

PMR PROJECT IMPLEMENTATION STATUS REPORT (ISR)

1. SUMMARY INFORMATION

Implementing Country/Technical Partner:	Republic of Chile
Reporting Period:	From April 1st, 2018 to March 31st, 2019
Report Date:	May 17th, 2019
Implementing Agency:	Ministry of Energy
Contact Person:	Juan Pedro Searle, PMR-Chile Focal Point.

Grant Executed By:	Recipient: Chilean International Cooperation and Development Agency (AGCID)
Grant Effectiveness and Closing Dates:	09/05/2014 - 31/08/2019
Grant Amount (USD):	USD 4,980,000
Funding Mobilized (USD):	USD 4,069,914
Funding Committed (USD)	USD 4,527,326

2. OVERVIEW

This ISR reflects the evolution of Components 3 to 6 of Chile's additional MRP, since Components 1 (Regulatory, Institutional, Economic and Co-Benefits Analysis for Carbon Pricing Instruments) and 2 (Design and Implementation of an MRV System and GHG Registry) of the initial MRP have both ended all their committed activities. See previous ISR for a thorough description of each of the 6 components and activities.

As in the previous ISR, a share on the progress made for this reporting period has been on the implementation and improvement of the carbon tax; the design and operation of an MRV platform to assess and track mitigation outcomes achieved by energy mitigation projects; the Climate Modelling tool to assess future policy scenarios in the context of Chile's NDC, including carbon pricing, as well as in the analysis of an offset scheme and an ETS for the energy sector.

The carbon tax was introduced from 2018 at a level of 5 US Dollars per ton of CO₂ and covers stationary fuel combustion sources over 50MW. In order to improve its design, operation and environmental impact, Chile is seeking to change the inclusion threshold of 50MW to 25ktCO₂ and to expand the carbon tax beyond large power plants to include other industrial emitters that would cover about 40% of Chile's emissions. Along with this proposed change, a carbon offsets scheme was also planned to allow companies liable for carbon tax to offset their liability through offset projects. Eligibility of offsets and verification standards have not been proposed yet, though a dedicated work led by the Ministry of Energy is ongoing in this regard (PMR). Both proposals are now being part of

the package of modifications to the Tax Reform now under review by Congress. Chile's PMR Project played a substantial role by promoting stakeholder discussion and by providing technical analysis that supported these proposed changes.

Regarding progress in the design of an Emissions Trading System, ETS, all stages and decision-making keystones of such an instrument were thoroughly discussed by means of several meetings held in the context of the private-public ETS round table and the Consultative Group of Experts of Chile's PMR project. The aim was to finalize the process with a draft ETS proposal, which is currently under drafting process within the Ministry of Energy Climate Unit. Exploring this type of instruments remains a core element of the PMR project as a whole, given the promising international and regional developments on these matters.

It is worth noting that these core activities under Chile's PMR project were captured and committed in the 2018-2022 Energy Roadmap, released by the new administration in early 2018. As such, the piloting of mitigation options under Article 6, the public-private roundtables and discussion fora on ETS and certificates (green, white, offsets, ITMOs), and the assessment of the carbon tax and alternative carbon pricing proposals are now under the framework of this energy policy instrument, which gives the PMR project a unique opportunity to position carbon pricing in a more direct way into policy decision making in the energy sector, as this Roadmap commits to a series of actions in the main emitting sectors, which are expected to have a relevant impact on GHG emissions reduction and would pave the way to decarbonize the economy at levels required by science (beyond 2050). As an emblematic measure, a technical roundtable to discuss the phase out of coal-fired power plants was carried out in 2018, with the aim of committing to a phase-out schedule this year.

On the other hand, Chile is playing a relevant role in promoting and advancing the use of carbon pricing internationally. On this regard, Susana Jimenez, Minister of Energy of Chile, is currently co-chairing the High Level Assembly of the Carbon Pricing Leadership Coalition Chair. Chile is also promoting regional cooperation that fosters international carbon markets. In 2017, the country signed the Cali Declaration with Colombia, Mexico and Peru, pledging to strengthen their regional climate cooperation and move towards a regional voluntary carbon market. A work on MRV is progressing under this coalition, with the support of Canada. Chile also signed the "Paris Declaration on Carbon Pricing in the Americas" with several North and Latin American countries and subnational jurisdictions. Now co-chairing the technical working group of the CPA together with Canada, technical work on issues such as competitiveness, common standards, accounting and MRV and convergence and linking of systems is being conducted by its members.

More recently, Chile's Ministry of Energy joined the Warehouse initiative of the World Bank, with the aim of developing a GHG mitigation portfolio of energy projects, whose mitigation outcomes could be potentially transferred through a dedicated platform which is being developed in the context of Article 6. MRV protocols and third party verification procedures are part of this Article 6 piloting endeavor. The work done so far under Chile's PMR project in this regard, as well as its remaining technical work, will be used as a relevant input to further advance in this other partnership with the World Bank.

COP25, Climate Change Law and NDC updating

COP 25 will be held in Chile and it is expected to increase sectoral and public awareness on climate

change and the Paris Agreement. Under the coordination of the Ministries of Environment and Foreign Affairs, COP25 will have the responsibility of finalizing the Paris Rulebook, specifically, the rules, modalities and procedures for Article 6 implementation. On the other hand, given that this COP will be the prelude to COP 26, in which the Paris Agreement must start its actual implementation, a strong message about increasing ambition could be part of the trademark of this COP under Chile's Presidency, in line with what UN's Secretary General is expecting to achieve in the forthcoming 2019 74th UN General assembly: to call for an increased ambition overtime.

Two relevant domestic climate change processes are progressing in parallel to the logistics behind COP 25: the revision of Chile's NDC and the Climate Change Law. With the aim of increasing the ambition as requested in the Paris Agreement, the Ministry of the Environment is managing an inter-ministerial consultation to revise and update the NDC. It is estimated that the new proposal will be subject for public consultation before the COP.

Finally, the line of work and approaches Chile is following on carbon pricing responds, primarily, to the need of integrating carbon pricing and clean energy policy in Chile. Integration of carbon pricing with effective complementary policies for the power sector, but also other relevant sectors to be covered by the carbon price, is therefore necessary. Moreover, in order to facilitate the coal phase-out in the envisaged timeframe, complementary policies may be needed to encourage early retirements of coal-fired plants and address wider socio-economic issues of the coal transition, as well as tackling other energy-related policy challenges such as urban air pollution.

A summary of all studies carried out by the project to date can be found in Spanish in the project's website: <http://www.precioalcarbonochile.cl/documentos>.

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. Rather, there was a deepening in the analysis and proposals for alternative carbon pricing instruments under the tax and the piloting of activities under Article 6.</p>
<p>As stated in previous ISRs, the combined focus of implementing the carbon tax and exploring alternative instruments such as an ETS, has remained steady throughout the years of the project implementation. Nevertheless, given the introduction of an offset scheme under the carbon tax, an activity to develop and implement an offset trading platform was incorporated in the second half of 2018. Moreover, the Ministry of Energy appointed a dedicated professional to address and deliver this proposal. In addition, the recent inclusion of Chile in the Warehouse Initiative has resulted in a reassessment of some of the activities under Component 6 to make them more suitable to respond to the challenge of designing, installing and piloting a trading platform for mitigation outcomes, MO.</p>	

Though it was not exactly a change in activities as were planned under this component, the exercise led to a more coordinated array of deliverables to serve the purpose of putting into operation this trading platform. As such, the MRV platform to assess and track mitigation actions, including the corresponding MRV protocols, is considered relevant – “stage 1” -- in the roadmap to build this trading platform. A block chain technology approach was also added to the package of activities.

On the other hand, the 2018-2022 Energy Roadmap commits to develop and implement a portfolio of energy mitigation projects under the sector’s Mitigation Action Plan. During the second half of 2018, Terms of Reference (TOR) for an NDC Investment Plan for the energy sector were drafted, and the corresponding budget was reallocated to this new activity (all this under Component 6). Given the need to create MO assets under the Warehouse initiative, this activity (not initiated yet), is being redirected to develop a mitigation portfolio of energy projects to be uploaded to the Warehouse and/or to other similar platforms.

As an additional prospect, the Climate Change Law is an important driver to look up to, as activities under the PMR need to consider the possibilities and furthermore push towards the incorporation of carbon pricing in the Law. This means that the focus of most of the activities under component 3 take more relevance as technical trainings and capacity building with decision makers become indispensable. Moreover, the main activity under component 6, which is the development of a climate policy modeling and simulation tool, has a substantial role to play in aiding politicians and decision makers to understand the role of carbon pricing mechanisms and the possible impacts in the economy (both positive and negative) and in the achievement of the NDC.

Implementation Progress by Component

So far, the PMR project has successfully completed components 1 and 2, and is developing ongoing activities for the other components. As of March 31st 2019, component 3 had disbursed 87.8% of the allocated resources, component 4 81.3%, component 5 74.7%, and component 6 29.9% on all their planned activities. Overall disbursement of the Project is at approximately 80.5%, with 91.1% of the total funds committed. Most of the delays that have occurred throughout the period, have been due to administrative processes involving contracts and tenders, and minor complications regarding consensus on methodologies for the terms of references. Consultancies and studies so far have been delivered as scheduled.

A. Component 3: Design and Implementation of a Communication, Consultation and Stakeholder Engagement Strategy.

Status: In progress	<p>Component 3 provides the framework to communicate, consult and engage stakeholders, by training activities and capacity building (workshops, including modelling), fostering potential regional cooperation on carbon pricing, study tours, and in-country visits, and by maintaining the Project Website. Main activities during the reporting period:</p> <ul style="list-style-type: none"> - Continuous update of the project’s Web platform - Strategic alliance with "Marca Chile", which includes the provision of graphic material (photographs, videos, other) to support MRP
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	<p>dissemination activities</p> <ul style="list-style-type: none"> - Two ETS training sessions with the participation of international experts, using Environmental Defense Fund ETS Simulation tool. - Strategy on participatory mechanisms under Chile's MRP (consultancy, ongoing) - Recruitment of a communications professional to support the work on carbon pricing capacity building and communication activities of the project. - Recruitment of a graphic designer to improve the Web page and all other material that the project is developing and outreaching. - Acquisition of hardware
Comments:	<p>Communicating carbon pricing is a cross cutting issue in all the project's components. The aim is to improve the way CP is being communicated to different stakeholders, which are at different levels of decision making and in different knowledge stages. It is an ongoing and needed process.</p>
B. Component 4: PMR Implementation Coordination	
Status: In progress	<p>Component 4 provides managerial/technical execution of activities through the Ministry of Energy, including coordination and technical and policy advice, and administrative execution through AGCID to support disbursement. Main activities in the reporting period:</p> <ul style="list-style-type: none"> - An administrative support professional related to AGCID's administrative duties with the project was incorporated to the core team. - The project management position was reincorporated to the project governance structure.
Comments:	<p>This administrative support has enabled a more expedited approval process between AGCID and the Ministry of Energy requirements to the project.</p>
C. Component 5: Enhancing and complementing the existing carbon tax scope and reporting system	
Status: In progress	<p>Component 5 keeps providing technical assistance for the implementation of the current 'green tax' scheme and support the establishment of a mandatory reporting system for GHG fixed emitting sources. Main activities in the reporting period:</p> <ul style="list-style-type: none"> - Enhancement of the reporting platform related to the automatization of the data reported from regulated entities through CEMS (Continuous Emissions Monitoring Systems). - Recruitment of MRV supporting staff for the implementation of the carbon tax. <p>In February 2018, the project hired 5 IT experts to assist the implementation of the carbon tax's MRV system. The team is located</p>

	<p>within the Superintendence of the Environment premises (Control/Audit and Information Units). Important to note here is that, starting in February 2019, this institution hired the whole team using domestic resources.</p> <ul style="list-style-type: none"> - Acquisition of MRV hardware. <p>As one of the main activities of this component is to aid the implementation of a robust mandatory reporting system under the carbon tax, a key factor to achieve this is to have a reliable data management system. Therefore, additional equipment was needed to support current registry platform (RETC), in order to respond to the additional flow of data that that would be received under a broader reporting system (this is a proposal that came out during carbon tax improvement discussions fostered by the project). 5 computers and storage devices were acquired.</p>
<p>Comments:</p>	<p>The study of the first two years of the tax implementation is pending. It will be performed with domestic resources. The allocated PMR funding is being redistributed into two new activities for 2019, related to i) improving GHG data reporting from new investment projects subject to the EIAS (Environmental Impact Assessment System) and ii) Improvement of the Carbon Footprint tool, with the aim of supporting a zero net emissions COP 25 and other massive events in Chile.</p>
<p>D. Component 6: Evaluation of alternative carbon pricing plans for the energy sector</p>	
<p>Status: In progress</p>	<p>Component 6 addresses the implementation of a climate policy modelling tool for the energy sector (including the assessment of complimentary carbon pricing initiatives as facilitative instruments for the NDC and the identification of potential emission reductions trajectories and corresponding measures of the energy sector to 2030) and the establishment of a MRV scheme for the energy sector to account for emission reductions from energy-related mitigation actions, in line with Paris Agreement guidance for robust accounting. Activities during the reporting period:</p> <ul style="list-style-type: none"> - Climate Modelling and Simulation Tool <p>The work was initiated in the second semester of 2018, with the aim of finalizing this modelling instrument before the closing date of the Grant (August 2019). The ongoing work is being performed by a consortium of two universities (Universidad de Chile and Universidad Adolfo Ibáñez). This activity is intended to develop a macroeconomic model to understand the role and impact that climate policies can have on the country's economy but also aid in the definition of policy-mix to achieve NDC goals. The aforementioned tool will be installed and operated in the Division of Forecasting and Regulatory Analysis of the Ministry of Energy.</p> <p>Given that this is the main activity of this component, there has been</p>

	<p>several instances of conversation and consultation with experts with regards on how this tool should be carried out and to reflect the best possible those requirements on the activities.</p> <ul style="list-style-type: none"> - National reporting and register for mitigation actions (MRV Platform for Mitigation actions). This activity was initiated in the first half of 2018, after the hiring of a dedicated professional. As a result, to date, 8 MRV protocols have been proposed to scrutinize (in terms of baseline setting, additionality, and GHG impacts) different energy sector activities that will be uploaded into this platform. To draft the protocols, an international review of existing MRV methodologies was conducted, including well-known carbon credit systems such as the CDM, VCS and JCM. Once the MRV system is operational, a call for mitigation proposals will be made public (in coordination with the Warehouse initiative). - Pilot program to implement a mitigation actions registry Based on Blockchain and Distributed Ledger Technology, and using the Solar Roof top Public Program as a trial, the work on a registry based on this technology was initiated in 2018 (still underway). Plans to expand the registry capacities to actually making it able to trade MO are being considered for 2019 remaining activities under this component. - Offset Platform The work started in the second half of 2018, prompted by the proposal to include offsets in the carbon tax. The Ministry of Energy allocated human and technical resources to address this task. The work ahead is done in coordination with the work on the MRV platform and the Warehouse, as they are closely related. - Piloting Article 6 activities in the Warehouse Initiated in February 2019, the work aims at developing the Mitigation Outcomes trading platform before COP25 and ready to be launched in that conference. A consultancy to explore and propose concrete mitigation projects in the energy sector will be conducted during the remaining part of the Project implementation phase, before the Grant's closing date. - Recruitment of a mitigation actions MRV professional A recruitment process that began in January 2018 ended with the hiring of an Industrial Engineer who is in charge of implementing the MRV platform of mitigation actions in the energy sector and the pilot registry based on block chain technology. - Recruitment of a professional to support the implementation of the Climate Modelling tool.
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	<p>A recruitment process that began in September 2018 ended with the hiring of an economist who is in charge of guiding the consultancy for the Climate Modelling tool. Organizing technical meetings with consultants and counterparts and the review of progress reports are part of its duties.</p> <ul style="list-style-type: none"> - Meetings <i>Consultative Group of Experts (CGE)</i>. Meetings have continued throughout 2018. The group has a strong interest in keeping participation with the PMR's work, therefore feel like the space that the PMR has brought is helping them channel their opinions on the current carbon tax, a future climate change law, and how the use of future carbon pricing instruments should be carried out. <p><i>ETS Public-private round table</i>. The group gathered several times in 2018 and in January 2019, to progress in their understanding of the main decision-making milestones regarding an ETS, and to provide inputs to a draft ETS proposal that the Ministry of Energy is engaged in under the PMR project. The group also participated in the two 2018 ETS capacity building activities involving international experts and the use of the ETS Sim tool developed by EDF.</p> <p><i>Green Certificates round table</i>. Members gathered monthly to assess the status and experience on this matter in Chile. Brokers, companies and public sector entities were part of the debate. A proposal on how to move forward, including a trading platform aimed at unifying existing scattered trading, is under development.</p>
<p>Comments:</p>	<p>Component 6 activities are deemed essential to mainstream carbon pricing into policies and regulations of the energy sector. Most of them have to continue beyond the closing date of the Grant, since carbon pricing knowledge, practice and dissemination is a permanent challenge and precisely this Component will produce key deliverables (offset scheme, modelling tool, ITMO "ready" activities, ITMO trading platform, etc.) that will need further support to run them properly, as planned. Given that the PMR Successor program will only be operational by the beginning of 2021, the Government of Chile together with the World Bank, is seeking for interim solutions to fill the support gap, as several activities could see their continuity jeopardized if the funding were to be stalled or ceased.</p>

4. PROGRESS, CHALLENGES, AND LESSONS LEARNED

Important policy or regulatory developments related to the Grant's objectives and activities:

Developments

- *Revision and update of the Nationally Determined Contribution (NDC)*

The Ministry of Environment initiated this process by the end of 2017, gathering a technical working group conformed by public representatives. The WG met several times to review all the pillars of the NDC and to propose potential modifications to all of them, including changing current intensity target (CO₂/GDP) to an absolute one, in view of the upcoming 2020 submission. Nevertheless, no decision has been made yet on the type and format of the new mitigation goal. Current modelling analysis being performed by the ministries of environment and energy (Climate modelling tool and other approaches), intended at assessing trajectories and possible carbon budget pathways to achieve current and future NDCs, is an important part of the process. The work is still underway. The new NDC will be subject for public consultation before COP25.

- *Climate Change Law*

It is likely that it would be conceived as a general law, setting the framework for climate change action. For the Ministry of Energy, the consideration of market instruments that would facilitate the achievement of these mitigation goals and the decarbonization levels needed under the Paris Agreement, is essential. A proposal in that sense was shared with other instances during the ministerial consultation.

- *Review of the Tax Reform*

in 2018 the new government issued an amendment to the carbon tax, within a new more comprehensive tax reform. The reasoning to post this amendment relies on the limited impact on GHG emissions due to shortcomings in its design, such as: (i) narrow scope: the current tax only covers 40 percent of the GHG emissions of the country, and does not consider other high carbon-intensive sectors (i.e., transport, mining, or steel); (ii) low price level of US\$5 per ton of CO₂ may not be enough to incentivize the development of a cleaner energy matrix in the country; (iii) limited impact on energy dispatched, as the carbon tax is not included in the calculation of the marginal cost. To cope with some of the shortcomings, the PMR team sent proposals to enhance the scope and overall mitigation impact for the carbon tax, which the Government of Chile took under consideration in the new fiscal reform sent to congress in August of 2018. The main changes proposed under this review were : (i) switching the scope from the thermal capacity threshold to an emissions based one, set on 25,000 tCO₂/year for all emitting sources; (ii) implementing a mandatory GHG reporting scheme on fixed sources; and (iii) allowing the option to use offsets in lieu of payment of the carbon tax.

- *2018-2022 Energy Roadmap*

Launched by the new administration in early 2018, this policy instrument enabled climate change to be mainstreamed in different chapters, as mitigation, adaptation and other related climate change actions were committed. Specifically linked to the Grant's objectives and activities are the actions on ETS assessment, including the formation of the public-private round table; the trading platform for green certificates; the mitigation project portfolio; as well as the MRV platform for mitigation actions in the energy sector. As stated previously, the MRP activities are now nested in this relevant policy instrument, which gives the PMR a special and unique space to continue advocating for carbon pricing and mitigation.

- *Decarbonization round table*

Around 40% of the energy matrix in the country is still comprised by highly polluting coal

power plants. The global trend of phasing out coal, together with the domestic need of tackling local pollution from these sources, enabled the government to lead in 2018 a round table discussion on the pros and cons of eliminating coal from the energy mix. With an active participation of the main electric utilities and civil society, discussions focused on the environmental, economic and labor impacts derived from the technological change needed to decarbonize the electrical system, which is leading to a programmed schedule to decommission coal-fired power plants. Understanding the role that carbon pricing plays in even accelerating this coal phase-out is crucial and challenging at the same time, since market forces, international movements and environmental considerations appeared to be the main drivers. To better understand the role that carbon pricing might play here, the modelling analysis currently underway with the Climate Modelling tool will evaluate this impact.

Challenges

- To provide a sound legal basis (i.e., through the Climate Change Law), in order to commit to a robust climate change policy and to the deployment of ancillary economic instruments, such as the trading of GHG emissions permits, that would allow a cost-effective country's transition to a low --or even-- net zero carbon economy by 2050. PMR work has already begun focusing activities to position the topic with decision and policy makers in the country.
- The approval of the offsetting scheme proposed under the tax and the broadening of the base of regulated entities to cover more sectors/technologies, for which an emissions-based threshold and the mandatory reporting is crucial. If this happens, a myriad of processes that the PMR project in Chile has been advocating for will be triggered and implemented consequently, putting carbon pricing upfront in the policy making in Chile (including the essential infrastructure).
- There is great opportunity to create policies that foster cleaner markets through the use of carbon pricing, specifically if the country chooses to move forward to an ETS or incorporate the use of scaled-up crediting mechanisms, as a complement to the current tax scheme. Nevertheless, more communication strategies are needed to convince authorities and private sector stakeholders about the co-benefits associated with carbon pricing, such as improved health, new business opportunities, fostering technological research and innovation, among others, which would in turn, facilitate decision making and the need of a low carbon transition.

Lessons learned

- While there is international evidence (in literature and in practice) that carbon pricing can play a key role as a driver for a low carbon, sustainable economy, it has been challenging to demonstrate this locally. Hence, analyzing and determining the nature of this contribution can facilitate important aspects at a political and technical level, at early stages. Again, a well-designed communication strategy that highlights the co-benefits to both companies and the general public appears to be the core part of a carbon pricing policy.
- Mainstreaming climate change and carbon pricing in a structured, broadly accepted, policy instrument greatly facilitates climate decision making. This has been the example of the 2018-

<p>2022 Energy Route, as previously depicted.</p>
<p>Important changes in the technical design or approach related to the Grant's activities:</p>
<p><u>Developments</u></p> <ul style="list-style-type: none"> - As specified in the first part of Section 3 above, the proximity of the Paris Agreement Rulebook, the 2018-2022 Energy Route, the new partnership under the Warehouse, as well as the proposed changes to the carbon tax have influenced a reassessment of the Grant's activities in the additional MRP stage, specially in Component 6. Though in essence is not a detour of the originally planned activities, what was done was rather adding another level of granularity to them. For instance, to the analysis of complementary carbon pricing tools such as offsets, a trading system and platform for offsets was added (because of the proposed tax improvements); in response to the need of advancing the implementation of article 6 (because of the Energy Roadmap and Chile's integration to the Warehouse), the creation and transfer of MOs was added to the work on the MRV platform; and to the scope of analysis of the Climate Modelling tool, NDC and budgeting approaches were solicited. <p><u>Challenges</u></p> <ul style="list-style-type: none"> - The main challenge is for the project to be able to finish all the remaining activities on time, before the Grant's closing date. A close coordination with AGCID and the World Bank to speed the procurement processes is very much needed. <p><u>Lessons learned</u></p> <ul style="list-style-type: none"> - The flexibility shown by the Project participants, especially in AGCID and in the World Bank, has been essential in considering the policy and regulatory changes that have occurred during the course of the project implementation, which in essence have resulted in changing some of the Grant's activities without detouring from its core objective: carbon pricing readiness and implementation.
<p>Key capacity issues (implementation, technical, financial management, procurement) related to the Grant's activities:</p>
<p><u>Developments</u></p> <ul style="list-style-type: none"> - Technical capacity at AGCID for procurement and financial administrative tasks has been improved by hiring a dedicated professional in 2018. At the same time, formats for contracting of consultancies as well as optimized procurement procedures have been developed and applied constantly throughout these years of implementation. <p><u>Challenges</u></p> <ul style="list-style-type: none"> - To execute the remaining funding on time before the Grant's closing date. <p><u>Lessons learned</u></p> <ul style="list-style-type: none"> - Establishing templates for TORs and contracts, at early stages, facilitates an efficient project management and execution.

- Monthly meetings with the whole PMR team and weekly coordination meetings with AGCID have proven essential to achieve close relations and coordination on PMR activities.

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

Developments

- *GIZ's Global Carbon Market program*
From preparing outreach materials to technical analyses, workshops, informal debates and study tours, GIZ's GCM has been instrumental in helping the Project to position carbon pricing in Chile. In 2018, two studies were conducted, one assessed the sectors that would be more affected by a carbon price (steel and cement, for instance), and the other proposed a positive list of mitigation activities in different sectors, using CDM experience in Chile as a basis.
- *Virtual ITMO pilot project*
The Ministry of Energy engaged in a technical cooperation with the Center for Clean Air Policy (CCAP), to develop an ITMO pilot project in the energy sector under Article 6. Mandated by the Swedish Energy Agency, the analysis is still underway. A renewable energy project portfolio --as part of the conditional part of the NDC—and two different approaches to estimate the impact in GHG emissions have been proposed, with the aim of exploring how an ITMO could accelerate the country's decarbonization pathway.
- *Carbon Pricing Leadership Coalition (CPLC)*
Chile has been active in CPLC and since April 2019, Minister of Energy Susana Jimenez is co-chairing CPLC's High Level Assembly for a two-year term. A more substantive participation in carbon pricing from Latin America is envisioned by playing this role.
- *Warehouse*
The scope of collaboration between the World Bank and Chile's Ministry of Energy is focusing on three related areas:
 1. Development of Mitigation Outcomes: Chile's Ministry of Energy will select specific projects that can generate mitigation outcomes (MOs) in the energy sector and apply its Partnership for Market Readiness (PMR)-supported measurement, reporting, and verification (MRV) system to them.
 2. Climate Warehouse: The selected projects will be recorded in Chile's national registry and reflected in a "Climate Warehouse," which will allow the tracking of MOs and provide access to the international market.
 3. Piloting Blockchain Technology: Chile will expand its Public Solar Roofs program, initiated under the PMR, which may use blockchain technology to track renewable energy generation and create MOs.

A workplan to coordinate this collaboration will be executed between now and COP25, where

<p>an announcement on progress and next steps will be made.</p> <ul style="list-style-type: none"> - <i>Pacific Alliance</i> To support the national commitments of climate change mitigation, the countries of the Alliance are considering different carbon pricing instruments (taxes, ETS, offsets), advancing in turn the definition of MRV systems that accompany the instruments. Work is ongoing with the support of the Canadian government. - <i>Climate Teams</i> Bilateral approaches have been facilitated under this initiative fostered by New Zealand.
<p>Stakeholder engagement related to the Grant's activities:</p>
<p><u>Developments</u></p> <ul style="list-style-type: none"> - The establishment of the ETS public-private round table under the Energy Roadmap, allowed for a focused ETS discussion and the willingness of different stakeholders to collaborate in the drafting of an emissions trading scheme. - The two ETS technical sessions involving international experts and the use of the ETS Sim tool (by EDF), was relevant to contribute to the debate about this carbon pricing alternative. - The round table working group on green certificates added value to these discussions. <p><u>Challenges</u></p> <ul style="list-style-type: none"> - The strengthening of instances for communication, consultation and participation with decision makers (i.e. National Congress, Executive Power, Council of Ministers for Sustainability, Private sector) to position carbon pricing instruments within the political/legislative agendas. <p><u>Lessons learned</u></p> <ul style="list-style-type: none"> - Same as stated in previous ISRs, it is important to address misperceptions and misinformation on carbon pricing at general public and decision-making levels, from early stages of readiness, in order to allow for enough time in securing stakeholder engagement and create required capacities on such matters.
<p>Other issues related to the Grant's activities</p>
<p>N/A</p>

5. ADDITIONAL INFORMATION

N/A