

## PMR PROJECT IMPLEMENTATION STATUS REPORT (ISR)

### 1. SUMMARY INFORMATION

Implementing Country/Technical Partner:	Kingdom of Morocco
Reporting Period:	From 10/01/2017 to 9/30/2018
Report Date:	4/15/2019
Implementing Agency:	Secretariat State in charge of Sustainable Development (SEDD)
Contact Person:	Mr Firadi Rachi, Director of Partnership, Communication and Cooperation / SEDD; Mr Boucham Abdelrhani, National Coordinator of GHG National Inventory System / SEDD.

Grant Executed By:	Kingdom of Morocco
Grant Effectiveness and Closing Dates:	10/20/2015–12/31/2018; Extension to 03/31/2019 (3 months)
Grant Amount (USD):	USD 3,000,000
Funding Mobilized (USD):	710,000USD (from the Moroccan government (200,000 USD) and from other sources of funding (USD 510,000))
Funding Committed (USD)	

### 2. OVERVIEW

The overall objective of the project is the establishment of an MRV system in the three concerned sectors electricity, cement and phosphate in order to have an operational future carbon market of Morocco. Then, the governmental roadmap is to implement the sectoral crediting mechanism and the main activities proposed in this project are organized around a central axis of data management and Monitoring, Reporting and Verification (MRV). The activities of this axis will strengthen capacity in Morocco in terms of GHG emissions data collection, management and processing at the level of national institutions and the facilities in each sector. The focus will be on developing a system that is appropriate for a crediting mechanism while ensuring flexibility to allow its adaptation based on the evolution of the national and international context.

This important axis (component 1) contains activities supporting the definition of a national strategy for MBI implementation in Morocco. These activities will examine the different mitigation instruments available to the government of Morocco and the relative weight of the MBIs in the possible mix of instruments. They will enable the establishment of a governance system to manage various general and MBI-specific greenhouse gas mitigation issues in

Morocco. They will also strengthen relevant stakeholders' capacities in both the public and private sectors. This axis focuses also on sectoral activities engaged to build market readiness in the three sectors covered in the PMR and enable the development of the institutional and operational tools needed for MBI implementation. These activities will support the creation of a regulatory framework needed for mitigation in each sector, the definition of sectoral baselines, and the evaluation of the mitigation potential of each sector. The focus on electricity generation, cement production, and phosphates extraction and processing will allow an in-depth evaluation of carbon market preparation methods.

The component 2 of the PMR project is about capacity building related to technical aspects of carbon market. This activity aims to strengthen the capacity of Moroccan stakeholders in the key areas of the PMR. These stakeholders include representatives from various Ministries and government agencies, and also industry sector associations and operational personnel from industrial facilities. The capacity building programme will take into account the wide range of actors and their different needs and will be carried out in coordination with other capacity building initiatives on mitigation.

The component 3 of the PMR project concerns the logistic, consultant and communication aspects to manage the all activities existing in this project.

### 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>Since the decision given by the WB to shut down this project by the end of December 2018, It wasn't possible to launch the pilot phase related to the sectoral MRVs (Cement, Phosphate and Electricity production).</p> <p>Neither, we didn't have the opportunity to undertake the capacity building activities related to the all studies.</p>
<p>There are some important differences between the objectives and corresponding activities proposed in the MRP and those agreed in the grant. Nevertheless, with the purpose of effective project management, and to facilitate the planning for procurement of consultant services to support the planned activities in the MRP, the following consolidation of the MRP activities has been suggested in the grant agreement:</p> <ul style="list-style-type: none"> <li>- Component 1- Design and piloting of the MRV and data management system and supporting analysis of appropriate market-based instruments – is regrouping the Activities 1 (Analysis of appropriate mitigation instruments and MBI governance for Morocco), 3 (Design of a MRV system, and piloting of the MR in the three sectors covered : electricity, cement and phosphates) [unfortunately the piloting of the MR in the 3 sectors wasn't undertaken as the consequence was forced to finish at first by 31 of December 2018 and a second time by the end of March 2019] , 7 (Establishing a baseline in each of the three sectors covered), 8 (Evaluation of mitigation potential in the three sectors) and 10 (Support for the establishment of a regulatory</li> </ul>	

framework for mitigation measures in the three sectors) of the MRP that represent the totality of the analytical activities included in the first phase of the project and supported by the current PMR implementation grant.

- Component 2 - Capacity Building: Activity 14 (Capacity building in both the private sector and in government) is consolidating all the project activities relevant for the preparation and implementation of a plan to build the capacity of the Government and the private sector. This component should be closely coordinated and build on the outcomes of the Component 1 and serve as an overarching knowledge sharing and engagement platform for the project. [Only one workshop about carbon pricing has been organized, and as the project closed we didn't get the chance to organize more capacity building events for all the partners involved in this project.

- Component 3 – Project Management: Activity 13 (Establishment and Operation of a Project Management Unit) includes the establishment and operation of the PMU to implement and manage PMR activities and to coordinate with related programs and initiatives. The PMU is expected to support the preparation of an institutional framework for carbon markets in Morocco in the period following the PMR project.

### **Implementation Progress by Component**

<b>A. Component 1: Design and piloting of the MRV and data management system and supporting analysis of appropriate market-based instruments</b>	
Status	Finished
Comments: The MRV roadmap has been accomplished for each sector involved in this Project, but the piloting component of the MRV is missing since the project closed.	<p><b>Analysis of different mitigation instruments for greenhouse gases in Morocco</b></p> <p>Progress has been done for this technical study by giving an overview of the emerging experience in other countries by undertaking a comparative analysis and use of MBIs and other carbon pricing instruments, key challenges and lessons learned across a benchmarking effort between different countries as Europe; California; Quebec; Mexico; Kazakhstan; China. And it seems that a carbon tax plus carbon market ETS system, to connect with neighbors, can be profitable for the case of Morocco but there is no decision taken yet by the Government of Morocco. [Other studies are needed to take in account the social and economic impacts of each scenario related to the proposed MBIs].</p> <p>Also the analysis of the conditions necessary for the use of MBI and other instruments of carbon pricing in Morocco was conducted with a depth analysis of the Moroccan context in terms of emission reduction targets and policies deployed likely to interact with these objectives and it will serve as a basis for analyzing the implementation of such a mechanism in the Moroccan context. The study showed out also the Morocco's CDN GHG reduction targets demonstrates effective collaboration between negotiators representing Morocco at COP21 and the Ministry of Energy, Mines and Sustainable Development in charge of the third communication at the UNFCCC. Such a collaborative model will benefit from being renewed for the implementation of</p>

	<p>the GHG emission pricing mechanism.</p> <p><b>Design of an MRV system and its management in the electricity, cement and phosphate sectors</b></p> <p>The aim is to benchmark a selection of MRV GHG emission systems, in order to identify good practices in the implementation of such systems, and then to summarize existing MRV systems in the three sectors mentioned above. The analysis of the devices currently in place in Morocco highlights on the one hand the progress already made in terms of the MRV system on which the Kingdom can base its future system, and on the other hand to identify the points that still need to be developed seeking to achieve an effective and efficient MRV system.</p> <p>This part also deals with the design of the institutional framework and the functional and operational requirements of a monitoring and reporting system (for the 3 sectors and at national level). The study highlights the case of Morocco where SNI-GES (GHG National Inventory System) over time could become an entity capable of managing the MRV in Morocco inside 4C (Climate Change Center of Competences). And concerning the development and planning of an MRV data management platform, study describes the reporting platforms in place in the five regions selected above, as well as the reporting system in the UK to further the study and relevance of deliverable findings. This analysis highlights the advantages and disadvantages of these different IT systems to support the implementation of the most efficient system possible, adapted to the constraints of the Kingdom of Morocco. In this part also, the planning of the emission data verification and accreditation system were mentioned and consists in analyzing in detail the verification processes and the requirements imposed on the verifiers of several MRV reporting mechanisms of GHG emissions and those present in Morocco, set up by the main players in the Cement, Electricity and Phosphate.</p> <p><b>Establishment of reference situations (baselines) and assessment of the mitigation potential with coordination workshops for each of the three electricity, cement and phosphate sectors</b></p> <p>This part of study focuses on the development of a mitigation potential assessment method and it was based on the World Bank document on the development of baseline scenarios and also the interaction between the Business As Usual (BAU) and the reference scenarios in the NDC Morocco. The study showed out the adoption of 7 emission factors for the phosphate sector in Morocco, 2 emission factors for the cement sector and 1 only emission factor for the electricity sector. The originality of this study is that Morocco will be a case study in terms of GHG inventory in the phosphate sector given the few or no information</p>
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	<p>on the International Benchmark and therefore it will represent a world premiere.</p> <p><b>Development of a regulatory and institutional framework for the implementation of mitigation measures based on carbon market mechanisms in the 3 sectors</b></p> <p>This technical consultation aims to support for the drafting of existing legislative and institutional texts on GHG mitigation measures for the electricity, cement and phosphates sectors. Then, a benchmark of 5 countries (European Union, France, California, Quebec and Mexico) on policy aspects, financial instruments (MBI), carbon taxes, carbon market and regulatory aspects. This study once completed will allow Morocco to know the regulatory adaptations required for the implementation of MBI in the three sectors of phosphates, cement and electricity; to identify international best practices in terms of the regulatory framework and MBI policies that can be implemented in Morocco, taking into account the national regulatory framework.</p>
<b>B. Component 2: Capacity Building</b>	
Status	Finished
Comments: There is only one event of capacity building related to the carbon pricing and as the project closed there were no opportunity to organize more capacity building events linked to the Component 1.	<p>The capacity building component of the project should be implemented through the closely coordination of the outcomes of the Component 1 and serve as an overarching knowledge sharing and engagement platform for the project with a combination of practical and participative workshops. Then, in relation of the development of a preliminary plan for capacity building activities, SEDD has organized the national conference held on June 8, 2017 on the role of the carbon market in helping Morocco to achieve GHG mitigation targets in the framework of the implementation of his NDC. It was an opportunity for a large diffusion of the objectives of PMR project and also to raise the awareness of people for climate change aspects: The PMR is indeed a key step in the implementation of Morocco's climate commitments and in particular efforts to reduce greenhouse gas emissions.</p> <p>The SEDD has organized also an important training for the sectors involving in PMR project. So, the carbon pricing training delivered by the I4CE team took place on 13, 14 and 15 September 2017 in Rabat, Morocco. The objective of this training was to prepare the definition of carbon pricing policies in Morocco, in view of the implementation of mitigation policies, to meet the climate ambition of their contribution determined at national level (NDC) established under the Paris Agreement. The training recalled the provisions of the Paris Agreement and the economic carbon pricing schemes. The training covered different approaches and instruments, such as carbon taxation, market mechanisms such as quota trading systems, and project mechanisms.</p>
<b>C. Component 3: Project Management</b>	
Status	Finished

<p>Comments:</p> <p>The SEDD had terminated the contract of the coordinator of Project in November 2017.</p> <p>A new Director of project has been appointed.</p> <p>Other members have joined the PMU.</p> <p>A new Commission was created to monitor and evaluate the project.</p>	<p>The project management unit (PMU) was set up within the Secretariat State in charge of Sustainable Development (SEDD) in November 2016 (It involves the project director, the project coordinator from SEDD, the national coordinator and the administrative and financial assistant).</p> <p>The procurement consultant and the technical support consultant joined only the PMU in January 2017, almost a year late of the starting of the project. The SEDD has also committed to contribute to the functioning of the PMU through the engagement of a number of ministerial experts in a so called “extended PMU”.</p> <p>Some members of our PMU has attended the World Bank training for the project managers, in Morocco, from 7 to 10 November 2016, and this in the framework of the reform of its policy Procurement, and following the entry into force on 7/01/2016 of a new policy in this area. Then, the World Bank has set up an electronic system for the preparation and monitoring of Procurement Plans and non-objection request management (STEP).</p>
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#### 4. PROGRESS, CHALLENGES, AND LESSONS LEARNED

##### **Important policy or regulatory developments related to the Grant’s objectives and activities:**

##### **Developments:**

Several important national and international policy and regulatory developments took place after the finalization of the MRP (in May 2014) and the establishment of the grant agreement (October 2015) and will be taken into account in further implementation of the PMR project in Morocco.

In 2017 Morocco has adopted a National Sustainable Development Strategy (NSDS) which build on the Kingdom's policies and foster convergence, complementarity and coherence between the different frameworks and planning processes. The NSDS is an instrument of convergence and operationalization of all the policies initiated in Morocco. Among the stakes of this NSDS we seek to: consolidate the governance of sustainable development; allow a successful transition to a green economy and also accelerate the implementation of the national climate change policy.

In its first NDC and in terms of mitigation, Morocco set a target of reducing GHG emissions by 42%, compared to projected emissions for the year 2030 in a "normal course of business (CNA)" scenario. Morocco is also committed to achieving an unconditional target of 17% against CNA emissions in 2030. These GHG reduction targets will be achieved through action in all sectors of the economy. A low-carbon development strategy is being developed and will coordinate mitigation objectives for all sectoral strategies and action plans, including energy, agriculture, transport, water, waste, forests, industry, housing and infrastructure. Morocco's ambition to mitigate GHGs is, to a large extent, based on a major transformation of the energy sector. This transformation is being conducted with the greatest political determination and aims to reduce the country's high energy dependence on imports, increase the use of renewable energy sources and meet the growing demand for energy to support socio-economic development and the well-being of its population.

The main objectives that stimulate this energy transition and which are included in the National Energy Strategy are as follows:

- Achieve 52% of installed electrical power from renewable sources, including 20% solar, 20% wind and 12% hydropower by 2030;
- Achieve 15% energy savings by 2030, compared to trend trends;
- Reduce energy consumption in buildings, industry and transport by 12% by 2020 and by 15% by 2030. The breakdown of expected energy savings by sector is 48% for industry, 23% for transportation, 19% for residential and 10% for the tertiary sector (two industrial sectors targeted by the PMR Morocco - cement and phosphates – are expected to reduce their energy consumption by 15% by 2030 through the implementation of more efficient industrial processes);
- Install by 2030 an additional capacity of 3900 MW in combined cycle technology operating on imported natural gas;
- Supply major energy industries with imported and regasified natural gas pipelines.

At the COP22 held in Morocco, it should also be noted that dozens of initiatives and new assessment tools on energy, cities, forests, water, transport, businesses, oceans or agriculture were launched. Morocco, for example, presented its Blue Belt initiative, which aims to preserve coastal communities and promote sustainable fisheries, as well as the Adaptation of African Agriculture (or Triple A) initiative, which brings together 27 countries and aims to help African farmers to cope with climatic hazards through better management of soil, water and risks. And it should be noted that on the business side, the "We Mean Business" coalition, which has more than doubled since COP21, has for example announced that 471 companies with a market capitalization of more than \$ 8 trillion have undertaken more than thousand commitments for climate action. The COP22, held in Marrakech, also saw the launch of the Global Clean Technology Alliance by the Solar Impulse Foundation, known for having organized the first round of the world by solar airplane.

On 16 September 2016, the committee responsible for organizing the 22nd Conference of the Parties to the United Nations Framework Convention on Climate Change and the General Confederation of Enterprises of Morocco (CGEM) signed a partnership agreement which defines the contribution of the CGEM within the framework of the organization by the Kingdom of Morocco of the COP22-CMP12.

Since COP22, CGEM has also initiated initiatives to support the private sector for a transition to a low-carbon economy: as the establishment of the Coalition on Water, the launch of the local chapter Global Compact Morocco and the development of the Morocco Climate Business Initiative etc. ..

We should also highlight that Morocco is about to submit its second bi-annual updated report (BUR2) to the secretariat of the UNFCCC, this April 2019.

The law related to the National Inventory System of the GHG has been adopted and published on April 2019.

Morocco is preparing its Fourth National Communication and its Third BUR3 by 2020. And the money is secured from the GCF / GEF to undertake the study of the National Adaptation Plan. We should also underline that the Climate National Plan will be soon adopted by the all partners involved in the management of the climate change in morocco.

#### **Challenges :**

Several important observations could be made in this context vis-à-vis to further implementation of the PMR project:

- The PMR project should necessarily take into account the targets and the approaches outlined in the

National Sustainable Development Strategy (NSDS) and NDC, but also endeavor to timely inform the assessment of the role and contribution of the envisaged MBI in the targeted sectors to the implementation of the targets set in the NDC of Morocco.

- The development of the regulatory and technical work, in particular, under Component 1 need to take into account both the national regulations, policies and actions envisaged under the NSDS and NDC and by other low-carbon development policies and actions to ensure the consistency and transparency of the recommended approaches in the broader context of national policies in Morocco.

On the other hand, as mentioned above, if successfully integrated in the PMR project implementation and coordinated with the upcoming process of preparation to the implementation of the NDC in Morocco, these challenges can also be considered as strengthening relevance of the project for the Government's policy and technical efforts to define relevant mix of policy instruments and actions to achieve its mitigation targets, in particular taking into account the role of market-based mechanisms.

As challenges also we should implement the piloting phase of the MRV in the three sectors and also chose the convenient platform to assure the networking between sectors and government representative for the management of the chosen MBI in the future.

**Lessons learned:**

Chose the right person to coordinate the project;

Anticipate some activities as capacity building related to the target of the project;

Allow a hybrid management of the budget of the project: X % by the country and Y% by the WB.

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

**Developments:**

The implementation of the PMR project activities would seek to take into account as appropriate and available, the emerging requirements of the Paris Agreement in term of the different frameworks for the cooperative actions/new mechanism (such as established in the Article 6 of the Paris Agreement and relevant COP21 decisions), including in terms of accounting and transparency.

**Challenges:**

The design and development of sectoral crediting under the PMR project will be implemented in the context of significant regulatory uncertainty at the international level. At the same time, the technical design developed in the MRP allows to cope with the uncertainty, in particular, taking into account the review process embedded in the implementation approach.

**Lessons learned:** N/A

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

**Developments:**

One of the main objectives of the PMR project is to build and improve the capacity of the Government and the private sector in terms of design and piloting MRV systems in selected sectors and to establish core technical components for the design of sectoral crediting mechanism in Morocco, with support from an international grant.

**Challenges:**

The experience from the first reporting period outline the relative complexity in terms of financial and administrative management of the project to ensure compliance with the requirements of the WB,

that has been one the major challenges in this preliminary phase of implementation of PMR. Therefore, the project could also increase capacity in terms of management and implementation of the technical assistance projects, both at the national and sectoral level, with support from international funding.

**Lessons learned:** N/A

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

**Developments:**

The PMR project implementation will be informed by the developments and outcomes of other initiatives implemented or under consideration in Morocco that are relevant to the of project activities. For instance, in continuation of the dialogue established during the preparation for the MRP, the PMU and the WB coordinate with the following initiatives:

- Initiatives on GHG inventory and accounting (project FIRM supported by UNEP and ‘Climasouth’ supported by UE, and National GHG Inventory System (NIS-GES) supported by GIZ);
- Initiatives supporting the preparation of the NDC of Morocco, including the Competence Center Climate Change in Morocco (Morocco 4C), which is a capacity building and information exchange platform;
- LEDS project (Low Emission Development Strategy) focused on the integration of NDC objectives into the various sectoral policies as part of a broad process of consultation between policy makers and stakeholders.

The SEDD facilitates synergies between these initiatives and the PMR Morocco.

**Challenges:** N/A

**Lessons learned:** N/A

**Stakeholder engagement related to the Grant’s activities:**

**Developments:**

The partners of the three sectors targeted by the PMR project are committed to achieving the objectives of PMR and to contribute to the next steps in implementing the project.

**Challenges:**

The challenge is to maintain relevance and demonstrate clear value added of the outcomes of the PMR project, including in terms of capacity building, to the private sector. Close attention will be paid by the PMU to ensure systematic and coordinated engagement of the stakeholders in the targeted sectors into the project implementation process as compared to the outreach at the final stage of the project.

**Lessons learned:** N/A

**Other issues related to the Grant’s activities**

## 5. ADDITIONAL INFORMATION