

PMR PROJECT IMPLEMENTATION STATUS REPORT (ISR)

The PMR Project Implementation Status Report should be prepared by the Implementing Country or Technical Partner, with the support of the Delivery Partner and/or the PMR Secretariat. For any questions related to the preparation of the PMR Project Implementation Status Report, please contact the PMR Secretariat at: pmrsecretariat@worldbank.org.

1. SUMMARY INFORMATION

Implementing Country/Technical Partner:	Argentina
Reporting Period:	From 09/10/2018 to 04/22/2019
Report Date:	4/23/2019
Implementing Agency:	Secretariat of Government of Environment and Sustainable Development
Contact Person:	Soledad Aguilar

Grant Executed By:	World Bank
Grant Effectiveness and Closing Dates:	09/10/2018 - 06/30/2020
Grant Amount (USD):	USD 3 millions
Funding Mobilized (USD):	USD 300,000 in kind
Funding Committed (USD)	USD 621.133

2. OVERVIEW

Argentina became an Implementing Country Participant following the presentation of its Organizational Framework in October 2016. The MRP preparation was carried out in a less than 2-year period and the draft MRP was presented at PA18, in Kiev. The preparation process was led by the Secretariat of Government of Environment and Sustainable Development (SGESD) and framed by a structural process overseen by the National Cabinet of Climate Change (NCCC). The final MRP was submitted electronically to the PA for decision on a no-objection basis and the allocation of Implementation Phase Funding to Argentina, in the amount of USD 3 million, was adopted by the PA in June 2018.

The MRP is focused on two new implicit carbon pricing instruments (CPIs) which have political support and synergies with both Argentina's climate and energy sector policies. The MRP's four key components include options for implementation of Renewable Energy Certificates (RECs), Energy Efficiency Certificates (EECs), review of the existing carbon tax and implementation of CPIs in the

transportation sector. In compliance with internal governmental rules regarding externally financed projects, the final version of the MRP was put into consideration by the Chief of Cabinet of Ministers and by the Ministry of Treasury, for its assessment and prioritization within the project portfolio of the Government of Argentina.

To enable Argentina to quickly move forward towards MRP implementation after the grant approval the bank-executed modality was chosen over a recipient-executed institutional arrangement. The agreement was reached between the Government of Argentina and the World Bank (WB) bearing in mind the time frame available for the project and the procedures required by national legislation to run a recipient-executed project that is often cumbersome and can delay the start of execution. Within the WB local office, the Energy Team, headed by Lucia Spinelli, centralized the management of the project.

Once the implementation arrangements were agreed upon, the first action taken was the establishment of the PMR Project Management Task Team (PMTT). According to the MRP, the PMTT is responsible for the overall guidance of the project management and overseeing day-to-day activities. A team of Short Term Consultants (STCs), headed by a project coordinator, were hired for each project's component to take over the achievement of planned results as outlined in the MRP.

After the PMTT was consolidated, several meetings were held by the key relevant government representatives to define the work plans for each component. For these work plans, the representatives successfully defined priority activities, timelines, product approval flow charts, and policy coordination. In parallel, sectoral NCCC's roundtables were held in order to align the planning of the NCCC with that of the project. In this sense, the project has shown a high level of ownership by partner Ministries and Secretariats, with the institutional support of the NCCC.

As for the general progress made in each component, further detail is provided below.

- **Transportation Component:** The ToRs (terms of reference) underwent final consolidation, and the activities are under implementation. A consulting consortium headed by Ricardo Energy & Environment was hired to carry out the activities. This Task 1 includes evaluation of the policy context and mitigation potential in the transport sector in Argentina as well as the analysis and prioritization of carbon pricing instruments (CPIs) which can be applied within the sector. In addition to the overarching analysis of the transportation sector, specific attention is placed on the (i) Plan of carbon pricing for the climate change plan of the transport sector, (ii) Argentina's relevance in the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA); and, (iii) Climate change framework adopted by International Maritime Organization (IMO) implications to Argentina's maritime sector.
- **Renewable Energy Component:** Activities are under implementation, but with delay. A consulting consortium headed by Ricardo Energy & Environment was hired to carry out the activities. This component is focused on build upon the successful public procurement program for renewable electricity generation and will support the achievement of the goals of the Renewable Energy Law and Argentina's NDC. This component includes a pre-feasibility analysis that will support government's decision on whether/how to move to the design phases of a REC national scheme. Key activities include: (i) assessment of key relevant international experiences on REC system, identifying potential similarities and opportunities

for Argentina, (ii) proposed and analyzed high-level possible scenarios for designing potential REC schemes in Argentina, (iii) for the previously task selected scenario, the Consultant should evaluate how they could interact with current sectorial policies, with other CPI's and map key relevant barriers to implementation, (iv) develop draft proposal for REC scheme design; and finally, (v) develop a plan for institutional, regulatory and capacity development.

- **Energy Efficiency Component:** The procurement process is underway with delay. This component includes a pre-feasibility analysis that will give an idea of a possible future scenario for the government's decision on whether/how to move to the design phases of an EEC national scheme. Key activities include: (i) assessment of key relevant international experience on EEC system, (ii) proposed and created a preliminary possible scenario for designing potential EEC schemes in Argentina, (iii) for the previously task selected scenario, the Consultant should evaluate how they could interact with current sectorial policies, with other CPI's and map key relevant barriers to implementation; and finally, (iv) a design draft proposal of the EEC scheme. Some activities are under consideration to be implemented, as procurement process is taking longer than expected.
- **Carbon Tax Component:** Technical meetings were held to define the scope and contents of the ToRs, which are being developed. This component includes activities on the potential impact of Argentina's enacted carbon tax, as well as possible future extensions to that tax regime. The analysis will include (i) modelling the carbon tax's several effects, (ii) assessing the risks of stranded assets in fossil fuel energy production, (iii) comparing car tax policy and emissions trading scheme in the context of Argentina, (iv) comparing the cost and abatement potential of the different current mitigation policies and instruments, (v) assessing the use of carbon taxes to replace current distortionary taxes, (vi) assessing options for expanding carbon tax coverage, (vii) developing an MRV process for ex-post assessment of impact of the carbon tax and (viii) assessing the need for border tax adjustments in the long term.

In general, significant progress was made in the transportation component. REC component has recently completed the bidding process and the PMR Task Team are coordinating for the kick off meeting. EEC component are now undergoing the bidding process. The carbon tax component coordinated within the Ministry of the Treasury was affected by several institutional changes within the former Ministry of Energy (now Secretariat of Energy) that was since merged with the Ministry of Treasury, and was accompanied by a challenging macroeconomic scenario change, with the designation of new focal points for the project.

Finally, in spite of the institutional changes that occurred within the national government, specifically the change in status hierarchy of Ministries, Secretariats, and Directorates, the project continued as planned and according to what was established in the MRP in terms of activities and budgets.

3. IMPLEMENTATION REPORT BY COMPONENT

Differences between the Objectives/Activities in the Market Readiness Proposal and the Grant Agreement

<p>Are there any important and material differences between the objectives/activities proposed in the Market Readiness Proposal and endorsed by the Partnership Assembly of the PMR and those agreed to in the Grant Agreement with the Delivery Partner and described in the Project's Results Framework?</p>	<p>No</p> <p>The signed contracts and developed ToRs follow the activities and the scope of the components planned for in the MRP.</p>

Implementation Progress by Component

<p>A. Component 1: Transportation Component</p>	
<p>Status:</p>	<p>Under implementation</p> <p>The transport sector and CPI application in this area became one of the components of PMR activities in Argentina. The aim of this component is to assess the policy context and mitigation potential in Argentina's transport sector as well as evaluate and prioritize CPIs which can be applied within the sector. In addition to that, CORSIA relevance for Argentina and IMO climate change strategy will also be in the spotlight of the project. SGESD and Ministry of Transport provided technical inputs on the scope of work for ToRs development, which were final consolidated by the WB. A consulting consortium to support the development of the activities has already been hired.</p> <p>This component includes 5 interlinked activities, which are as follows:</p> <ul style="list-style-type: none"> ● Activity 0: Project inception. This activity includes project kick off, methodology refinement and initial action plan assessment. ● Activity 1: Plan of carbon pricing for the climate change action plan of the transport sector. This activity includes review of the mitigation measures in the transportation sector, analysis and ranking of potential CPIs, and pre-feasibility assessment. ● Activity 2: Argentina's relevance in the CORSIA. This activity includes evaluation of Argentina's participation in the CORSIA scheme, analysis of the potential supply and demand of emissions units, analysis of potential eligibility criteria and the development of technical inputs to the regulatory framework. ● Activity 3: Climate change framework adopted by IMO implications for Argentina's maritime sector. This activity includes assessment of potential displacement of some markets that are important for Argentina due to the implementation of the IMO strategy and potential opportunities for Argentina.

	<ul style="list-style-type: none"> ● Activity 4: Stakeholder engagement. This activity will support all tasks above and will ensure stakeholder engagement and consultations throughout the project. <p>An inception meeting was held in January 2019 to discuss the project methodology and delivery steps. Representatives from the PMR Task Team, SGESD, Ministry of Foreign Affairs, Ministry of Production, National Civil Aviation Administration, Ministry of Transport, attended the meeting. It shows the engagement among the several key relevant actors directly related with the subject. To date, the consultants have delivered 3 of the 5 planned deliverables, which have been discussed with the Government. Regarding the stakeholder consultation process, this component has held 3 workshops on March 27th and 28th with more than 20 representatives from different entities of the national government to present preliminary results of the project and discuss the next steps to follow.</p> <p>In order to support the review of the National Transport and Climate Change Action Plan, as outlined in the MRP, the prioritization of mitigation measures to be fully updated will be based on three criteria which will include suitability of carbon pricing, mitigation potential and likelihood of implementation. All prioritized measures will be subject to an update, although the main focus will be on the smart way and clean buses measures. Should it be determined that carbon pricing has limited applicability to these two measures, other forms of policies will be suggested to support them.</p> <p>In parallel, a wide consultation process has been initiated to support Activity 1. The Ministry of Transport is engaged in this process, providing the necessary data for the finalization of the component.</p>
Comments:	<p>Activities are on track</p> <p>There were some delays linked to some bank internal process that finally were solved without modifying deadlines.</p>
B. Component 2: Renewable Energy Certificates (RECs) Component	
Status:	<p>Under implementation</p> <p>Argentina currently has a successful plan for promoting renewable energy. The Renovar program is the main public procurement instrument to address the targets of the Renewable Energy Law 27.191 and the main objectives of the National Energy and Climate Change Action Plan. However, Argentina seeks to evaluate an additional instrument to promote renewable energy investments and the feasibility of a RECs scheme implementation nationally. That would focus new potential renewable energy projects not currently considered by Renovar.</p>

	<p>PMR support in this direction includes the pre-feasibility analysis, the instrument design, MRV and registry development and a pilot phase.</p> <p>Taking into consideration the general scope and some of the instrument design activities, ToRs were elaborated by WB, taking into consideration technical inputs provided by SGESD and the Secretariat of Energy. The procurement process of the RECs component had been completed, and the PMR Task team are coordinating a kick off meeting to be held with the hired consortium.</p>
Comments:	<p>Delayed</p> <p>The REC component began its procurement process as expected, with a call for expressions of interest and their shortlisting. Subsequently, as the amount required is high, the process has developed in some delays. The final approval of the ToRs by the Bank's procurement department took longer than expected delaying the overall process.</p>
C. Component 3: Energy Efficiency Certificates (EECs) Component	
Status:	<p>Under implementation</p> <p>The reduction of carbon emissions through energy efficiency policies and measures shows great potential in Argentina. In this regard, Argentina is currently discussing its first Energy Efficiency bill that should improve the institutional framework for future energy efficiency policies. A potential EECs national scheme could make a substantial contribution to Argentina's NDC mitigation goals for the energy sector, as outlined in the National Energy and Climate Change Action Plan. Under the overarch of PMR project, the feasibility of implementation of such an instrument will be assessed.</p> <p>ToRs for this component were technically discussed by SGESD and the Secretariat of Energy and final consolidated by WB. The procurement process has been initiated and ToRs are undergoing final consolidation, following recommendations from the Bank's procurement department. Similarly, as it occurred with the RECs component, the final approval of the ToRs by the Bank's procurement department took longer than expected delaying the overall process.</p> <p>Currently, the procurement process is expected to conclude by May 2019.</p>
Comments:	<p>Delayed</p> <p>This component has experienced some delays associated with WB's procurement process.</p>

D. Component 4: Carbon Tax Component	
Status:	<p>Under implementation</p> <p>The Argentina's carbon tax has been implemented during the 2017 fiscal reform. The full rate of this tax was based on the local currency equivalent of US\$10/tCO₂e on January 1, 2018 and changes quarterly with the consumer price index. The current rate is US\$6.24/tCO₂e. This tax is the subject of an upstream policy analysis under the PMR project. Some conjectural changes resulted in the reorganization of the elements of the component. The activities will be adhered to, but the carbon tax's modelling activity is given priority. The ToRs for this activity are under development, and has been discussed with representatives of the Ministry of the Treasury and the SGESD.</p>
Comments:	<p>Delayed</p> <p>This component has experienced some delays due several recent institutional changes. The Ministry of Treasury has absorbed the Energy portfolio, now housed within the National Secretariat of Energy. This new scenario, in combination with a macroeconomic turmoil, has impacted the steady progress of the component.</p>

4. PROGRESS, CHALLENGES, AND LESSONS LEARNED

Important policy or regulatory developments related to the Grant's objectives and activities:
<p>Developments: Some developments have been made regarding renewable energy policies and regulatory framework, concerning the MATER "Mercado a Término de Energías Renovables" (Corporate Purchase Agreement Legal Framework) and the renewable distributed generation, both relevant to the Grant's objectives. MATER has experienced some progress, 49 projects have been awarded dispatch priority by CAMMESA (Argentina's Wholesale Electric Market Management Company), that ensures access to the transmission grid and allows generators to sell renewable energy on a long-term basis to the Authorized Large Users. These projects account for a total amount of 1,164 MW of capacity. Additionally, to the MATER growth, there are also good expectations on the renewable energy distributed generation. On November 2018, the renewable distributed generation law was regulated complementing the original legal framework (Decree N° 986/2018 and Resolution N° 314/2018).</p> <p>Another important milestone in the renewable energy sector is the new tender of renewable power that was launched in November 2018. It was named "RenovAr 3 - Mini Ren" and called for all stakeholders interested in submitting bids, for the purpose of tendering a total amount of 400 MW of installed renewable electricity capacity throughout the country. In addition, the Undersecretary of Renewable Energy and Energy Efficiency has announced recently that Argentina will hold the fourth round of tenders of the RenovAr auction programme this year to procure additional renewable energy and grid capacity.</p>

Energy Efficiency sector has also experienced some developments. With respect to the legal framework, the energy efficiency bill shows important progress. A process of awareness and validation of the main characteristics of the bill has been carried out with stakeholders and it is expected to be presented to Congress soon. Moreover, significant progress has been made in the development of the National Useful Energy Balance for the household sector. An energy model was included in the National Survey of Use in Housing whereby 25,000 homes were surveyed. Furthermore, some pilot programs have been developed, testing the energy certification for housing and energy audits in public buildings, among others.

It is also worthwhile to mention, that the SGESD has consolidated a Climate Change Draft Law and plans to present to Congress soon. The bill provides overall guidelines on climate change policy at a subnational level, creates an MRV system, and lays the foundations of a regulatory framework for further CPIs implementation. Meanwhile, Argentina is currently working towards presenting its Low Emissions Long-Term Strategy in 2020. This process has kicked off under the overarch of the NCCC and will allow Argentina to guide its climate action and short- and medium-term planning for the implementation of the NDC. A variety of policy instruments are under evaluation and CPIs would play an important role as key tool to achieve the goals.

Important changes in the technical design or approach related to the Grant's activities:

There is no relevant change in the technical design related to the Grant's activities.

Key capacity issues (implementation, technical, financial management, procurement) related to the Grant's activities:

Challenges: The implementation of the Argentina's MRP as a bank-executed grant has created some institutional challenges on the implementation arrangement. Several issues arise related with the understanding of specific roles between the government's key relevant areas and the WB. Additionally, procurement issues linked to the execution modality itself has been challenging considering the overall timeline of the project.

Regarding financial management, agreement between WB and the Government was achieved on instances of financial information reporting, in order to grant transparency in the project's management.

Coordination with other carbon pricing initiatives, including those funded by other donors:

Developments: The PMR's national focal point and the technical focal point for the energy efficiency component participated in a three-days ETS Workshop hosted by the government of Chile in Santiago on November 2019. During this opportunity, the delegates also attended a conference on Carbon Pricing in the Americas (CPA) initiative which Argentina is considering joining.

Stakeholder engagement related to the Grant's activities:

Developments: Under the Transportation Component a stakeholder engagement activity is supporting the wider delivery of all activities. It is a core part of the project that each major area for information gathering, consultation and decision-making takes account of the views of interested stakeholders.

An inception meeting was held between the project team and key relevant stakeholders from government (Ministry of Transport, Ministry of Production, Secretariat of Energy, National Civil Aviation Administration, Ministry of Foreign Affairs and Worship) enabling the work to commence quickly. Afterwards, having some of the initial work has advanced, 3 technical workshops were held in Buenos Aires to gather stakeholder views on the main findings emerging and to inform recommendations regarding further steps.

- **Workshop on CPIs for transportation sector (March 27th):** The objective of the workshop was to build capacity on the potential use of CPIs to achieve goals of greenhouse gas emission reduction in the transport sector. The consultants presented an overview of the concepts of CPIs and discussed with the stakeholders how they could be applied in a broader economy. An international case studies analysis was presented. The workshop finalized with a very productive discussion on the feasibility of implementing a CPI for the sector in Argentina on the basis of the mitigation measures stated in the National Transport and Climate Change Action Plan.
- **Workshop on CORSIA and its relevance to Argentina (March 28th morning):** The objective of the workshop was to build capacity on the implications of Argentina's participation in the CORSIA scheme and its potential to provide compensation units under this mechanism. An overview on CORSIA developments was presented and the regional context was deeply discussed. The stakeholders validated the projections for Argentina's aviation, regional dynamics, etc. presented by the consultants. There was a very productive discussion on the carbon offsets eligibility criteria and how Argentina could play a role in this potential market. Finally, there was a discussion of barriers and opportunities for offsetting in Argentina making the corresponding connections with Article 6 and the NDC achievement.
- **Workshop on IMO climate change strategy and its impact in Argentina (March 28th afternoon):** The objective of this workshop was to build capacity on the possible displacement of some international markets that are important for Argentina due to the implementation of mitigation measures under the IMO climate change strategy. An overview of the IMO strategy was presented accompanied by an interpretation of the effects for some specific technologies. Moreover, it was discussed Argentina's shipping practices (projections for shipping from Argentina, types of ships, fuels, shipping methods used, etc.) and reviewed some combinations of prioritized product routes. The consultants finally described the expected changes in the future that may affect these products.

Following these workshops and in coordination with the Ministry of Transport, a wide list of stakeholders' interviews was consolidated, and the consultation process based in the interviews is on track. Interviews have a semi structured approach that ensures consistency of information gathering whilst having some tailoring to the particular area of expertise of the interviewee.

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Other issues related to the Grant's activities

Within the PMR operational framework, the MRP is the official document of the project. As a Bank-executed modality was chosen, some of the initial institutional agreements to the project implementation have changed. A procedural manual, signed between both parties (Government and Delivery Partner) to clarify some operational procedures and standards, would be helpful to avoid procurement issues which the project went through.

5. ADDITIONAL INFORMATION

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