**Topic 1 – Instructions for the Interactive Exercise**

1. **Background**

This document provides guidance for conducting the interactive exercise for *Topic 1 – Introduction to Carbon Markets*.

The purpose of the exercise is to engage the participants on the contents contained within the three modules of *Topic 1 – Introduction to Carbon Markets*. This includes thinking about the advantages and disadvantages of different project types, of different options to sell carbon credits, and of different end buyers.

Note that there are no right answers to this exercise – the objective is for participants to weigh up the pros and cons of different options and ask questions on topics they do not understand.

Although there are no right answers, the instructor should be alert for any options that do not align with the assumptions of the project developer. This this case, during the group report back, the instructor should ask spokespeople to explain their choices.

The MS PowerPoint for the interactive exercise can be found in the relevant topic folder. This should be displayed on screen during the exercise. The interactive exercise should take around 30 minutes, depending on the size of the group.

1. **To do before running the exercise**

* Groups
  + Decide on the group size beforehand. Change all relevant text market in Yellow in the Annex and PowerPoint presentation. Ideally there will be 4 breakout groups. These can be randomly selected and create diversity in order to give diversity in input. However, social constructs must be considered as these may prevent certain groups from speaking in front of other certain groups – for example, senior executives and junior staff.
  + If the presentation is in-person, then the breakout groups can move in the room to sit together. If it is online, then they should be sent to breakout rooms.
  + Each breakout group must nominate a lead, who will report their findings back to the main group. The breakout groups must note down their answers and explain their reasonings.
* Timings
  + Decide on how long the groups will have to discuss the exercise. This should be a minimum of 10 minutes, ideally 15 minutes.
* Handout
  + Create a separate Word version of the annexed document, containing the exercise context and task. If in person, a printout can be distributed to participants. If online, this can be sent as a Word document before participants are send to breakout rooms.

1. **Running the exercise**

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|  | **Instruction** |
| **How the exercise will run**  **(5 minutes)** | **Present Slide 2 (‘Exercise instructions’)**  Explain the following:   * The objective of the exercise is for participants to think through some of the different practical elements of project development and carbon market trends covered in Topic 1. * In the exercise, the participants will play the role of a fictional project developer. * The developer needs to decide between different options for what kind of project to developer – and where. * Each of the options have different advantages and disadvantages. * Participants will be split into groups of [4-6] to discuss their approach. * Each group will have [15] minutes to discuss. * At the end, the one person from each group will briefly report back and explain the choices they made. |
| **Introduction to the content**  **(10 minutes)** | **Present Slides 3 - 6**  Explain that there are four things they must decide: what kind of project to develop; how to sell your credits; where to develop the project; and what market demand segment to sell them into.  For each of the slides, containing one element with different options, explain:   * The pros and cons of the different options, as summarised in the short descriptive text on the slide. * Participants may wish to augment these descriptions, based on their existing knowledge. * They must pick one option for each of the four areas.   **Present Slide 7**  This is a summary slide of all of the available options. It will be shown on screen during the exercise  Present Slide 8  Explain the following:   * As a project developer, you have a number of assumptions based on your pre-existing experience of the carbon market. * These assumptions will guide your decisions on which options to pick for developing your next project. |
| **Exercise**  **(10-15 minutes)** | **If in-person**   * Distribute the handout in the annex, containing the exercise scenario and task. * Divide the participants into groups of 4-6, depending on the number of total participants. Aim for 4-5 groups. * Give groups [15] minutes to complete the exercise. * Ask them to nominate a spokesperson to report back to the group.   **If online**   * As above, but divide into virtual breakout rooms. * Send the Annexed document in the chat before dividing into breakout rooms, so participants have it to hand. |
| **Report back**  **(5-10 minutes)** | * Give each group around [2] minutes to feedback. * Ask them to explain why they chose the options they did. * Note any similarities and differences between the groups. * Note any decisions that are inconsistent with the assumptions – and ask the group spokesperson to explain why they chose that option. |

1. **Facilitator questions during the report back**

*If country A, offering Article 6 was chosen*

Q: How material to you expect the impacts of the 10% fee to be on your project finances?

Project type

*If either afforestation or agriculture was chosen*

Q: What risks, if any, do you think come with developing these project types?

*If cookstoves are chosen*

Q: why did you pick cookstoves, when the project developer fears that demand could weaken?

Selling the credits

*If all credits are sold upfront*

Q: What do you think is the main benefit of pre-selling all of the credits?

Q: How big did you think the potential risk of losing out of selling credits at higher prices was?

*If selling on the spot market was chosen*

Q: What do you think are some of the main challenges project developers face when selling on the spot market? How might this impact the project implementation?

Market segment

*If voluntary market was chosen*

Q: Why did you pick this, when the project developer believes that compliance markets will get them a higher price?

**NOTE: If under ‘Market Segment’, ‘Compliance’ is chosen, then the project must be developed in Country A, which will authorise projects under Article 6.**

**Annex: Group Exercise – *Topic 1: Introduction to Carbon Markets***

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| --- | --- |
| Context | Assumptions |
| 1. Your group represents a fictional project developer 2. You need to decide between several different project developments options 3. Each of the options have pros and cons 4. You will have [XX] minutes to discuss in your group 5. You will then have [XX] minutes to present your group’s decisions | 1. Your priority is ensuring the financial feasibility of the project 2. You believe that prices are generally going rise in the coming years 3. Cookstoves are the lowest risk, as you have prior experience developing them, but you believe nature-based activities will grow in importance 4. You believe that compliance markets will command higher prices, but that Article 6 is risky if the host country does not account for the credits. This could result in additional costs for you (e.g., if you have to source replacement credits) |

**Task: In your groups, you will have [15] minutes to agree which of the four options you will take and report back, explaining your decisions for each.**

Options

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Option 1** | **Option 2** | **Option 3** | **Option 4** |
| **Project type** | **Afforestation**  -Price premium  and good  demand  -High upfront cost  -Long payback | **Cookstoves**  -Good current  demand  -May decrease in future | **Off-grid solar**  -Additional with  SDGs  -Potential lack of  demand | **Agriculture**  -Growing demand  -Costly and  complicated to  implement |
| **Selling credits** | **Fully pre-sell**  - Low risk  - Discounted price | **Pre-sell half**  -Medium risk  -½ available for spot market | **Spot market**  -Highest risk  -May get higher prices |  |
| **Country** | **Country A**  -Will authorise, but 10% fee for Art. 6  -No fee for voluntary projects | | **Country B**  -Unclear if it will authorise for Art. 6, no fee  -5% fee for voluntary projects | |
| **Market segment** | **Compliance**  -Smaller market, higher costs and risk  -Likely a significant price premium | | **Voluntary**  -Much larger market  -Uncertainty over prices and future trends | |