Market Readiness Proposal (MRP) of Sri Lanka

Overview of Expert Group Feedback

Country: Sri Lanka

PMR Expert Group: Derik Broekhoff on behalf of the team

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Outline of Presentation

1. Brief description of PMR Expert Feedback Process for Sri Lanka

2. Overall impression of the MRP
   (mainly based on earlier draft sent to Experts and the mission to Sri Lanka)

3. Specific elements of the MRP feedback
   (mainly *based on earlier draft sent to Experts and the mission to Sri Lanka*)

4. Key challenges going forward

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1. Brief description of PMR Expert Feedback Process (1/2)

PMR Expert Group

- Neelam Singh, World Resources Institute

- Derik Broekhoff, Stockholm Environment Institute

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1. Brief description of PMR Expert Feedback Process (2/2)

Feedback Process

- 1st full draft of MRP submitted to the secretariat and the expert group on August 4, 2017

- Written comments of the experts and the secretariat on the draft MRP submitted on August 28, 2017

- In-country meeting: September 11, 2017

- 2nd and final draft circulated to PMR Secretariat on October 9, 2017

2. Overall impressions of the Draft MRP (1/2)

◆ Draft MRP is thorough and comprehensive, with a clear plan for moving forward to:

- Develop technical and institutional components needed to support CPIs
- Bolster the nascent Sri Lanka Carbon Crediting Scheme (SLCCS); and
- Explore options for a future CPI

◆ A clear rationale is provided for priority sectors (energy, transport, industry, and waste), linked to NDC goals and existing experience/capacities

◆ Institutional arrangements and responsibilities are clear

◆ Less clear (in initial draft):

- Rationale for focusing on MRV and registry systems, as opposed to other core readiness components (data collection, target setting, institutional frameworks)
- Rationale for further building up the SLCCS in the near term, prior to a broader assessment of how CPIs could support an optimal NDC policy package
- Criteria and methods that could be used to further assess the role of CPIs in different sectors, and evaluate how CPIs could complement and interact with other policies

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2. Overall impressions of the Draft MRP (2/2)

◆ The MRP maps out an ambitious scope of work and timeline for developing MRV and registry systems. One challenge will be the sequencing of different components:

- What elements can be developed near term, regardless of the ultimate design & scope of the SLCCS and other possible CPI(s) (i.e., "no regrets");
- What elements should await further assessment?

◆ Given the timeline & ambition, further clarity could be helpful on:

- Timing and more detailed milestones for different components (e.g., needs assessment, design, and piloting)
- Possible implementation risks and barriers
- Political support for various MRP elements, including expansion of the SLCCS

◆ Final draft MRP succeeded to a large extent in clarifying these aspects.

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3. Specific elements of the MRP feedback

Building Block 1: Big Picture Policy Context

- The MRP effectively lays out NDC goals, relative emission levels for different sectors, domestic climate policy responsibilities, and relevant institutional structures

- **Issues identified:**

  - Could provide more (high level) discussion of:

    - Historic and projected emissions trends

    - Challenges or barriers to mitigation action (e.g., institutional, economic, political, capacity related, etc.)

    …These are discussed in more detail in BB2, however

- Note that SL commissioned a separate study on assessing historic and projected emissions trends

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3. Specific elements of the MRP feedback

Building Block 2: Assessment and Rationale for MRP Focus Areas

- Primary goal is to develop a roadmap for designing and implementing an optimal policy package for NDC achievement

- MRP provides a solid overview of relevant policies and barriers in targeted sectors, along with existing experience with market-based instruments. Establishes need to further assess sectoral mitigation potential and develop policy options, including CPIs.

- **Issues identified:**

  - Could provide more context on relative success of existing policies in each sector, and/or more explicit proposal to evaluate existing policies

  - For different sectors, could identify barriers specific to CPI adoption or implementation, and/or identify how CPIs could help address important sectoral barriers

  - Could more clearly identify criteria and methods that will be used to assess suitability of CPIs

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3. Specific elements of the MRP feedback

Building Block 3: Core Technical and Institutional Market Readiness Components

- Focus is on developing an integrated national MRV system, and developing a registry for data management and/or transactions

- Scope of work is well-defined within these two components, and MRP provides a solid overview of existing data collection efforts.

- **Issues identified:**

  - Discussion of other readiness components – data, target setting, and institutional/regulatory frameworks – is relatively cursory. More discussion of these components and their relationship to MRV and registry system development could be helpful.

  - The potential scope for MRV and registry system development is quite broad and ambitious. More elaboration may be required with regard to sequencing of development with other building blocks (2 & 4), and tailoring of MRV and registry systems to support NDC implementation and specific CPI mechanisms (e.g., project-based or sectoral crediting, ETS, domestic vs. international, etc.).

3. Specific elements of the MRP feedback

Building Block 4: Planning for a Market-Based Instrument

- MRP proposes a clear, detailed, and comprehensive approach to two components: bolstering and expanding the SLCCS (both demand and supply); and exploring options for a new CPI

- **Issues identified:**

  - More rationale could be provided for focusing on the expansion of the SLCCS, here and/or in BB2 – e.g., building up public and private sector capacities, leveraging political support, promoting "early action" mitigation prior to finalization of other CPIs and NDC policies, etc.

  - Could provide more detail on existing SLCCS program capacities (or deficits), and identify how specific gaps could be filled

  - Exploration of methodological options (including standardized approaches) is valuable, but some design options may depend on how SLCCS ultimately interfaces with broader policy landscape (sequencing issue)

  - For new CPI, could more clearly delineate scope of activities (assessment & design vs. development & implementation)

3. Specific elements of the MRP feedback

Building Block 5: Organization, Communication, Consultation and Engagement

- Institutional responsibilities and organization are clearly identified, as are consultation and (external) capacity building activities

- **Issues identified:**
  - It is important to identify clear milestones, indicators, and progress reports associated with communication and capacity building workplans
  - Could clarify in some cases the connection of communication and outreach activities to building blocks, and to SLCCS and/or prospective new CPI
  - Inter-ministerial advisory committees (ACs) may be useful to guide work for building blocks 3 and 4. ACs for each sector may be more useful for BB2.
  - More elaboration of monitoring and evaluation procedures would be helpful, as well as steps for identifying and addressing risk/barriers to MRP implementation

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4. Latest draft and key challenges going forward

- Latest MRP draft reflects input from the Expert Group, and responds to issues raised

- Key challenge going forward will be coordination and sequencing of building blocks to ensure efficient and effective development of MRV, registry systems, SLCCS, new CPI

  - Work under Building Block 2 is foundational, and will be crucial for informing:

    - Final MRV needs and required capacities; however, no-regret options like development of MRV at project/facility level can be initiated;

    - Final scope, design, functionality, and scale of SLCCS (including whether it is domestic and/or international facing) though strengthening of current system can still be a priority and work on this can start in parallel;

    - Final scope, design, functionality and scale of a prospective new CPI though the current MRP targets only developing a roadmap for its design and implementation

  - Work under BB2 and BB4 will inform registry system design and functionality

- Limited time until end of PMR Phase 1 puts a premium on effective coordination, communication and engagement, along with clear milestones and indicators

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