PMR

República de Panamá

Proposal for Policy Analysis Activities
Panama’s NDC and national policies highlight the intention to consider designing a domestic carbon market and implementing carbon pricing instruments, such as a carbon tax...
Critical Readiness Gaps

... but the country faces many challenges and requires PMR’s support

- Robust analytical work for decision making process
- MRV system and GHG inventory
- Interinstitutional coordination
- Implementation plan
- Capacity building and awareness
The development of this proposal is a joint effort among key government ministries and agencies. The implementation of the proposed activities will be led by the Ministry of Environment (MIAMBIENTE), with the close support of the National Secretariat of Energy (SNE), the Ministry of Economy (MEF), and the Land Transportation and Transit Authority (ATTT).

1. Upstream Policy Analysis to Assess Enabling Mitigation Policy Instruments Available to Support the Decarbonization of the Economy

   - Policy Options
   - Impacts Modelling
   - Carbon Tax Assessment

2. Support the Domestic and International Carbon Market Readiness

   - Market Assessment
   - Building Blocks MRV System
   - EE fund and Carbon Market link
   - Compliment to EE programs

3. Capacity Building, Social Awareness, and Communication Plan

   - Communications strategy to raise social awareness
   - Strengthen the public-private capacities
   - Stakeholder participation plan
Panama is seeking the PMR support to set the foundation upon which the country could build the structure to implement carbon pricing instruments in the energy sector, with special focus on a carbon tax.

2016
Approval of NDC’s where Panama highlights the intention to consider designing a carbon market and confirms the country will continue to participate in international carbon offsets trading.

2016
National Energy Plan 2015-2050, Highlighting the need to analyze different carbon pricing instruments (carbon tax, ETS and regulation).

2017
Law modification proposed to assign a penalty to the offers received during public tenders of generation projects, based on the CO2 emissions per kWh.

2017
Panamá organized a roundtable to explore and trigger the interinstitutional discussion on the potential implementation of carbon pricing instruments, with the technical support of the WBG and the participation of the PMR WB team.

2016
Panama launched GFEI Project to determine emission the baseline of vehicles as the base for a future minimum fuel economy standard for vehicles.

2017
Analysis of the elasticity of the fuels used in transport sector as a preliminary step to set the strategy in the long run.

Next Steps:
Evaluation of policies available, Impact modelling and Carbon Tax Assessment
Activity 1. Upstream Policy Analysis

**Objective:** Explore and understand the different options available to de-carbonize the economy

**Tasks:**

- Evaluation of available mitigation policy instruments suitable to Panama’s context
- Analysis of cases of study based on international experience
- Legal, regulatory, and institutional framework required
- Roadmap for the design of the proposed carbon pricing instrument
- Impact assessment and cost benefit analyses of the instruments proposed
- Co-benefits and externalities analysis, considering human health benefits and avoided mortality, to assess properly the impact of carbon pricing instruments
- Optimal fuel tax rates based on emissions
- Ensure revenue neutral tax architecture
- Tax rate range, with potential scheduling for gradual increment

**Outputs:**

- Analysis and Recommendations of Carbon Pricing Policy Options
- Modelling Fiscal, Economic, and Sectoral Impacts of Pricing Carbon Emissions in Panama
- Carbon Tax Assessment
The overall objective of this initiative is to support the GoP to meet the transparency and accounting commitments established in Article 13 of the Paris Agreement.
**Activity 2. Support Domestic and International Carbon Market Readiness**

**Objective:** Advance towards a low emission and sustainable energy sector, supporting the development of an emissions registry and a domestic MRV system for the energy sector

**Tasks:**

- Assessment on design options for a domestic voluntary carbon market
- Review of the institutional architecture, legal framework, streamlined rules, and procedures required
- Identify the requirements to establish a MRV system and GHG data management processes in the energy sector in the energy sector
- Assessment of the potential use of Emissions Reductions Certifications in the energy sector and their commercialization
- Pilot Program: Vehicle Emission Measuring and Reporting Program
- Assessment of the use of emissions reductions generated in Panama’s EE work program in an international carbon offset mechanism
- Assess how Panama’s EE fund, could benefit from carbon markets and if it could be partially funded through the sales of emissions reductions created by the projects and initiatives funded through the EE fund.

**Outputs:**

- Domestic and International Carbon Market Assessment
- Develop the Core Building Blocks for a Domestic MRV System in the Energy Sector
- Mainstreaming Carbon Considerations into Panama’s Energy Efficiency Work Program
Overview of activities funding

PMR funded activities are complemented by other funds and institutions

<table>
<thead>
<tr>
<th>Activity</th>
<th>PMR Funding</th>
<th>National Government</th>
<th>Other Sources of Funding</th>
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<tbody>
<tr>
<td>Activity 1</td>
<td>140,000 $</td>
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<tr>
<td>Activity 2</td>
<td>305,000 $</td>
<td>127,500 $ ATTT</td>
<td>1,925,000 $ CIACA, CBIT, SFLAC, ESMAP</td>
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<tr>
<td>Activity 3</td>
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<td>150,000 $ KGGTF, SFLAC, ESMAP</td>
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<tr>
<td>Total</td>
<td>500,000 $</td>
<td>127,500 $</td>
<td>2,075,000 $</td>
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ATTT: Land Transit and Transport Authority
CIACA: Collaborative Instruments for Ambitious Climate Action
CBIT: Capacity Building Initiative for Transparency
KGGTF: Korea’s Green Growth Trust Fund
SFLAC: Spanish Fund for Latin America and the Caribbean
ESMAP: Energy Sector Management Assistance Program
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Thank You