draw attention to the role of the WB as an international “heavyweight” and CPLC and Bank meetings held back to back.

KEYWORDS: global governance, climate policy, carbon pricing, entrepreneurship, World Bank, Carbon Pricing Leadership Coalition, ICAP, IETA

Introduction

Carbon pricing in the form of carbon markets is becoming a central policy instrument for countering global warming. Although the international carbon market has been characterized by fragmentation and regional differences (see, e.g., Jordan et al. 2015; Dorsch and Flachsland 2017), countries and actors are learning from each other and there is increasing institutional density in the field (Wettestad and Gulbrandsen 2018). The initial key international climate-policy and carbonmarket hub was the United Nations Framework Convention on Climate Change (UNFCCC). Gradually, an international advocacy network for the promotion of carbon markets has emerged alongside international organizations and networks, such as the International Emissions Trading Association (IETA), the International Carbon Action Partnership (ICAP), and several initiatives of the World Bank (WB), including the Partnership for Market Readiness (PMR) and Networked Carbon Markets (NCM) (Meckling 2011; ICAP 2018; NCM 2017; PMR 2019; World Bank 2019).

Here we focus on a central WB-sponsored initiative—the Carbon Pricing Leadership Coalition (CPLC). CPLC was officially launched at the start of the 2015 Paris climate summit, when six heads of state (from Canada, Chile, Ethiopia, France, Germany, and

Mexico) and the leaders of the WB and the International Monetary Fund (IMF) called on companies and countries to follow up on their ambitions by putting a price on carbon, to drive investment for a “cleaner, green future” (CPLC website; World Bank 2018). This was done along with nearly ninety corporations and non-governmental organizations (NGOs). The long-term vision of the CPLC is to ensure that carbon pricing is implemented on a global scale and with ambitions to help meet the Paris Agreement temperature goals. The CPLC Vision Statement calls on the world to expand carbon pricing to cover 25 percent of global emissions—and to achieve 50 percent coverage within the next decade. Starting in 2016, the CPLC has held four high-level assembly meetings, generally held back-to-back with regular WB/IMF Spring Meetings. As core participants at the latter are finance ministers, this facilitates the involvement of these key ministers in CPLC matters—an important feature to which we will return.

Although the CPLC constitutes numerous actors, we focus on the role of the international “heavyweight”: the WB. Given the increasingly evident links between poverty and climate change, it is hardly surprising that the WB pays greater attention to climate change. Nor is the WB’s affinity for carbon pricing unexpected. More interesting to examine is the establishment of the CPLC in an increasingly dense institutional setting of various carbon pricing initiatives. Furthermore, bearing in mind the important position of the WB in the international organizational landscape, it is essential to elucidate the driving forces behind the Bank’s involvement with carbon pricing. The Bank’s growing involvement in this policy field has received surprisingly moderate research attention (but see Michaelowa and Michaelowa 2011; Birdsall 2012; Freestone 2012; Andonova 2017).

Our main research question is thus: Why did the WB establish the CPLC in a seemingly quite dense institutional environment of carbon pricing initiatives? Here, we draw on theories about the operation of international organizations, including classic principal–agent theory, and theories of institutional path dependencies and agents gradually breaking loose from the steering of principals and acting more independently. As to earlier work on the “governance entrepreneurship” of the WB, it has drawn attention to the internal and external driving forces behind such initiatives. We highlight the *interaction* of such internal and external forces as the key to understanding the establishment of initiatives such as the CPLC. Hence, it is possible to see entrepreneurship from the bureaucracies of international organizations as conditional on member-state behavior (supporting/accepting/not vetoing) or a conducive institutional environment (or both).

The next section presents our analytical framework. Placing the CPLC initiative in historical context, we offer a chronological overview of the road to the CPLC, followed by a section describing the establishment of the CPLC and its design. We then turn to the key causal question: *why* was the CPLC established? The concluding section offers an assessment of achievements to date, and some reflections on the road ahead, as the Bank is at a crossroads with a change of leadership and (perhaps) of overall direction as regards climate change. We also discuss implications for further research in this field.

Analytical Framework

The CPLC can be placed within the trend toward an increasing number of public–private partnerships in global governance (Tallberg et al. 2013). Such partnerships have been defined as “voluntary agreements between public actors (IOs, states, or sub-state public

authorities) and non-state actors (non-governmental organizations (NGOs), companies, foundations, etc.) on a set of governance objectives and norms, rules, practices, and/or implementation procedures and their attainment across multiple jurisdictions and levels of governance” (Andonova 2017, 2).

Partnerships may serve various main functions: (1) policy development: establishing new agreements on norms, rules, or standards among a broader set of governmental and non-governmental actors; (2) knowledge production and dissemination, related to, e.g., the evolution of relevant public policies; and (3) enabling implementation, by combining resources from governmental and nongovernmental actors (Andonova 2017). We see the CPLC as primarily engaged in knowledge production and dissemination regarding carbon pricing; however, in demonstrating how carbon pricing can be achieved, the coalition could also be seen as enabling implementation.

To specify the pre-existing institutional density and determine to what extent the CPLC is similar to or different from other institutions in this international organizational landscape, we need to identify some main design characteristics. First, as to what *type of initiative* the CPLC is, the coalition can be characterized as a rather loose network of actors with interests in the promotion of carbon pricing. Second, regarding *main participants*, the network comprises governments and businesses, industry associations, and various other types of non-governmental actors. Third, regarding the *policy scope* of the CPCL, the coalition promotes both emissions trading and carbon taxing, but no other climate-policy instruments.

As to the potential drivers behind the establishment of new governance arrangements, the literature on IOs as bureaucracies (e.g., Barnett and Finnemore 2004), on international environmental bureaucracies (e.g., Biermann and Siebenhüner 2009), and on IO “orchestration” and “governance entrepreneurship” (e.g., Andonova 2017) directs attention to *internal* organizational characteristics— such as structure, culture, and decision-making procedures—and *external* characteristics, such as power relationships between member-states and IOs, and the positioning of the IO in the issue-area in question. Here we distinguish analytically between WB-internal and -external drivers, although in practice there are likely to be intricate interactions involving various actors and factors (see Andonova 2017).

In the following, we identify three possible drivers for new WB climate initiatives and policies: (1) dynamics in the WB bureaucracy (the most clear-cut Bank internal perspective), (2) dynamics in the WB Executive Board, and (3) dynamics in the WB’s institutional environment.

The Role of the Bank’s Bureaucracy: A Window of Opportunity for Task Expansion?

Essentially, international organizations are bureaucracies with a specific culture shaped by shared ideas about organizational mandates, routines of interaction, and standard operating procedures (Finnemore and Sikkink 1998; Nielson, Tierney, and Weaver 2006).

Generally speaking, as IOs are delegated authority by their founding states, they may assume a neutral role as experts in their specific issue-area (Barnett and Finnemore 2004, 24–25). By emphasizing this, IO staff can be seen as impartial technocrats who rise above the political debates of member-states (Barnett and Finnemore 2004). Acting impartially, following certain established procedures, IOs can be seen as not “exercising power, but instead serving others” (Barnett and Finnemore 2004, 21; see also Biermann and Siebenhüner 2009).

However, once established, international organizations may achieve authority and agency of their own: “Organizations seek both to maintain (or expand) their own autonomy and authority (“turf”) and to achieve their substantive goals” (Abbot, Green and Keohane 2013, 6). Further, as noted by Barnett and Finnemore (2004, 22), “Mandates of IOs are often vague, broad and conflicting. . . Mandates need to be interpreted.” As bureaucracies, IOs tend to grow by expanding their activities and functions and ensuring financial growth. Thus, new activities must be placed in a historical context, and the possibilities of institutional path dependencies (or “lock-in”) must be taken into consideration. Andonova (2017, 64) draws attention to critical events and “turbulence” such as budgetary squeezes and advocacy campaigns that necessitate new initiatives and may open windows of opportunity.

Thus, WB staff members have the possibility to launch initiatives because of their expert role. As to the CPLC, the Bank’s many economists may be expected to have an affinity for economic instruments such as carbon pricing. This applies also to the leadership—who may have additional agendas (such as turf expansion of their organization) and who have leeway to launch initiatives quite independently (see Mallaby 2004; Abbot, Green, and Keohane 2013, 6). It is reasonable to expect new activities to be initiated if the bureaucracy sees these activities as not only following up on earlier work but also bringing in new elements (“expansion”). That point calls for closer scrutiny of the design of various carbon pricing initiatives and their differences, in turn leading to our *agent-focused* proposition:

Proposition 1

The WB bureaucracy acted independently to establish the CPLC in order to complement existing initiatives.

The WB Executive Board: Formation of a “Climate Club”?

A fundamental tenet in realist studies of international relations (IR) is that the preferences of the most powerful member-states are key to understanding the initiatives taken by international organizations (e.g., Gilpin 1981). In that perspective, the WB can be seen as “. . . ultimately responsible to its member states who authorize the allocation of development assistance through a long chain of delegation that runs from citizens to their representatives on the Executive Board to Management to the Bank staff” (Nielson, Tierney and Weaver 2006, 111).

Voting power in the WB’s Executive Board is allocated among states on the basis of their financial contributions to the Bank. States with greater voting power will have a greater ability to shape the decisions and outcomes of the Board. The United States is in a class of its own as regards voting power, controlling 15.85 percent; it is trailed by Japan (6.84), then China (4.42), Germany (4.00), France (3.75), the UK (3.75), India (2.91), Russia (2.77), Saudi Arabia (2.77), and Italy (2.64). As noted by Andonova (2017, 41), “tacit or explicit backing by principals, or *at least a subset of influential principals*, is necessary for the adoption and institutionalization of agency initiatives” (emphasis added).

As to the specific weight accorded to climate change and carbon pricing, previous US administrations do not stand out as likely strong pushers of such a shift in the focus of WB activities, nor do the climate-policy profiles of other important voteholders such as Japan, Russia, and Saudi Arabia. It seems more probable that a coalition of other, more consistently “greener” states has emerged, collectively strong enough to push the Bank in this direction. This leads to our second proposition:

Proposition 2

The CPLC initiative came about due to pressure from a group of member-states on the WB Executive Board that constituted a sufficiently strong “climate club.”

The Role of the Bank’s Institutional Environment: Responding to Perceived Niches?

As to the importance of factors in the organizational and political landscape outside the WB, we find it helpful to link up more directly to the literature on the fragmentation and “polycentricity” of international governance as regards climate change. Keohane and Victor (2011) outline how the institutional setting concerning climate-change efforts can best be explained as a regime complex consisting of several regimes, some based in organizations. The UNFCCC is at the core of the regime complex of climate change, with a range of institutions clustered around it. For instance, the United Nations Development Programme (UNDP) and the United Nations Environment Programme (UNEP) have had numerous programs and projects dealing with the implementation of projects under the Kyoto Flexible Mechanisms, and there have been several non-governmental responses, such as IETA. Then there is ICAP which best can be characterized as a transnational network among national, subnational, and supranational governments.

However, uncertainty about the effects of the problem as well as the effects of the proposed solutions and the intentions of other actors may obstruct the possibilities of creating uniform and coherent international regimes. When states seek to cooperate on certain issues—especially complex ones not only accompanied by scientific uncertainty about the severity of the issue, but also where no clear recommendations for measures exist—establishing one large focal institution may prove impossible, perhaps not even desirable (Keohane and Victor 2011). Then states may find it easier to commit to smaller “clubs” (Keohane and Victor 2011, 9), as uncertainty is lessened when there are fewer members.

Especially if powerful actors cannot achieve their interests by using existing institutions in the regime complex, it may be necessary or advantageous to create new arrangements. This also allows the actors to avoid the political bargaining of larger regimes (Zelli 2011, 263). According to Abbott, Green, and Keohane (2012, 26), “. . . niche-finding is a common strategy at the time of entry, with organizations and their founders shaping rules and programmes to fit areas in which they hope to thrive free of domination and competition.” Andonova (2017, 47, 54) draws attention to various types of external turbulence and stimuli that may trigger organizational change and new initiatives. She also identifies specific instances when large organizations have made strategic decisions to seek to occupy niches in the international organizational environment, such as UNEP in 1997 (Andonova 2017, 138). This leads to an external, polycentrist proposition about the establishment of the CPLC:

Proposition 3

The CPLC was created to fill a niche in the climate regime complex.

Evidence and Method

To support our causal claims, we employ process tracing, establishing a chronology of events and drawing on various types of evidence: official materials from the WB, relevant books and peer-reviewed articles, and articles from news services such as ENDS Report. Further, we build on thirteen interviews with WB officials and independent policy experts in Washington, DC and some follow-up e-mail communication, as well as interviews in Oslo (see list of interviews). All interviews were semi-structured, with a common core of

key questions discussed with all, followed by a discussion of more specific questions tailored to the interviewee's specific competence. As interviews were conducted on the condition of anonymity, we refer only to broad groups of interviewees, not specific individuals.

The Road to CPLC: A Chronological Overview

The WB's initiation of the CPLC must be seen against the background of a gradual increase in WB engagement with the issue of climate change and the generally increasing institutional density in that issue-area (Freestone 2012; World Bank 2018). This section sums up some important developments, divided into three main phases: before 2000, 2001–2011, 2012 and later.

Pre-2000: Scant WB Engagement with Climate Change

The WB was set up primarily to provide loans to countries for capital programs, divided into the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). Its main stated goal has long been poverty reduction through shared growth in the developing world (Birdsall 2012; World Bank 2019). In addition to providing cheap loans to developing countries where private financing will not provide funding, it acts as an important “knowledge-broker” and provider of technical expertise (Woods 2006; Park 2010; Andonova 2017). In the 1980s and 1990s, the Bank was criticized for ignoring the environmental impacts of its projects—major dam projects in particular (e.g., Park 2010; Rich 2013).

In the global climate-policy architecture, an important milestone was the adoption of the Kyoto Protocol in 1997. Under the Protocol, three international flexibility mechanisms were established to help states comply with their targets: the Clean Development Mechanism (CDM), directed at developing countries; Joint Implementation (JI), directed at Eastern Europe and Russia (but also open for participation by all Annex I countries); and international Emissions Trading (ET), providing Northern/Western and the Eastern European and former GIS countries included in Annex I with additional options for reducing emissions. For the WB, the CDM was especially interesting, as further elaborated below (World Bank 2018).

The Development Grant Facility was established in 1997 “as a new instrument for grant partnerships and programs,” opening a space for new initiatives in the issueareas of health and the environment (Andonova 2017, 24). In the same year, the Prototype Carbon Fund (PCF) was announced. The Bank was also set up as one of the three implementing activities of the Global Environmental Facility (Andonova 2017, 129). In general, however, before 2000, the WB was not heavily involved with climate-change issues: they were seen mainly as a “side-show” (interviews in Oslo 2018).

2000–2011: Increasing WB Climate Funds and Activities—and General Institutional Density

Projects under the CDM would generate certified emission reductions (CERs) which non-Annex countries could sell to Annex I countries that could use them to offset a portion of their emissions. Various institutions engaged in developing these projects: especially the UNDP and the WB were active in assisting developing countries in identifying and developing projects that could be eligible for CERs issuance. A key driving force in the Bank was its Environment Department, whose size and expertise had expanded substantially in the 1990s (Andonova 2017, 129).

The new currency of carbon credits that emerged post-Kyoto became a focal point for WB engagement in global climate politics. During the first stages of international carbon-emissions trading, this concerned mainly carbon finance and funds management. The formal establishment of the PCF in 2000 marked the beginning of WB involvement in carbon finance. The PCF was established to “. . . promote the buying of carbon emission reductions in developing countries” (World Bank 2006, 2). A coalition was formed between countries interested in promoting the Kyoto mechanisms (including Canada, Finland, Japan, the Netherlands, Norway, and Sweden) and seventeen private companies from the energy and financial sectors (Andonova 2017, 130). Importantly, the WB Executive Board approved the PCF before intergovernmental consensus on the mechanisms had been achieved, showing early leadership in this issue-area (Andonova 2017, 130). To support this new development, the Bank set up the Carbon Finance Group, which later became the Carbon Finance Unit and the basis for a continuous expansion of personnel and activities (Andonova 2017, 130). Hence, the foundation for Bank staff leadership in this issue-area was further strengthened. After the Kyoto Protocol entered into force in 2005, the demand for carbon emissions reduction credits grew considerably. Also, the development of emissions trading in the EU contributed strongly to the growing demand for certified emission-reduction units, accounting for over 90 percent of the demand (Wettestad 2005; Wettestad and Gulbrandsen 2018). In April 2004, it was agreed that credits from CDM projects could be used to offset emissions in the EU.

The scope of the carbon funds continued to grow rapidly from the first PCF; by 2009, the WB was administering ten funds and facilities with a total capital of US\$2.5 billion. These were contributions from governments and private firms, and included several national carbon funds, mainly dealing with projects under the CDM (World Bank 2009, 1–5).

The WB also engaged in other areas of climate mitigation, especially by reducing emissions from deforestation and forest degradation. Forests—tropical forests in particular—store vast quantities of carbon. Recognizing the amount of preliminary work that would have to be conducted to prepare for activities under the REDD-plus regime (i.e., countries’ efforts to reduce emissions from deforestation and forest degradation), the WB established the Forest Carbon Partnership Facility (FCPF) (World Bank 2009).

As to the general density of the international organizational landscape, at that time there was also rapid growth in the establishment and planning of domestic and sub-national emissions trading systems, including the Regional Greenhouse Gas Initiative (RGGI) and California (United States), and New Zealand, in addition to the frontrunner EU emissions trading system (EU ETS) (Wettestad and Gulbrandsen 2018). In 2007, the national and sub-national entities established the ICAP to explore the possibilities for linking the various domestic systems and perhaps creating a global carbon market in the future (ICAP 2018). ICAP is primarily a capacity-building forum directed at governments and sub-state authorities, often represented by environment ministers. Its members include nineteen countries (mainly from not only Europe, but also New Zealand), fifteen states and provinces from North America, the EU, and the city of Tokyo. ICAP has a small secretariat located in Berlin.

IETA, operative since 1999 and founded and headquartered in Geneva (IETA 2018), is a non-profit business organization created to serve businesses engaged in the field of carbon markets, initially focused on the Kyoto Protocol mechanisms (CDM and JI). Members are found primarily in the business community: banks and exchanges; brokers/traders; analysts; industry, energy, and power; law firms; certifiers/verifiers; and registries. The main objective is to build international policy and market frameworks for reducing

greenhouse gas emissions at the lowest cost. Brussels and Washington offices were established in 2007, followed by Toronto in 2010.

Although several regional and national emission trading processes were developing, the use of CERs and projects under the CDM was stalling. The rate of approving projects and assigning CERs on a project-by-project basis remained slow, and CDM projects had been disputed and criticized, especially regarding the environmental integrity of some of them. In addition, uncertainties about the future of the Kyoto Protocol and the flexible mechanisms hindered further growth in the carbon market. In the run-up to the UNFCCC meeting in Copenhagen in 2009, the parties were negotiating the continuation of the Kyoto Protocol and the new agreement that would follow. It was in this setting that the PMR idea was launched (Risdal Eriksen 2016).

Thus, the idea behind what was to become the PMR came from the Bankexternal environment and conversations on the margins of preparatory meetings for the 2009 Copenhagen summit. Parties suggested to WB staff that—given the Bank’s experience in carbon finance, combined with the contribution made by the FCPF in building capacity and supporting the REDD agenda internationally—the experience might be replicated for a market mechanism (Risdal Eriksen 2016, 39).

The team in the Carbon Finance Unit started working on the idea, seeking to organize something that would be of interest to the Bank, as well as assisting WB client countries to prepare for the expected new market mechanisms. Once financial contributions from several parties had been secured, and likewise developing-country interest in piloting activities, the PMR trust fund was launched in December 2010. WB trust funds are financing arrangements with contributions from one or more donors, which may include the WB Group (Bretton Woods Project 2015). The PMR has come to include thirteen donors and nineteen implementing/targeted countries (PMR 2019).

In 2010, the Bank also published its first comprehensive strategic policy document on climate change, *Development and Climate Change: A Strategic Framework for the World Bank Group*, which discussed the relationship between climate change and development progress. As to carbon markets specifically, the third action area outlined how to “facilitate the development of market-based financing mechanisms.” The report described carbon markets and market mechanisms in a generally positive way, while also noting the barriers and challenges. Interestingly, the concept of “carbon pricing” was not explicitly mentioned. Neither did the framework specifically indicate new organizational initiatives to be taken by the Bank as to carbon pricing.

2012–2015: WB Re-Orientation toward Capacity Building and Carbon Pricing Support

In 2012, carbon prices collapsed: CDM supply exceeded demand, and the world community was unable to agree on a post-Kyoto climate-policy framework. Jim Yong Kim was appointed WB president, nominated by the Obama Administration. In response to the collapse of the carbon market, the Bank reoriented its focus toward capacity building and preparing countries for domestic or regional carbon markets (World Bank 2018). This could be seen as something of a crisis in the existing regime complex. At this point, IETA launched the Business PMR (B-PMR), aimed at expanding business awareness of emissions trading tools and techniques in emerging markets. The B-PMR hosts missions in countries that are preparing emissions trading programs under the WB’s PMR (IETA 2018). The Bank itself proceeded to complement its “carbon market portfolio” with two initiatives: the NCM initiative and the CPLC. We begin with the NCM.

A task force was created in March 2013 with the objective of catalyzing “big, bold action” in four key areas, including the idea of an NCM initiative (Sylvester 2014). Extensive stakeholder consultations were held, with international working group meetings in September 2013 and February 2014. The NCM is a WB initiative that can be categorized as a program and a (single-donor) trust fund (interviews 2019). The aim has been to enable climate-action cooperation, including carbon pricing mechanisms and internationally connected climate and carbon markets. The NCM is meant to be “compatible with UN processes” (interviews 2019).

A fundamental assumption has been that carbon pricing systems are developing heterogeneously between and within countries; further, that that “a linked international carbon market is desirable” (World Bank 2016). The Conceptual Framework of the NCM has had three main parts: an Independent Assessment Framework establishing an overarching, coordinated framework to measure the relative mitigation outcomes of various actions; an International Settlement Platform, tracking cross-border trades (to manage the risk of double counting) and providing possible clearing-house functions; and an International Carbon Asset Reserve: a pooled reserve of carbon assets to manage risks related to carbon markets, such as price volatility (Sinha 2013).

The work of the NCM is now entering a Phase II and described by Bank officials as “a forward-looking work program that examines trends and potential future gaps and opportunities in order to develop new conceptual frameworks, financial products and technology applications that could be adopted by climate markets” (e-mail communication with World Bank Climate Change Specialist June 2020). Overall, the NCM has been more a technical expert arena than the CPLC, to which we now turn.

The Establishment of the CPLC

In spring 2014, UN Secretary-General Ban Ki-Moon communicated a direct request to the WB leadership to take action in the carbon-market field, in order to bolster the chances for success at the upcoming climate-change summit in Paris, UNFCCC COP 21 (interviews 2018, 2019).

An important first step toward the establishment of the CPLC was the Abu Dhabi Ascent meeting in May 2014, a key preparatory gathering for the Climate Summit to be hosted by Ban Ki-Moon in New York in September. There were over 1,000 participants at the Abu Dhabi meeting, including 100 government ministers. According to reports, there were vocal calls for a global price on carbon, also from former US Vice President Al Gore to “put a price on carbon in markets” as a key action to be taken by governments (Climate Home, 2014; interviews 2018). This message was repeated in the “Putting a Price on Carbon” statement in June 2014.

The next milestone was the September 2014 UN Climate Change Summit in New York, where delegations from seventy-four countries and twenty-three states, provinces, and cities joined over 1,000 business representatives and investors in signaling their support for carbon pricing. Together, they represented actors accounting for over one-half of the total global GHG emissions. The list of countries included China, Russia, and South Africa.

Government and business leaders signaled their support for carbon pricing in various ways: by aligning themselves with the Putting a Price on Carbon statement mentioned above, signing a Carbon Price Communique, the Caring for Climate Initiative, and the Global Investor Statement on Climate Change. To improve the application and understanding of carbon pricing, the WB Group, World Economic Forum, and We Mean Business Coalition

announced that they would convene a carbon pricing leadership coalition with business and government leaders (World Bank 2014).

In the preparatory process in 2015, various actors were involved as strategic partners, including ICAP, the Carbon Disclosure Project (CDP), and the Prince of Wales group, with meetings every second week (interviews 2018). Calls for carbon pricing were now coming from several governments and sectors of the business community: the statement from the G7 meeting in June 2015 called for more weight to carbon pricing. In the same month, an open letter to the UNFCCC from six large European-based oil and gas companies (BP, Shell, Eni, Total, Statoil, and BG Group) called for ambitious and predictable carbon pricing to bolster the case for more weight to natural gas (National Journal 2015): “We need governments cross the world to provide us with clear, stable, long-term, ambitious policy frameworks. (. . .) We believe that a price on carbon should be a key element of these frameworks.”¹

In September 2015, a somewhat similar statement was issued by six major US banks (Greenbiz 2015). This was followed by the launch of the Carbon Pricing Panel, composed of several heads of state and central politicians (including leaders of California, Canada, Chile, Ethiopia, France, Germany, Mexico, and Rio de Janeiro), the WB, IMF, and OECD.

The CPLC was then officially launched at the start of the Paris climate summit on November 30, 2015. According to a report published in 2018, Partners in the Coalition

have adopted an agreed course of action that advances carbon pricing by collecting and sharing the best evidence of successful carbon pricing policy, mobilizing business support for more ambitious action, and convening leadership dialogues around the world with the goal of tackling the political challenges that prevent greater use of carbon pricing. (World Bank 2018).

As noted, the overall goal of the CPLC is to expand the use of effective carbon pricing policies as a market mechanism, in order to drive competitiveness, create jobs, encourage innovation, and deliver meaningful emissions reductions. Important sub-goals are:

- strengthening carbon pricing policies to redirect investment proportionate to the scale of the climate challenge;
- bringing forward carbon pricing policies and strengthening existing ones, for better management of investment risks and opportunities;
- enhanced cooperation to share information, expertise, and best practices.

Why Was the CPLC Established in an Increasingly Dense Institutional Setting?²

The WB Bureaucracy Seeking to Complement Previous Initiatives

Our first—and main Bank-internal—proposition draws on institutional pathway theory and the further development of principal–agent theory, highlighting how bureaucracies and agents in international organizations increasingly develop the capacity to act independently, as well as the desire for task expansion. The empirical implication of this proposition is that the CPLC was established in order to complement previous initiatives but is of a different character than those initiatives.

¹ Letter to Christiana Figueres, May 29, 2015. https://www.total.com/sites/default/files/atoms/files/letter_to_christiana_figueres.pdf.

² This section draws on interviews conducted in Washington, DC in March 2019. Unless otherwise stated, interview information refers to these interviews, which were conducted on the condition of anonymity as to specific statements.

Here, our interviews clarified that the CPLC originated in the IFC branch of the Bank, with Tom Kerr as central in a cross-WB team from the former Cross-Cutting Solutions Area for Climate Change group. Other central supporters in the Bank included WB President Jim Kim and Vice President Rachel Kyte, who served until 2015 as Special Envoy for Climate Change. Both had a general record of pushing climate change as a priority issue within the Bank, and Rachel Kyte was in charge of the Bank’s campaign for an ambitious climate agreement at COP 21 in Paris.

As to the relationship with earlier WB initiatives, the CPLC was initially intended to complement the PMR. Then, as the CPLC initiative evolved, the NCM became an important workstream that supported the CPLC. Our interviewees emphasized that the CPLC is not primarily a knowledge-producing institution: it is more of a user of knowledge from the NCM and others.

This view of the CPLC as complementing more than duplicating other activities is further supported by closer scrutiny and comparison of key pre-existing WB institutions in this field. First, as to institutional type, the CPLC is a WB program/network, whereas the pre-existing PMR is a donor–recipient program focused on a selected group of countries. Second, as to main participants, CPLC includes a wide range of actors, governmental and non-governmental. Its institutional grounding facilitates a link to general WB activities as well as the closer involvement of (locally powerful) finance ministers. The pre-existing NCM is more of an arena for researchers and consultants. Third, the policy focus of the CPLC is both broader than the NCM and distinct from it, with the CPLC also including carbon taxation and not pushing for a globally linked carbon market (see also Table 1 in the next section).

Table 1.

	Type of institution	Main participants	Policy focus
PMR	WB trust fund	Eighteen implementing countries/ governments in the South Thirteen contributing countries/ governments	ETS
NCM	WB program/ network	Researchers, consultants	ETS
CPLC	WB program/ network	Broad range of governments, North and South Finance ministers involved through link to IMF/WB Spring Meetings	ETS, carbon tax
ICAP	International forum/ organization	Governments, mostly environment ministers	ETS
IETA	International business group	Corporations, associations	ETS

However, there are some overlaps between these activities, within the Bank and in the broader institutional landscape; our interviewees indicated that coordination has proven challenging. One specific example is India, where both the PMR and the CPLC are active. However, interviewees also noted that the general move toward larger and more integrated

programs might reduce coordination challenges in the future. Interviewees further pointed out that some degree of overlap is inevitable in a complex institutional landscape where different donors have ownership to different activities and institutions. Some overlap can also be positive, as different activities reach and target different actor groups.

Member-States in the EB: General Support and No Strong Opposition to a Not Very Frightening Initiative

Our second proposition, based on realist IR theory, holds that the CPLC was established due to pressure from a group of powerful member-states on the WB Executive Board that formed a sufficiently strong “climate club.” Our interviews indicated a group of quite diverse countries that were positive to the establishment of such a coalition: Canada (hoping to induce further US action in this issue-area); the EU, particularly Germany and not least France with the upcoming UNFCCC summit in Paris; Chile (a carbon pricing frontrunner that taxes its transport and power sectors); and Ethiopia (lauded as one of the first developing countries to put forward a climate plan: see Climate Home 2015). However, they do not stand out as a particularly powerful and well-coordinated group of pushers.

Was there vocal opposition to establishing the CPLC? Apparently not, according to our interviewees, although Saudi Arabia and Russia were mentioned as less positive to the Bank’s general increasing engagement with climate-change issues. The United States under Obama was positive but took more of a fence-sitter position. Here, it is important to keep in mind the rather loose, lessons-sharing character of this initiative, which is probably less controversial than initiatives where more Bank financial resources are involved. We return to this in the concluding section.

Strong Pull from Developments and Actors Outside of the Bank

Our third proposition concerned WB responses to opportunities and demands in its institutional environment. Here we drew on theory highlighting possible responses to developments in the international regime complex with windows of opportunity and niches opening for new initiatives. This perspective seems highly relevant in the case of the CPLC.

The lack of agreement on a Kyoto successor agreement in Copenhagen in 2009 created general uncertainty about future international climate policy. In 2012, the supply of CDM credits exceeded demand and contributed to a collapse in carbon prices. The international community was losing faith in carbon pricing as a central instrument to counter global warming, and several key institutions in the global landscape of carbon pricing were struggling: thus, a niche was opening for forceful action to restore faith in the pricing instrument. This led to requests for WB action from then UN Secretary-General Ban-Ki Moon, who wished to bolster the chances for success at the Paris summit. WB employees were also surprised at the interest shown by important industrial actors in the summer and spring of 2014, as evident in broad support for the carbon pricing statement signed at the New York summit in September 2014.

Additional external explanatory power is added by acknowledging the position of the CPLC as complementing more than duplicating important non-WB institutions in this field. First, as to institutional type, the CPLC is a WB program/network, whereas the pre-existing ICAP is an international organization with a small secretariat; and IETA is more of an international business association. Second, as to main participants, CPLC includes a wide range of actors, governmental and non-governmental. ICAP is probably the institution that comes closest to the CPLC, but with a more narrow range of governments,

represented mainly by environment ministers, and with no industry involvement. IETA is dominated by business. Third, both ICAP and IETA have a more narrow focus on emissions trading, compared to that of the CPLC.

The WB-internal and -external picture is summed up in Table 1.

All this created momentum for the specific initiative that was to become the CPLC.

Summing up: The Explanatory Power of Our Perspectives

On the whole, our analysis shows the importance of taking into account institutional pathways in the Bank itself and the character of previous WB-internal initiatives. It is particularly important to note the strong external pull, stemming both from more “systemic” developments such as the collapse of the CDM system and related global carbon market uncertainty, the character of previous initiatives outside of the Bank, as well as the explicit request for new initiatives from key actors such as UN General Secretary Ban-Ki Moon. These two explanatory perspectives stand out as clearly the most important ones. Zooming in on either the internal or external forces at work would be misleading; it is the interaction that is the crux of the matter here. This is further elaborated below.

Winding up: Achievements and Prospects and Implications for Further Studies

The rather loose character of the CPLC indicates that a more traditional assessment of achievements focusing on effectiveness does not make sense. As noted in the chronological overview and highlighted by key Bank officials, several meetings and conferences have been held, including four general assemblies, workshops, and a research conference in 2019, with related reports and papers (see, e.g., World Bank 2018). Bank interviewees also highlight that CPLC activities so far have helped to foster ownership of the CPLC vision among partners. Some Bank insiders hold that the CPLC has “served an excellent purpose” in raising the level of carbon pricing discussions among top business-leaders, although not so much among governmental leaders. They maintain that the CPLC has contributed to greater momentum for carbon pricing, by providing a neutral umbrella and meeting-place for governments and companies who can then take insights and experiences back to their domestic contexts. Others, both inside and outside the Bank, note that the CPLC has not yet achieved much in terms of measurable outcomes, and remains a rather loose initiative with an uncertain future.

Still, our interviewees point out that not only is the CPLC different from previous initiatives, but its institutional grounding in the WB also gives it greater political clout and momentum than the somewhat overlapping activities of, for instance, IETA or ICAP. Also highlighted is the link to the annual WB meetings where finance ministers are present, which keeps carbon pricing on the agenda. Several interviewees emphasize the “mainstreaming” argument: in order to develop (effective) carbon pricing, it is essential to get the finance ministers onboard, not only the environment ministers: “A few years ago only environment ministers talked about this issue; this has now changed.” Following this line of reasoning, despite some overlaps with pre-existing activities, the CPLC stands out as an *institutional innovation*—with limited achievements so far, but one with potentials to be tapped.

As to the future, the resignation announcement of WB President Jim Kim in early 2019 created uncertainty for the Bank’s climate-change involvement, including the CPLC. However, our interviewees mentioned various factors that support basic continuity: first, there is the climate-action plan adopted in 2017, with several specific commitments and high-level support for prioritizing this issue-area; second, there are good chances that more

“technical” activities such as the CPLC may continue much as before, whereas more overall policy goals such as the move away from coal are less certain; third, there is a clear business case for continued WB priority to climate-change activities—and, lastly, the Bank is simply “a big ship, hard to turn around.” Here it can also be noted that Jim Kim’s successor as WB President, David Malpass, was quick to indicate continuity in the Bank’s engagement with climate change (*Guardian* 2013).

Furthermore, the WB carbon pricing institutions have continued to grow, linked to the process of further carbon market clarification in the UNFCCC context (the Article 6 process). This web now includes also the “Climate Warehouse” initiative, which among other things focuses on the coming transfer of “Mitigation Outcomes” in the Paris Agreement (World Bank 2020). In December 2019, a “Partnership for Market Implementation” initiative was launched, aimed at assisting participant countries to design, pilot, and implement explicit carbon pricing instruments aligned with their domestic development priorities (e-mail communication with WB officials June 2020).

What, then, are main implications of our study for further work in this field? Given the “heavyweight” position of the WB, the moderate research attention to its increasing engagement with the private sector in the field of carbon pricing may seem surprising. We see our study as a contribution to filling that gap. Earlier work on “governance entrepreneurship” has drawn attention to the internal and external driving forces behind such initiatives. We have highlighted the *interaction* of such internal and external forces as the key to understanding the establishment of initiatives such as the CPLC. Hence, it is possible to see entrepreneurship from the bureaucracies of international organizations as conditional on member-state behavior (supporting/accepting/not vetoing) or a conducive institutional environment (or both).³ In the case of the CPLC, it is primarily a conducive environment that has been essential. But given the rather loose character of the CPLC, this should probably be seen as an “easy case” for such a logic/mechanism. Strong member state support with the Bank’s Executive Body does not seem to have been a requirement; it was more a rather diverse external picture; including both more general systemic developments in the global carbon market and specific calls for action (from the UN General Secretary). Such conducive interaction is likely to become increasingly important the more costly and politically intrusive a Bank initiative is. This “conductive interaction” thesis should be further explored in other cases of Bank initiatives of different types.

Our study also supports the general move away from standard IO thinking that has gone on for a while as regards the dominant role of principals, noting the increasingly independent role played by bureaucracies in international organizations. Indeed, the CPLC was an initiative from staff in the Bank bureaucracy, and it gained momentum because it was supported by the leadership. Although several states also supported the initiative, the emergence and evolution of the CPLC clearly demonstrate the influence and autonomy of bureaucracies in international organizations.

Of course, principals still matter in organizations such as the WB. A key additional take-away message from our study and contribution to the literature on “governance entrepreneurship” is the importance of distinguishing *who* is representing the principals. In the case of the WB, finance ministers play a dominant role, and it is particularly the involvement of these domestic heavyweights that might give an initiative such as the CPLC the upper hand and special significance in the increasingly dense field of carbon pricing advocacy.

³ We are thankful to an anonymous reviewer for this suggested perspective.

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