

Update Note:

**SUPPORTING PMR IMPLEMENTING COUNTRIES IN IDENTIFYING POLICY OPTIONS FOR
ACHIEVING MID- AND LONG-TERM MITIGATION OBJECTIVES**

I. BACKGROUND

1. At the eighth meeting of the Partnership Assembly (PA) held in Mexico City, Mexico, the PMR Secretariat presented [PMR Note PA8 2014-2](#) (Upstream Analytical Work to Support Development of Policy Options for Mid and Long-term Mitigation Objectives) in an effort to further define the strategic orientation of the future of the PMR and deepen readiness activities at the national and international levels. The Note outlines rationale and scope for providing analytical support to countries and includes an annex (“Tool to Development Policy Options for Mid and Long-term Mitigation Objectives”) that could be used for scoping out such analysis.
2. Verbal comments were received from the following PMR Participants: Brazil, Chile, China, Colombia, Denmark, European Commission, Finland, Germany, Mexico, Norway, Peru, South Africa, Spain, Sweden, the United Kingdom, and the United States. Participants were generally supportive of the proposal, emphasizing the importance to better integrate the PMR processes into broader policy and development objectives, as well as highlighting the PMR’s focus on carbon pricing “readiness.” In particular, many PMR Implementing Countries indicated that the proposed work is responsive and adaptive to their needs which are evolving rapidly both at the national and international levels. While some Participants cautioned about the political dimension of such work in the context of ongoing negotiations under the UNFCCC for a 2015 global climate change agreement (with respect to preparing intended “nationally determined contributions” (NDCs)), many Implementing Countries welcomed the technical input of the proposed work to their ongoing preparation for the intended NDCs.
3. All PMR Participants were invited to provide written comments on the PMR Note PA8 2014-2, while the Implementing Countries Participants were invited to submit expression of interest (EOI) to receive the analytical support. It was agreed that an Update Note would be presented at the subsequent PA meeting (PA9), at which occasion the Secretariat would also seek an endorsement for the allocation of funding for the proposed activities from the PA.
4. Comments on the Note were received from the following PMR Participants: Germany, Denmark, Spain and Switzerland. The comments demonstrated overall support for the Secretariat’s proposal on upstream policy work and outlined the importance of technical outcomes it could generate. One participant stated that the scope of the work would need to be redefined to stay in line with the primary PMR objectives and therefore focus on market readiness instead of attempting to broaden its ambition. These Participants further invited the Secretariat to leverage on the resources within the countries (e.g. existing tools and models), as well as to coordinate with other development partners and initiatives to avoid potential duplication of efforts. By the same token, they emphasized that the countries that have completed their MRPs need to consider the upstream analytical work as an integral part of their carbon pricing and carbon readiness approach, while also suggesting that the Secretariat would need to work with the Implementing countries that are still



developing their MRPs in order to ensure the two streams of support are complementary. Lastly, these Participants stressed the importance to profile the PMR work as technical and not directly link it to the negotiation processes and existing political concerns.

5. The following Implementing Countries have submitted expressions of interest (EoIs) for obtaining analytical support from the PMR: Brazil, Chile, China, Colombia, Costa Rica, Jordan, Mexico, Peru, Tunisia and Vietnam. See Annex 1 for more information on the countries' proposed activities, including the relevance and timeliness of the requested support.
6. Based on the feedback from the PMR Participants and the EoIs that have been received so far, the PMR Secretariat presents this revised note for consideration and action by PA.

II. SCOPE OF THE ANALYTICAL WORK AND RESOURCES ALLOCATION

7. The countries' EoIs demonstrate a coherent, yet somewhat diverse, demand and scope of the work which is based on unique national circumstances. Most of the countries requested analytical support on policy mapping and assessment of options for identifying a package of effective and cost-efficient policies—including carbon pricing instruments—to achieve mitigation ambition. That said, in response to the recent domestic policy developments, some countries clearly stated their interest in obtaining targeted support for the design and implementation of a specific instrument, such as carbon tax (in the case of Chile) and emissions trading scheme (in the case of Mexico).
8. In addition to the above outlined areas of support, some countries also expressed a strong interest in carrying out the studies analyzing their post-2020 mitigation scenarios in a global context in order to understand the interplay between a global scenario and a country-specific action.
9. For the most part, countries clearly indicated that the proposed upstream analytical support would have a positive impact on and directly contribute to the ongoing work under the UNFCCC regarding the identification of intended "nationally determined contributions" (NDCs). Nonetheless, the EoIs also suggested that the proposed analytical work must remain technical in its nature and, as such, be disconnected from the negotiation processes. Finally, regardless of unique national circumstances, all countries emphasized the urgency for proposed upstream analytical support and requested that it should be initiated as soon as possible in order to be timely and relevant to the countries' preparations of NDCs.
10. Taking into account submitted EoIs, the PMR Secretariat, in collaboration with the World Bank's relevant departments and teams, has initiated discussions with a number of countries to further define and specify the modality of support, the exact scope of work, necessary resources and related timetable. The discussion is still ongoing, but based on the initial feedback, the proposed approach is outlined as follows:



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- For the countries that are still at the early stage of their MRPs preparations, the analytical support could be folded into the existing PMR work under building block 2, ensuring the complementarity of two streams of support.
 - On the additional support, given that the proposed scope of work and existing knowledge base and studies vary across countries, the actual resources put into each country program would differ accordingly. The PMR Secretariat, therefore, proposes that the World Bank would determine, in consultation with the host implementing countries, the actual scope of the work for additional analytical work and the amount of resources needed on a case-by-case basis. Also, since it is expected that the study for some countries would be carried out in stages and sequences and likely expand beyond FY15 (for example, the need for a larger scope study could come after the initial analysis has been completed), the budget would also be discussed in phases.
 - To ensure some level of consistency and comparability, the PMR Secretariat and the World Bank teams will work closely with countries and other relevant organizations to develop a common framework or methodology (including modeling) that would facilitate the requested studies.
11. Based on the approaches outlined above and in view of the envisioned scope of work, the PMR Secretariat proposes an envelope of US\$5 million to be allocated for FY15 to support the work. The funding would be used to support the following activities:
- Country-level analytical work
 - Common methodology and framework (including modeling)
 - International and national technical meetings and workshops
 - World Bank staff time
12. At the following PA meeting in October 2014 (date TBD), the PMR Secretariat will provide an update on the status of the budget and country allocations for work under this stream in order to seek further guidance from the PA.
- III. ACTION BY THE PA**
13. The PA is invited to consider the modality proposed in Section II and the budgetary allocation of US\$5 million for FY15.

Annex I

Summary of Expression of Interest submitted by the PMR Implementing Countries

Country	Requesting Agency	National Context/Relevance of PMR Support	Proposed Activities for Support	Timeliness of Support
Brazil	Ministry of Finance; EoI submitted by Secretary for Climate Change and Environmental Quality, Ministry of Environment	<ul style="list-style-type: none"> • Facilitate the design of consistent proposals on mitigation contributions and cost-effective instruments that can be scaled up by providing robust analytical work and tools that can be applied into a broader context. • Provide useful technical input to the ongoing work under the UNFCCC where countries were invited to put forward their nationally determined contributions (NDCs). • Support cost-effective instruments under comprehensive scenarios that consider different contributions to global warming as well as mitigation actions coming from different parts of the planet. • Facilitate consideration of the international context and its significance to the national mitigation efforts. • Support the Brazilian effort to identify post-2020 mitigation scenarios and support the design of future mitigation 	<ul style="list-style-type: none"> • Update and build on the Low Carbon Economy Study conducted by the World Bank in 2009 as a basis to identify post 2020 mitigation scenarios, with a focus on: <ul style="list-style-type: none"> ○ Assessing the effectiveness and implementation challenges of the policies that were adopted by the government in order to build a new reference scenario; ○ Identifying mid and long-term mitigation scenarios and a package of policy options that could help Brazil achieve climate change mitigation and development goals in a cost-effective manner, promoting both growth and competitiveness while mitigating emissions. • Include the energy scenario and, in particular, different scenarios of ethanol 	<ul style="list-style-type: none"> • Emphasized the urgency of support and a need to start with the implementation of proposed activities as soon as possible in order to produce useful technical inputs for the ongoing work under the UNFCCC in regard to the development of nationally determined contributions (NDCs).



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		<p>contributions.</p> <ul style="list-style-type: none"> Scale up and speed up the ongoing technical support under the PMR technical work program. 	<p>production expansion and low-hydrology scenario.</p> <ul style="list-style-type: none"> Develop new tools and studies to support the design of the country's position about future mitigation contributions. 	
Chile	Ministry of Energy; EoI submitted by Head of Sustainable Development Division	<ul style="list-style-type: none"> Facilitate the implementation of a major tax reform which includes the establishment of green taxes that will regulate emissions of CO₂, as well as of local pollutants, produced by fixed sources used for thermal power purposes. Support the necessary analytical work that is needed to support the implementation of the green tax component, which is expected to enter into force in 2017. Facilitate the better understanding and interaction of carbon tax with existing policies and its alignment with economic growth and with mid- to long-term mitigation and development goals, especially in the energy sector. 	<ul style="list-style-type: none"> Conduct analytical studies focusing on: <ul style="list-style-type: none"> How the carbon tax induces technological changes in the energy sector (i.e., how the energy matrix changes overtime, if it induces technology upgrades on current thermoelectric power plants or investments in state-of-the-art power plants, its impact on pre and post 2020 mitigation goals, etc.); How the carbon tax interacts with existing policies and regulations, such as the thermoelectric power plant emission norm currently in force; What are the key issues concerning the implementation of the tax, such as competitiveness, the pass-through of the tax to end users, future tax rises and their impacts in the whole economy, etc. 	<ul style="list-style-type: none"> Emphasized the urgency to carry out proposed activities given the recent and forthcoming policy developments, i.e. the tax reform is expected to be passed in the Senate in June 2014, while the implementation of carbon tax is expected to start in 2017.
China	National Development and Reform Commission (NDRC); EoI	<ul style="list-style-type: none"> Provide technical support to help China develop its mid- and long-term mitigation objectives and understand their development implications. Provide support to identification of 	<ul style="list-style-type: none"> Conduct analytical work focusing on: <ul style="list-style-type: none"> Policy mapping and options assessment; Economic and emission scenarios to 2020; 	<ul style="list-style-type: none"> Emphasized a resolve to kick off the work as soon as possible in order to make it effective and timely for



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	submitted by Director General of Climate Change Department	<p>nationally determined contributions (NDCs), while focusing only on technical aspects and being disconnected from the negotiation process and political concerns.</p> <ul style="list-style-type: none"> • Help China identify a package of effective and cost-efficient instruments to reach the post-2020 mitigation objectives in the context of social and economic development. • Set the basis for complementary follow-up steps, such as updating data on technological roadmap—including abatement cost curve, consultations and communication with domestic and international stakeholders—to develop, recognize and implement the established goals and adopted policy instruments, interpret and transfer the output of analysis of the referenced studies into policy recommendations, and integrate them into the policy-making process. 	<ul style="list-style-type: none"> ○ Alignment of economic growth and mitigation objectives by exploring post-2020 mitigation scenarios. • Include studies on socioeconomic, political impacts and feasibility of identifying measures and policy instruments. • Include considerations on the integration and coordination of different policy goals, such as those on mitigation of GHGs; improvement of local air quality, employment, inflation and competitiveness of companies in international trade and investment; and enhancement of social security. 	analyzing and establishing mid- and long-term mitigation objectives and preparing nationally determined contributions (NDCs).
Colombia	Ministry of Environment and Sustainable Development; EoI submitted by Director of Climate Change Department	<ul style="list-style-type: none"> • Facilitate the completion of the studies and assessments carried out by the Colombian Government in order to establish national contribution to the global mitigation efforts under the UNFCCC. 	<ul style="list-style-type: none"> • Conduct robust and comprehensive analytical work to ensure that the Colombian mitigation contribution is in coherence with existing and future sectoral and mitigation policies and ensure balance between ambition and national capabilities. • Complement the analysis of what would be the impact of adopting various carbon 	<ul style="list-style-type: none"> • Indicated that the proposed activities would contribute to and complement the work under the UNFCCC (in regard to intended NDCs) that Colombia is initiating.



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			pricing instruments.	
Costa Rica	Ministry of Environment and Energy; Eoi submitted by Head of Climate Change Directorate	<ul style="list-style-type: none"> • Support Costa Rica's aspirational goal of becoming a C-Neutral country. • Facilitate undertaking commitments for emissions reductions beginning in 2020. • Supplement ongoing work regarding operationalization of Costa Rica's domestic carbon market. 	<ul style="list-style-type: none"> • Conduct analysis and support the consultation processes that will allow classification, selection and validation of participating sectors according to their compliance ability. • Conduct analysis on quantitative targets consistent with national economic development policies and related MRV requirements. 	<ul style="list-style-type: none"> • Stressed that proposed activities would fit into work to be undertaken by Costa Rica to assess and determine its intended mitigation contribution under UNFCCC.
Jordan	Ministry of Environment; Eoi submitted by Minister of Environment	<ul style="list-style-type: none"> • Support the country's efforts towards achieving low carbon, climate resilient development. 	<ul style="list-style-type: none"> • Conduct assessment of development and GHG mitigation impacts of adopting various carbon pricing instruments. 	<ul style="list-style-type: none"> • Indicated that proposed work would help achieve objectives of the 2013 climate policy strategic framework that is under implementation now.
Mexico	Ministry of Energy (SENER); Eoi submitted by Deputy Secretary for Energy Planning and Transition	<ul style="list-style-type: none"> • Facilitate Mexico's ongoing energy reform, through supporting design and implementation of a domestic emissions trading scheme (ETS) in the power sector. 	<ul style="list-style-type: none"> • Conduct in-depth review of interaction between ETS, RE obligation and carbon tax. • Conduct analysis on the scenarios on the cost for emission cap setting and technology deployment. • Provide a complementary capacity development program (technical workshops, training and country-to-country exchanges) on the design of the ETS, modeling on cap setting scenarios and ETS management 	<ul style="list-style-type: none"> • Emphasized the urgency for requested support taking into account ongoing and forthcoming developments in regard to the energy sector reform, i.e. upcoming legislation that is expected to be passed in the Parliament and a detailed design of ETS that is anticipated to be



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				adopted by December 2014.
Peru	Ministry of Environment; EoI submitted by Vice Minister of Strategic Development and Natural Resources	<ul style="list-style-type: none"> • Inform development of policy options for the country's mid- and long-term mitigation objectives. • Support the identification of options and assessment of implications of intended nationally determined contributions in the UNFCCC context. 	<ul style="list-style-type: none"> • Conduct analysis focusing on: <ul style="list-style-type: none"> ○ Policy mapping and options assessment; ○ Determining economic and emissions scenarios to 2020; ○ Aligning economic growth with mitigation objectives and setting post-2020 mitigation scenarios. 	<ul style="list-style-type: none"> • Emphasized that the proposed activities would help Peru formulate its nationally determined contribution that is aimed to be communicated well in advance of the 21st Conference of Parties (COP21).
Tunisia	National Energy Agency (ANME); EoI submitted by Director for Planning	<ul style="list-style-type: none"> • Complement ongoing work on GHG mitigation, such as development of NAMAs in different sectors, preparation of the national GHG inventory and biannual report. • Complement mitigation activities under the MRP. • Support preparation of the nationally determined contributions (NDCs). 	<ul style="list-style-type: none"> • Conduct analysis of cost-effective instruments to scale up mitigation efforts and ensure coherence with existing policies. 	<ul style="list-style-type: none"> • Indicated that the work would have to start as soon as possible given that the nationally determined contributions are expected to be finalized by the first quarter of 2015.
Vietnam	Ministry of Environment and Natural Resources; EoI submitted by Director General, Department of Meteorology, Hydrology and Climate Change	<ul style="list-style-type: none"> • Support development of Vietnam's mid- and long-term mitigation objectives. 	<ul style="list-style-type: none"> • Conduct analysis focusing on policy mapping, options assessment and projected economic and emissions scenarios to 2020 and post-2020. 	

