

PMR PROJECT IMPLEMENTATION STATUS REPORT (ISR)

1. SUMMARY INFORMATION

Implementing Country/Technical Partner:	Republic of the Philippines
Reporting Period:	From January 17, 2018 to April 5, 2019
Report Date:	April 5, 2019
Implementing Agency:	Department of Finance
Contact Person:	Ms. Paola Sherina A. Alvarez, Assistant Secretary, Department of Finance

Grant Executed By:	Republic of the Philippines
Grant Effectiveness and Closing Dates:	N/A (World Bank Executed Grant.)
Grant Amount (USD):	USD 500,000
Funding Mobilized (USD):	USD 500,000
Funding Committed (USD)	USD 330,000

2. OVERVIEW

The Government of the Philippines joined the Partnership for Market Readiness (PMR) as a Technical Partner in 2017 through the Partnership for Market Readiness (PMR) Partnership Assembly's Resolution No. PA Electronic/2017-4. The Department of Finance (DOF) is the focal agency of the Philippines' engagement with the PMR. On January 17, 2018, the PMR Partnership Assembly approved the Philippines' technical proposal for support in reviewing potential market-based instruments for implementation of the climate mitigation goals under its Nationally Determined Contribution (NDC).

A PMR Technical Working Group (TWG) was formed consisting of the DOF, Department of Energy (DOE), Department of Transport (DOTr), Department of Environment and Natural Resources (DENR), Climate Change Commission (CCC), and National Economic and Development Authority (NEDA). However, due to recent developments under the PMR activities, DENR was dropped out of the TWG.

The overall objective of the project is to assist the Government of the Philippines in determining the most effective and feasible Carbon Pricing Instrument (CPI) options to support the implementation of the energy aspects in the Philippines' NDC mitigation component; and to develop the accompanying implementation and financial plans to implement those identified CPIs and their combination.

The project comprises of three components:

- Component 1** Identify carbon pricing instruments for the energy, transport, and waste sectors, and analyze how the country's NDC mitigation targets could be met through CPIs, and develop a plan to implement those instruments;
- Component 2** Support capacity building of the target groups in the public and private sectors, facilitation of the stakeholder consultations, and enhancement of the public awareness on the carbon pricing to improve understanding on the effectiveness of carbon pricing instruments for the country's attainment of the mitigation objectives;
- Component 3** Support the Project Management Unit (Project Coordinator).

Components 1 and 2 are being delivered by the consortium of the consulting firms led by Economic Consulting Associates (ECA), which is conducting the technical study for the Government of the Philippines and will deliver capacity building activities.

A Project Coordinator was hired by February 2019. She has been engaged for Component 3 to support the work of the Philippine government in implementing the project, ie assisting the Department of Finance in coordinating with the TWG members on PMR-related matters/activities, providing updates and assisting coordination between government and the consultant team, preparing related communications and coordinating with other agencies involved regarding scheduled meetings and activities during missions, specifically for:

- 1) **First Inception Mission** – February 18-22, 2019 to re-affirm details of the scope, approach, key deliverables, and timelines of the project; begin the data collections process; and confirm contact points, roles and responsibilities between the PMR TWG, World Bank and consultant teams.
- 2) **Second Technical Mission**(planned) – April 29– May 3, 2019 to present the draft Options & Analytics Paper to the PMR TWG and conduct capacity building through carbon pricing primer workshop for government staff.

3. IMPLEMENTATION REPORT BY COMPONENT

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

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?	No
There are no substantive differences between the objectives/activities proposed in the Targeted Technical Proposal endorsed by the PMR Partnership Assembly and those agreed with the World Bank as a Delivery Partner. Hence, based on the series of discussions, the GOP and Bank agreed to focus on the energy sector. Alternatively, the transport sector will be included within the modeling in so far as it is part of the energy system (as a demand sector, along with other sectors e.g. households, industry). Waste sector is dropped out of the scope of the PMR Project.	

Implementation Progress by Component

A. Component 1: Identify carbon pricing instruments for the energy, transport, and waste sectors, and analyze how the country's NDC mitigation targets could be met through CPIs, and develop a plan to implement those instruments	
Status: Ongoing	<p>This component aims to identify and assess the carbon pricing instruments feasible and applicable to the Philippines, and its interaction and consistency between current existing and planned sector policies and regulations, for the overall attainment of the NDC mitigation targets, focusing on the sectors of energy, transport and waste.</p> <p>Support for Component 1 focuses on three activities, with details on their status as follows:</p> <p>Activity 1. Desk review of international experiences of carbon pricing instruments, mechanics, and functionalities relevant to the Philippine economy</p> <p><i>Task 1. Scoping and Options & Analytics paper</i></p> <p>The Stocktaking report on carbon pricing instrument and options study on carbon pricing instruments will be presented during the 2nd PMR Technical Mission scheduled on April 29 – May 3, 2019. A carbon pricing primer workshop for government staff (Department of Energy, Department of Finance, National Economic Development Authority, Climate Change Commission, Department of Transportation, etc) will also be conducted during that period.</p> <p><i>Task 2. Energy sector and economic modelling</i></p> <p>During the Inception Mission, it was agreed that the TA will be modified to front load the bottom-up energy system modelling (to run in parallel with Task 1) to align its delivery with the schedule for the revision of the Philippines' NDC. The CPI modelling will subsequently be applied to these energy system model results (i.e. energy sector mitigation options and analysis and the NDC scenarios) from June onwards.</p> <p>The team is working with the TWG and respective departments to collect, update and validate the input data and assumptions for both the energy and CGE modelling components. This process began during the Inception Mission, which involved a data request template being circulated from the TWG chair (DOF) to all relevant departments.</p> <p>Also, beginning March 4, 2019, the team has been working with the Department of Energy to update the various inputs as part of the “front-loading” energy system modelling (start March through June 2019).</p> <p>It has been determined that many of the data required by the CGE component are available from official governmental on-line statistics. Where these are not available, the Philippine Statistics Authority (PSA) will be requested to provide the missing information: they have been contacted in this regard. This CGE data availability assessment is currently ongoing.</p>

	<p>Activity 2. Map out existing/planned sector policies in the energy, transport, and waste sectors of the Philippines, which would have complementary, overlapping, and countervailing impacts of the carbon pricing instruments. This includes identification of the relevant development partners' initiatives for supporting the government of Philippines in mitigation.</p> <p>Literature reviews of existing/planned sector policies in the energy, transport, and waste sectors of the Philippines is being undertaken to identify existing or planned national and sectoral policies that would complement, overlap, or countervail the GHG mitigation impact of the identified CPI options; and to clarify the latest planning for how to structure the Philippines' first NDC, i.e. use of scenarios and calculation of targets.</p> <p>Activity 3. Develop an implementation and financing plan for select priority measures (in energy, transport, waste), identifying actions and timelines</p> <p>A set of recommendations for CPIs and/or their combinations shall be provided based on the results of the model, the evaluation of the included CPI approaches, and feedback from key stakeholders. These would support the country's 1stNDC and would include an estimate of the total costs and financing needs to achieve NDC sectoral targets. An implementation plan (including institutional framework) will also be generated to be incorporated in the NDC roadmap.</p> <p>Work under this task has not commenced yet.</p>
<p>Comments:</p>	
<p>B. Component 2: Support capacity building of the target groups in the public and private sectors, facilitation of the stakeholder consultations, and enhancement of the public awareness on the carbon pricing to improve understanding on the effectiveness of carbon pricing instruments for the country's attainment of the mitigation objectives</p>	
<p>Status: Ongoing</p>	<p>This component aims to enhance public awareness and understanding on the role of carbon pricings in achieving the country's achievement of the NDC targets. Understanding carbon pricing instruments, and assessing its impacts and barriers, will provide just-in time analytical inputs in the development and finalization of sectoral mitigation action and financing plans, and the overall NDC roadmap implementation.</p> <p>Activity 1: Awareness and information campaign</p>

	<p>The DOF requested the use of a workshop event to inform government officials about CPIs. In response to this, a 'carbon pricing' primer-type workshop will be conducted during the 2nd Technical Mission or on 29 April 2019. Said workshop aims to raise awareness on CPIs and carbon price theory of relevant government staff.</p> <p><u>Activity 2. Policy development consultation</u></p>
<p>Comments:</p>	

4. PROGRESS, CHALLENGES, AND LESSONS LEARNED

<p>Important policy or regulatory developments related to the Grant's objectives and activities:</p> <p>Developments:</p> <ol style="list-style-type: none"> <p>The first NDC development process:The Philippine government's NDC development process through 2019 will be as follows:</p> <ul style="list-style-type: none"> The different sector departments (e.g. DOE, DOTr) will work on providing their sectoral contributions to the NDC through June 2019 (showing GHG emissions projections through 2030 under BAU and mitigation scenarios); The CCC will then integrate these inputs into its LEAP model to produce a draft economy-wide NDC in Sept/Oct 2019; There will then follow governmental review and agreement on the NDC, followed by official UNFCCC submission in December 2019. <p>Form of NDC scenarios: Discussions with CCC of whether the NDC would likely be split according to conditional and unconditional contributions suggest that there will not be a clear split between the two (i.e. each with separate % targets). In addition to the BAU baseline scenario, NDC mitigation scenarios will likely be based on 'prioritised' and 'additional' mitigation policies and measures.</p> <p>NEDA work on updated economic forecasting. At the request of the CCC, NEDA is currently undertaking an updated long-term economic outlook (incl. GDP projections) which will be used as an input to the NDC analysis to be undertaken by sector ministries. This will be completed by end of August 2019 with technical assistance coordinated through the NDC Partnership. GDP projections will likely be 'low', 'medium' and 'high', with 'high' most likely being the base projection to be used (i.e. a policy-based GDP outlook).</p> <p>Challenges:</p> <p>None</p>
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<p>Lessons learned:</p> <p>N/A</p>
<p>Important changes in the technical design or approach related to the Grant's activities:</p>
<p>Developments:</p> <p><i>Changes to workplan.</i> Prior to the Technical Support Mission, the DOE requested the consultant's local expert to work with the DOE to undertake the energy system modelling needed to quantify their sectoral NDC contribution. Given the clear benefits of aligning that analysis with the similar scope of analysis required under the current project (Task 2: modelling), it was agreed that the workplan for the TA should be modified accordingly. This will mean moving – or “front loading” some of the energy system modelling activity originally planned under Task 2 (starting from May 2019 onwards) to now start earlier, in March. This work will thus be undertaken in parallel with Task 1 and will run until end of June.</p> <p><i>Deferral of CPI modelling and Options and Analytics (O&A) paper.</i> The agreed "front-loading" of the energy system modelling means that CPI modelling will now start later than originally proposed. This allows for parallel working of Tasks 1 and 2 - and extra time to develop the O&A paper. It is therefore proposed that the timing of Task 1 is extended by around 2 weeks, with the project's 2nd mission (to present and discuss the O&A paper arising from Task 1) to be changed from mid-April to end-April/start May 2019.</p> <p>Challenges:</p> <p>The above-mentioned minor change will not affect the implementation of the TA. The overall project timing remains as per the TOR, viz. ending in May 2020.</p> <p>Lessons learned:</p>
<p>Key capacity issues (implementation, technical, financial management, procurement) related to the Grant's activities:</p>
<p>Developments:</p> <p>Challenges:</p> <p>Lessons learned:</p>
<p>Coordination with other carbon pricing initiatives, including those funded by other donors:</p>
<p>Developments:</p> <p>Challenges:</p> <p>Lessons learned:</p>
<p>Stakeholder engagement related to the Grant's activities:</p>

Developments:

At the inception mission, there was discussion around whether to invite a wider stakeholder group (i.e. beyond the TWG, and including non-governmental stakeholder) to participate in the planned project meetings/missions and if so, at what point. There was general consensus that this should occur towards the end of the project once model results had been discussed and assessed by the counterpart and TWG (i.e. upon completion of Task 2: Modelling).

In addition, at the inception mission, the DOF requested the use of a workshop event to inform government officials about CPIs. Consequently, the 2nd mission (in April-May 2019) will include an educational workshop 'primer' on carbon pricing. This is considered to be a useful complement to the planned presentation and discussion of the O&A paper outlining the CPI options for further analysis.

Challenges:
Lessons learned:
Other issues related to the Grant's activities

N/A

5. ADDITIONAL INFORMATION

At the inception mission in February 2019, it was found that the DOTr did not have a study to assess their sector's mitigation potential and contribution to the NDC. Given DOTr's current lack of staffing and lack of environmental team/experts, there is a pressing need for technical assistance in this regard. If feasible, the ongoing PMR technical support may include whole transport sector.