

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:	Costa Rica
Reporting Period:	From 02/18/2017 to 02/17/2018
Report Date:	03/20/2017
Implementing Agency:	Directorate of Climate Change, Minister of Environment and Energy (MINAE)
Contact Person:	Andrea Meza, Director, Climate Change, MINAE (Focal Point), Silvia Charpentier / Felipe De León (PMR Coordination Unit)

Grant Executed By:	<i>World Bank</i>
Grant Effectiveness and Closing Dates:	03/07/2016 to 06/30/2019, with retroactive financing for period 10/2015 – 02/2016
Grant Amount (USD):	USD 3,000,000
Funding Mobilized (USD):	

2. OVERVIEW

Please provide a general description of the progress made towards the Grant's Objectives and Activities (as per the [Project Development Objective\(s\) Indicator\(s\)](#) and [Intermediary Results Indicator\(s\)](#) included in the World Bank's Project Paper's [Results Framework](#)). Please also highlight critical issues as well as pending actions that may require the PA or the PMR Secretariat's attention.

The implementation of Costa Rica's MRP progressed in great strides during the reporting period, as described below. (Annex 1 displays the project's Results Framework)

Outcome 1. Completion of the domestic market design

A. Domestic Carbon Market / Costa Rican Offset Mechanism

The diagnostic and analysis work which preceded the conceptual redesign of the Costa Rican Domestic Carbon Market (MDC), all of which was supported by the PMR, identified two substantial issues beyond the core redesign itself which had to be addressed: a) in the context of the country's very ambitious NDC, the possibility of exporting carbon credits had to be regulated in order to comply with the country's international commitments, and b) unless an institutionalized demand for UCC was established, the only reliable demand for the domestic carbon market is the one generated by the Carbon Neutrality Program (PPCN- see Outcome 2 below). The difference in the magnitude of the scale between these demand scenarios required substantial adjustment to the implementation strategy. Having incorporated these issues into the design and planning, the project has concentrated in transforming the MDC into an Offset Mechanism (MCCR) as depicted in Section 3A of this document.

Activities in progress include support for the final consultations with key stakeholders and final legal review of the Decree for its signature as well as the development of project cycle and verification standard. No international peer review is foreseen at this time.

B. Registry/tracking tool

The registry/tracking tool originally envisaged in the MRP evolved into the mitigation module of the National Climate Change Metrics System (SINAMECC) implemented with PMR support to facilitate compliance with the Paris Agreement's Enhanced Transparency Framework and to enable data-driven decision-making. All activities include capacity building, institutional arrangements, and communications.

Development of the code for the SINAMECC has begun, and the data for the 2012 National GHG Inventory will be uploaded during the month of March. A presidential Decree to formalize the SINAMECC is expected to be signed shortly (developed with GIZ support) and legal work to develop and formalize institutional arrangements (with support from the Initiative for Climate Action Transparency) will begin in the first quarter of 2018. (Section 3C below)

Outcome 2. Strengthening of demand by assessing a range of policy options

- A. The NDC scope and impact underwent an initial assessment with support by the Policy Analysis Work Program.
- B. The existing Carbon-Neutrality Program (PPCN) created to foster voluntary demand of UCCs by organizations was redesigned and launched in version 2.0 with PMR support. The decree that updates the PPCN is expected to be signed by April 30, 2018. (Section 3B below).
- C. As mandated by the National Energy Plan, the PMR supported the completion of the GHG emissions levy (See section 3C below). The technical assistance was addressed towards solving remaining technical needs to complete the levy design, such as (1) formulas, calculation methods, and report procedures to estimate emissions from mobile and stationary sources; (2) a proposal for establishing levy rates for carbon emissions and local pollutants, and scenarios using existing information, (3) a financial management mechanism for the allocation of revenues arising from the emissions levy, (4) an assessment of the distributional impacts and costs/benefits of the emissions levy implementation. These products, together with existing legal inputs, merged into a final technical design for the emissions levy.

All activities include capacity building, institutional arrangements, and communications. Presidential decrees will be issued for activities B. and C in the coming months.

Outcome 3. Consolidation of supply through the implementation of mitigation and offset activities in three sectors

A. Activities in support of UCC supply from the electrical sector

- Supply and demand side energy efficiency and conservation

MRP activities concentrated on preparing the field for the implementation of Costa Rica's long-term VII National Energy Plan 2015-2030 while contributing to Costa Rica's climate goals set out in its Nationally Determined Contribution (NDC) under the UN Paris Agreement. PMR support has facilitated the development of a technical assessment about Costa Rica's energy efficiency background, a benchmark of energy efficiency policy options in electricity and fuels, and a workshop with stakeholders to get

inputs and suggestions to the preliminary policy proposal. In the coming months, the PMR will provide a long-term energy efficiency strategy and action plan. The measuring, reporting, and verification (MRV) scheme for energy efficiency priority actions has also begun.

- Non-conventional renewable options for self-supply (distributed energy and low-enthalpy geothermal power).

The incorporation of renewable energy projects for self-consumption and interconnected to the power grid--distributed power generation-DG had been limited until recently by the power and distribution companies because of their uncertainty regarding the financial and technical impact of allowing large amounts of DG users onto their electrical networks.

PMR support was focused on creating the enabling environment to guarantee optimal DG implementation and allowing end-consumers to partially or totally self-supply their electricity needs. The following results were achieved: 1) development of a common methodology as well as the necessary tools for the different power utilities to estimate maximum penetration rates of DG in the power system maintaining quality and reliability standards of power supply; 2) a standardized methodology to carry out financial impact assessments, and 3) technical capacity building in power utilities to carry out all necessary studies to implement the proposed methodology in the relevant power grids.

B. Activities in the transport and agricultural sectors are postponed while studies/data supporting the requests are finalized.

3. IMPLEMENTATION REPORT BY COMPONENT

Differences between the Objectives/Activities in the Second Implementation Status Report and the current project objectives/activities

Are there any important and material differences between the objectives/activities proposed in the second Implementation Status Report endorsed by the Partnership Assembly of the PMR and the current project objectives/activities?	No
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Implementation Progress by Component

A. Component 1: Completion of the domestic market design	
Status:	Under implementation
	<p>A. Update market conceptual framework (MDC to MCCR) COMPLETED</p> <p>Costa Rica established, in 2013, a Domestic Carbon Market (Mercado Doméstico de Carbono, MDC) as a source of offsets for the National Carbon Neutrality Program (Programa País para la Carbono Neutralidad). The structure and functions of the MDC were established in the Executive Decree N° 37926-MINAE and related regulations (“Reglamento de regulación y operación del mercado doméstico de carbono”). The decree details the composition of a Carbon Board, as top decision-making body of the MDC and its supporting bodies: a Methodologies and Protocols Committee, an Oversight and Transparency Committee and a Technical Secretariat (the Climate Change Directorate).</p>

Due to structural reasons, the MDC never became fully operational and in 2017 a diagnostic and redesign process was launched, with support of the PMR.

The diagnostic sought to determine “the suitability of the current National Carbon Neutrality Program (PPCN) and the Domestic Carbon Market (DCM) and propose the reforms required to these policy instruments to achieve the country’s mitigation objectives in the context of the country’s National Climate Change Strategy and its international commitments within the INDCs and the Paris Agreement”. The report issued initial recommendations and proposed a reform programme that served as the basis for the redesign process carried out during the reporting period.

The design of the MCCR resolves the structural issues that had impeded the full implementation of the MDC and it incorporates lessons learnt from the MDC in terms of simplifying and streamlining both the governance scheme and the project cycle. In order to “right-size” the MCCR to the evolving context (particularly the emissions levy discussed below) the MCCR was designed with scalability in mind, with a 2-phase implementation approach. The first phase (MCCR 1.0) establishes a governance and process structure that is lean enough to operate at a very small scale but can be easily reinforced to meet growing demand; it focuses on providing an efficient framework from which to supply national offset units to a recently re-vamped PPCN. The second phase (MCCR 2.0), is designed as a complementary policy to the emissions levy, channeling a portion of the revenue from the levy through a reverse-auction mechanism to “transformational” mitigation actions in key sectors.

MCCR 1.0	MCCR 2.0
<p>Changes</p> <p>Strategic:</p> <ul style="list-style-type: none"> • Activation of other sectors offering UCCs • Clarification on the sale and purchase of credits at the international level under the Paris Agreement <p>Institutional:</p> <ul style="list-style-type: none"> • Assigning roles to different institutions <p>Methodological:</p> <ul style="list-style-type: none"> • Simplification of methodological procedures 	<p>Changes</p> <p>Strategic:</p> <ul style="list-style-type: none"> • Link with the NDC and the Paris Agreement (transformational approach) • Strategic approach in key sectors <p>Institutional:</p> <ul style="list-style-type: none"> • Link with structural source of demand (<i>canon de emisiones</i>) <p>Methodological:</p> <ul style="list-style-type: none"> • Development of new methodologies (or a "meta-methodology" for the definition and reward of transformational characteristics)

This process is expected to conclude in 2018 with the official transition from the MDC to the Costa Rican Offset Mechanism (MDC al Mecanismo de Compensación de Costa Rica, MCCR).

B. Governance and institutional arrangements UNDER IMPLEMENTATION

The PMR-CR is supporting the Climate Change Directorate in its development of an Executive Decree to transform the MDC into the MCCR as well as in the development of secondary regulation and internal processes to operationalize the MCCR. The secondary regulations include:

- Project cycle guide: which includes the procedures, roles and detailed functions for the project cycle time constraints
- Project standard: which establishes quality criteria for MCCR projects
- Validation and Verification standard: which establishes the criteria for the OVV’s in

	<p>their role as validators and verifiers of the MCCR projects</p> <ul style="list-style-type: none"> • Operation Guides for each entity involved <p>C. Registry/tracking tool established UNDER IMPLEMENTATION</p> <p>The MRV&R infrastructure being developed with PMR support has been recognized as the Mitigation Module of SINAMECC. SINAMECC is part of the National Environmental Information System (Sistema Nacional de Información Ambiental), operated by the National Center for Geo-Environmental Information (Centro Nacional de Información Geo-Ambiental, CENIGA). The SINAMECC Committee is made up of DCC, CENIGA, the National Meteorological Institute (Instituto Meteorológico Nacional, IMN) and the National Statistics and Census Institute (Instituto Nacional de Estadística y Censo, INEC). The Committee approved both the conceptual design for SINAMECC and the Terms of Reference for contracting the actual development of the system with PMR support.</p> <p>A “soft launch” of the digital platform of the mitigation module for SINAMECC is scheduled for April 2018. The first version of the system, including all relevant documentation, by the year-end.</p> <p>D) MRV protocols and methodologies designed UNDER IMPLEMENTATION</p> <p>Core MRV&R logic and initial rules for the development of indicators were documented through collaboration with the GIZ Accounting Rules project as inputs for the development of SINAMECC-M. The development of “seed” methodologies for the generation of UCCs have been contracted as part of the international technical assistance requested with PMR support and consists in the preparation of a document on elements to be considered in methodologies for transformational actions (MCCR 2.0) and draft of 2/3 methodologies in key sectors:</p> <ul style="list-style-type: none"> - Agriculture - Transport - Waste Management <p>The selection of specific technologies or subsectors for the development of the “seed” methodologies will be informed by the results from the TIMES-CR model.</p> <p>E) Facilitating and coordinating engagement with stakeholders UNDER IMPLEMENTATION</p> <p>Stakeholder engagement is carried out at several levels, including:</p> <ul style="list-style-type: none"> • Continuous bilateral communication with the DCC, which is also the PMR Focal Point • Periodical communication with the Minister of Environment and Energy and the Vice Minister of Energy • Support for the SINAMECC Committee • Despite the very technical content of Component 1, a highly participatory approach is envisaged in the process and completion of final project deliveries. To this end, PMR will provide crosscutting support for outreach to stakeholders and relevant actors through Component 4, as described in Section 2.
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	<p>A capacity development plan to ensure the required competencies are in place and to facilitate engagement will be developed for subsequent implementation. Technical support has also been provided for the regulation of offset unit imports and exports.</p> <p>F) Market design evaluated by international panel of experts SUSPENDED</p> <p>This element has been suspended until conditions for the implementation of MCCR 2.0, particularly in terms of substantial, predictable demand, occur so that the international experts review the final MCCR 2.0 design.</p>
Comments:	
B. Component 2: Strengthening of demand by assessing a range of policy options	
Status:	<p>Under implementation</p> <p>A) NDCs scope and impact UNDER IMPLEMENTATION</p> <p>The PMR-CR team is directly embedded within the DCC and provides continuous technical support to the DCC and other MINAE officials. This support includes the participation in international climate negotiations (Transparency, Article 6 and Climate Finance) and related events as well as the coordination with other international cooperation initiatives involved in areas in which the PMR-CR project is also active.</p> <p>Recognizing the importance of solid projections for the sort of long term planning necessary for future NDCs, Costa Rica, through the support of the PMR-PAWP, has developed a national implementation of TIMES modeling platform and a national Analysis Team (AT) to take over maintenance, expansion and stewardship of the TIMES-CR model.</p> <p>The final report on NDC implementation pathways developed as part of the TIMES-CR process has undergone an extensive process to ensure it provides sufficient inputs for deeper analysis and is expected to be approved by MINAE shortly.</p> <p>Leadership of the AT has been taken on by the EPER Lab of the University of Costa Rica, which is currently finalizing a collaboration agreement with the DCC to act as the analytical arm of the Directorate. Through this nascent alliance the TIMES-CR process has already been linked into the development of the Short-Lived Climate Pollutant (SLPC) inventory and related impact assessment as well as the development of the national Long-Term Strategy.</p> <p>The NDC Pathway Report includes a technical summary. A summary for policymakers is being developed by the PMR team and will serve as the basis for upcoming policy analysis work sessions.</p> <p>Further capacity building for the AT is being planned.</p> <p>In the longer term, the TIMES-CR platform is expected to be the cornerstone of the strategic policy analysis toolkit available to the DCC, and MINAE in general.</p> <p>In addition, two primary policy options have been identified as key demand drivers: updated PPCN (which may grow into a substantial demand driver in the future) and the emissions levy as a generator of institutional demand, as explained below</p> <p>B) Voluntary Demand by organizations from the Carbon-Neutrality Program (PPCN)</p> <p>In the context of complying with the country's NDC and the Paris Climate Agreement, the</p>

	<p>Government of Costa Rica assessed the suitability of the existing PPCN with PMR support. Such assessment revealed the need to reform this policy instrument to make it effective to achieve the country's mitigation objectives and seeking to carry out a simplification process to make it more accessible to more types of organizations.</p> <p>The redesign process began with the conceptual design of the new PPCN, which was validated by program stakeholders (the national accreditation body, ECA and accredited validation/verification organizations, OVVs). The PMR-CR team led this process, which was later completed with international technical assistance.</p> <p>Once completed, the new PPCN 2.0 was validated with a broader set of stakeholders: organizations inside and outside the program, the Climate Change Directorate team, the legal department of MINAE, and with other donor agencies such as GIZ interested in supporting the program.</p> <p>In close coordination with the DCC, the PMR prepared technical inputs for decree to update the PPCN's legal framework, including an additional decree for the new brand system.</p> <p>The PPCN 2.0 was launched on Sept 28, 2017 with an event led by the Minister of MINAE and with an audience of 300 participants, with PMR support. This is the list of completed products and those that will be ready by April 30, 2018 follows:</p> <ul style="list-style-type: none"> • Programa País de Carbono Neutralidad 2.0 program document and legal inputs for decree • Design of a new a brand system for the recognition of organizations that participate in the PPCN and legal inputs for decree • The updating of the registers and existing database of the PPCN as well as the design of a new database. • The PPCN new image (brand) <p>The following products are in development and will be ready by April 30, 2018:</p> <ul style="list-style-type: none"> • A set of rules and guidelines for reporting uncertainty • A program participation guide for organizations • A new database for the registration of PPCN data, which will be implemented on the SINAMECC <p>In addition, the PMR contributed to the expansion of the PPCN to the municipal level by providing technical and logistical support for the review and edition of the following documents:</p> <ul style="list-style-type: none"> • Cantonal Country Program • MRV Methodology - Cantonal Country Program • Implementation Guide Cantonal Country Program • Mitigation Actions Portfolio for Local Governments – waste • Mitigation Actions Portfolio for Local Governments - sustainable mobility • Mitigation Actions Portfolio for Local Governments - electric mobility <p>Also, training activities related to the new program were developed for ECA and OVV staff, for organizations inside and outside the program, and for local governments, together with</p>
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	<p>dissemination activities for more general audiences.</p> <p>As a transversal project activity, the PMR provided technical and operational support to the DCC for the proper operation and maintenance of the PPCN.</p> <p>C) Emissions levy design</p> <p>The VII National Energy Plan (2015-2030) mandates the formulation of an emissions levy as a policy instrument to promote GHG reductions through carbon price signals. Once the Government of Costa Rica clarified the legal background to create the levy, the PMR-CR delivered the needed technical inputs to complete the instrument design. The related support to this component began in August 2017 and is expected to finish in March 2018. Specific products contributed by the PMR for the levy design include:</p> <ul style="list-style-type: none"> <p>General approach, formulas, and schemes to estimate emissions from mobile and stationary sources: the proposed levy approach for <u>mobile sources</u> is based on two factors: (a) estimated emissions of carbon and local pollutants, in grams per kilometer; and (b) measured vehicle miles traveled. The U.S. EPA Motor Vehicle Emissions Simulator (MOVES) model is used to estimate emission factors for CO₂ and local pollutants per kilometer. The model is used to generate emissions factors (CO₂, NO_x, SO₂, hydrocarbons (HC), and particulate matter (PM) for 25 vehicle categories, each further delineated into 31 model years. The amount of miles travel per vehicle is obtained annually during the mandatory technical vehicles inspection.</p> <p>For stationary sources the starting point it is slightly different from mobile sources. Stationary sources annually monitor and report several important operating parameters (daily fuel usage rate, local pollutant (SO_x, NO_x, and PM) emissions concentrations (mg/Nm³), and exhaust flow rates (m³/min) to the Ministry of Health. These factors can be combined to estimate emissions rates per time period of operation. Therefore, the emissions rates for calculating the stationary source emissions levy are based on self-reported fuel use, exhaust flow rates and pollutant concentrations, consistent with the current legal reporting framework.</p> <p>The proposed approach is based on current Costa Rica's data availability and gaps. The project seeks to subsequently support the digital platforms to collect and merge required information to charge the levy and to provide additional analysis to complete the current levy design, specifically to adapt it to the current fiscal context.</p> <p>Levy rates for carbon emissions and local pollutants and levy modeling: technical assistance provided with PMR support yielded a combination method to set levy rates according to a benchmark evaluation. The model was designed to explore levy impacts on mobile and stationary sources, based on existing data. The key model outputs are: a) projections of emissions and revenues from alternative levy designs and b) responsiveness of the sectors to the emissions levy revenues investments. The results include 3 potential levy structures and 3 investment scenarios. The recommendation is that the levy be phased-in gradually to allow consumers and businesses time to adjust and to minimize shocks to the economy.</p> <p>Co-benefits and distributional impact analysis of the emissions levy: the co-benefit analysis focuses on assessing the number of avoided premature mortality caused by local air pollutants and quantified additional co-benefits such as decreased congestion</p>
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	<p>and reduced traffic accidents, as data and time constraints permit.</p> <ul style="list-style-type: none"> • Financial management mechanism for revenues arising from the emissions levy: Costa Rica has decided to establish a financial mechanism (or the Mechanism) to manage and steer the use of revenue generated by the emissions levy. The purpose of the Mechanism will be to provide a vehicle for effectively managing the revenue generated by the emissions levy and ensuring that it is put to the best possible use in supporting the transformational climate agenda envisioned by the Government of Costa Rica. The proposal sets out the legal requirements for the management of public funds in Costa Rica. It discusses the core objectives of the Mechanism, the eligibility and evaluation criteria that provide the practical framework for guiding funding decisions in line with the objective and scope, and other relevant components to design the final levy funds management Mechanism. • Integrated emissions levy design: the emissions levy requires the integration of all design elements in a thorough report. The documents include the key sectorial scope, rates and trajectories, measurement and reporting instruments, financial management mechanisms and governance and institutional arrangements, as well as a framework for evaluation and review of the policy instrument. <p>During the design process, some unforeseen needs were identified: two new modeling scenarios are required to strengthen the decision-making process on the sectorial scope. Also, there the need to produce some outcomes in Spanish and to produce manuals and in-country training for the models used to estimate rates, pollutants and impacts of the emissions levy to ensure that the knowledge developed remains widely available and accessible in the future.</p> <p>The PMR local coordination unit also supports Costa Rica’s government in the levy adoption and implementation phases. Among the activities of this support are the preparation of technical inputs such as concept notes and design outlines, organize consultations with key authorities and institutions, facilitate data transfer, monitor and technically validate ongoing consultancies, and prepare terms of reference. In the following months, the assistance will be focused on supporting the approval process of the executive decree, facilitating the institutional arrangements to transfer data and charge the levy, managing ongoing PMR technical assistance on other areas to improve the levy design, and supporting the emissions levy communication strategy, among others.</p>
Comments:	
<p>C. Component 3: Consolidation of supply through the implementation of mitigation and offset activities</p>	
Status:	<p>Under implementation</p> <p>A. Activities in support of UCC supply from the electrical sector</p> <p>1. Supply and demand side energy efficiency and conservation UNDER IMPLEMENTATION</p> <p>The technical assistance to the Government of Costa Rica provided advisory assistance in the assessment of climate-friendly energy efficiency policy instruments, measures and regulations, intended to prepare the field for the implementation of Costa Rica’s long-term VII National Energy Plan 2015-2030 while contributing to Costa Rica’s ambitious climate</p>

	<p>goals set out in its Nationally Determined Contribution (NDC) under the UN Paris Agreement.</p> <p>During the ISR reporting period a robust technical benchmark of energy efficiency policy options in electricity and fuels was developed, designed to achieve Costa Rica’s energy and mitigation goals established in Costa Rica’s VII National Energy Plan and the Nationally Determined Contribution (NDC). A consultation workshop with relevant public and private stakeholders to acquire inputs and suggestions to the preliminary policy proposal was also carried out. The final report with the broader policy analysis was approved in January 2018. The next step of the technical support is to prepare a long-term energy efficiency strategy and action plan. Likewise, in parallel, the PMR is proposing a measuring, reporting, and verification (MRV) scheme for the selected energy efficiency actions and policies. This technical assistance is scheduled to conclude in the first semester of 2018.</p> <p>2.Non-conventional renewable options for self-supply (distributed generation) COMPLETED</p> <p>The PMR provided support to the government of Costa Rica to 1) develop a common methodology and the necessary tools for the different power utilities to estimate maximum penetration rates of DG in the power system maintaining quality and reliability standards of power supply; 2) identify a standardized methodology to carry out financial impact assessments, and 3) build technical capacity in power utilities to carry out all necessary studies following the proposed methodology in the relevant power grids . The PMR support was focused on creating the enabling environment to guarantee optimal DG implementation and allowing end-consumers to partially or totally self-supply their electricity needs. In addition, these tools strengthen the generation of data for MRV schemes</p> <p>The technical assistance also included training for the electrical engineers in charge of grid planning and operation and other utilizes professional involved in distributed generation technical analysis, such as impacts and profitability of DG projects. In August 2017, the PMR Costa Rica held a closing meeting with stakeholders, The World Bank Group and MINAE authorities in which the final tools were delivered and the technical support was evaluated.</p>
<p>Comments:</p>	<p><i>Please describe the reason(s) for the early/timely/delayed achievement of the expected results.</i></p>

If necessary, please add components in the table above.

4. PROGRESS, CHALLENGES, AND LESSONS LEARNED

<p>Important policy or regulatory developments related to the Grant’s objectives and activities:</p> <p>Developments: <i>Please describe important policy and regulatory developments related to carbon pricing that have occurred during the Reporting Period and/or that are expected in the future.</i></p> <p>The most important policy development in Costa Rica is the economy wide reform taken by public sector institutions in order to comply with accession requirements as a full member of OECD. In this context, following a thorough Work Plan, the country participates in several committees for the review of public policies, their harmonization and commitments going forward, in accordance with</p>

the principles and recommendations of the organization. In the environmental sector, the country must demonstrate actions and commitments to comply with the OECD Environmental Council. The work of the PMR-CR is directly linked to at least 5 thematic areas and provides technical assistance in the development of policy instruments aligned with 9 Acts and Recommendations, as detailed in Annex 2 and summarized below.

PMR-CR Activities in alignment with Costa Rica's Accession Process to OECD

Emissions Levy	Polluter Pays Principle C (72)128 - Recommendation of the Council on Guiding Principles concerning International Economic Aspects of Environmental Policies
	C (74) 223 - Recommendation of the Council on the Implementation of the Polluter-Pays Principle
	Economic Instruments in Environmental Policy C (90) 177/FINAL - Recommendation of the Council on the Use of Economic Instruments in Environmental Policy
	Energy C(85)101 - Recommendation of the Council on the Control of Air Pollution from fossil fuel combustion
SINAMECC	Environmental Information C(90)165/FINAL - Recommendation of the Council on Environmental Indicators and Information
MCCR and PPCN 2.0	Economic Instruments in Environmental Policy C (90) 177/FINAL - Recommendation of the Council on the Use of Economic Instruments in Environmental Policy
	Material Flows and Resource Productivity C(2004)79 - Recommendation of the Council on Material Flows and Resource Productivity
	Declaration C/MIN(2009) 5/ ADD1/FINAL. Declaration on Green Growth
Energy Efficiency and Generated Distribution	Energy C(77)109/FINAL - Recommendation of the Council on the Reduction of Environmental Impacts from Energy Use in the Household and Commercial Sectors
	C(85)102 - Recommendation of the Council on Environmentally Favorable Energy Options and their Implementation

Challenges: Please describe how such developments might affect the achievement of the Grant's objectives and/or the implementation of specific activities under the Grant, either positively or negatively, and how possible policy and regulatory challenges may be addressed going forward. Please also refer back to any potential policy and regulatory challenges that may have been identified in the previous PMR Project Implementation Status Report and, if applicable, explain how such challenges are/have been handled.

These international commitments, together with the ratification of the Paris Agreement and the Sustainable Development Goals, means that MRP activities are being carried within a broader, longer-

term and robust policy context, and at the same time, they are included as initiatives that will help Costa Rica comply with accession requirements.

Lessons learned: *If applicable, please provide a brief description of the lessons learned regarding carbon pricing policy and regulatory developments during the last Reporting Period.*

The project team has already begun to integrate into OECD intersectoral teams and participating in activities led by the Ministry of External Trade, who's in charge of the accession process.

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

Developments: *Please describe any important change in the technical design or approach related to the Grant's activities that have been made during the Reporting Period or that are expected in the future.*

The only major technical design change from the original MRP is the transition from a domestic market approach to an outright compensation scheme. Certain Component 3 areas (transport and agriculture) are being re-sequenced for late in 2018.

Challenges: *Please describe how such changes might affect the implementation of the Grant's activities, either positively or negatively, and how possible technical design challenges may be addressed going forward. Please also refer back to any potential technical design challenges that may have been identified in the previous PMR Project Implementation Status Report and, if applicable, explain how such challenges are/have been handled.*

The transition from a domestic market approach to an outright compensation scheme was addressed substantially with PMR international support, and validated with the Minister of Environment and Energy. Discussions were held with stakeholders and affected parties (mainly the forest sector) so as to allow for a smooth transition.

Lessons learned: *If applicable, please provide a brief description of the lessons learned regarding the technical design or approach related to the implementation of the Grant's activities during the last Reporting Period.*

The project's evolution has taught the team and the authorities that keeping the long-term objective in sight is key for focusing efforts and activities. In times of uncertainty, and also in innovative areas of work like the ones included in this MRP, a good use of resources is the development of instruments, metrics and other key tools as stepping stones towards learning and the achievement of long term goals. This focus on the development of metrics and tools is expected to be maintained for the duration of the project.

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

Developments: *Please describe key capacity issues (institutional, technical, financial management, procurement) related to the implementation of the Grant's activities encountered during the Reporting Period or that are expected in the future.*

- Stakeholder and user engagement for the new PPCN and the MCCR will involve both consultations and capacity building, as these innovative structures can not be properly consulted without first providing sufficient information for the engagement to be an informed one.
- The deployment of IT infrastructure like SINAMECC requires substantial change-management,

- particularly as it relates to technical experts who may have been performing their duties in much the same way for years or decades and who will now have to adapt to new tools and methods.
- The mandate to deliver the so called “Paris Rulebook” by COP 24 in Katowice will require a lot of technical engagement to promote the level of common understanding necessary for the success of this mandate. As before,
 - The design of local elements that will have to interact with these Articles 6 and 13 must remain flexible and adaptable.
 - Data gaps to carry out carbon pricing modeling and impacts estimations are a key barrier to developing and implementing carbon pricing and MRV activities. PMR is called to continue its contributions towards the development of databases, models and other tools to enable data-driven decision-making.

Challenges: *Please describe how such issues are affecting the implementation of the Grant’s activities, either positively or negatively, and how possible challenges may be addressed going forward. Please also refer back to any potential challenges that may have been identified in the previous PMR Project Implementation Status Report and, if applicable, explain how such challenges are/have been handled.*

- As for other change management and stakeholder engagement challenges, the project has foreseen these needs and they are being planned for accordingly.

Lessons learned: *If applicable, please provide a brief description of the lessons learned regarding the key capacity issues related to the implementation the Grant’s activities during the last Reporting Period.*

- Close attention must be paid to developments at the international level, particularly as they relate to Articles 6 and 13 of the *Paris Climate Agreement*.
- It is important to develop strong rapport with key users of the proposed system and to engage them early on and very actively to minimize pushback. Ensuring these stakeholders feel empowered and not left behind or threatened is critical for the success of the system. In some cases, this requires more formal agreements and approaches.

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

Developments: *Please describe any developments related to other carbon pricing initiatives, including those funded by other donors, that have occurred during the Reporting Period or that are expected in the future.*

There are a variety of programs, projects and initiatives that relate directly or indirectly to climate change which are being carried out by various agencies. Coordination with these activities is of paramount importance to ensure consistency and avoid duplication of activities and to maximize synergies. This is especially true of other WBG projects and programs including the FCPF and the Productive Landscapes Programs.

Coordination will be especially relevant with:

- FONAFIFO and the REDD+ Strategy
- The MRV component of the IADB transport program
- Potential crediting NAMAs (livestock and coffee), which may become part of the MCCR or seek to export credits abroad
- The Regional Accounting Rules Project and Transport and Mobility Energy Efficient led by GIZ

- The EUROCLIMA initiative, the Enhancing Capacity for Low Emissions Development Strategies project by USAID, Low Emissions Capacity Building Project by UNDP, and
- Some specific project in the power sector from the World Bank and the Inter-American Development Bank
- The Initiative for Climate Action Transparency (ICAT) and Capacity Building for Increased Transparency (CBIT)

Challenges: *Please describe how such developments might affect the implementation of the Grant's activities, either positively or negatively, and how any coordination challenges may be addressed going forward. Please also refer back to any potential coordination challenges that may have been identified in the previous PMR Project Implementation Status Report and, if applicable, explain how such challenges are/have been handled.*

- Challenges remain regarding the interplay between other offset-related carbon pricing mechanisms and schemes like the Japanese Joint Crediting Mechanism (JCM), the World Bank Forest Carbon Prototype Fund (FCPF) and the International Civil Aviation Market Based Mechanism (ICAO-MBM) on the one hand and the ambitious target set by Costa Rica in its NDC.
- Because these mechanisms require the transfer of ownership of the offset units from Costa Rica to another Party, possibly through some form of intermediary, these transfers would have to be reflected through some form of "corresponding adjustment" and could not be used by Costa Rica towards its own NDC compliance. This is especially relevant for the REDD Strategy, which is aimed at exporting a large number of forestry credits, but affects CDM projects and potential crediting NAMAs as well.
- The PMR-CR team has provided technical support to MINAE to establish a set of criteria to analyze and evaluate potential offset transactions in light of the NDC goals.

Lessons learned: *If applicable, please provide a brief description of the lessons learned regarding coordination with other carbon pricing initiatives during the last Reporting Period.*

- The importance of informal contact and coordination as a way to reduce the complexity of engagement has proven very valuable. It is sometimes easier to call directly than to go through formal channels.
- Having a clear technical understanding of the desired outcomes is fundamental to have clear roles and responsibilities and avoiding overlap.
- Coordination meetings with the REDD Strategy Secretariat and the National Civil Aviation Directorate, which represents Costa Rica at ICAO are necessary to ensure alignment between the relevant carbon pricing related instruments.

Stakeholder engagement related to the Grant's activities:

Developments: *Please describe any developments related to stakeholder engagement (consultation, participation and disclosure), that have occurred during the Reporting Period or that are expected in the future.*

- As previously mentioned, the PMR-CR team holds coordination sessions and/or meetings with a variety of organizations, including:
 - Continuous bilateral communication with the DCC, which is also the PMR Focal Point
 - Periodical communication with the Minister of Environment and Energy, the Vice Minister

of Energy and the Vice Ministry of Transport

- Technical meetings with the Validation/Verification Organizations (Organismos Validadores/Verificadores, OVVs) and the Costa Rican Accreditation Body (Ente Costarricense de Acreditacion)
- Meetings with Carbon Neutral organizations, the Alliance for Carbon Neutrality various NGOs and other stakeholders
- SINAMECC Committee
- Coordination meetings with REDD Strategy Secretariat and the National Civil Aviation Directorate.

Challenges: Please describe how such developments might affect the implementation of the Grant's activities, either positively or negatively, and how any stakeholder engagement challenges may be addressed going forward. Please also refer back to any potential stakeholder engagement challenges that may have been identified in the previous PMR Project Implementation Status Report and, if applicable, explain how such challenges are/have been handled.

- High-level visibility and buy-in implies the team has access to and support from key stakeholders in all relevant Ministries. This is instrumental to achieving high-impact results. However, it also means expectations are high and the pressure to start delivering results is also high, making expectation management and fluid status communications extremely relevant.
- Engaging with such a large number of stakeholders can be complex and can easily take up substantial amounts of team time.

Lessons learned: If applicable, please provide a brief description of the lessons learned regarding stakeholder engagement during the last Reporting Period.

- The value of an operational focal point and a core team of experts with their own networks within key Ministries to facilitate coordination and cooperation with various dependencies at various levels beyond the formal Steering Committee.
- Communication with the Bank is key, especially as a Bank-executed grant.

Other issues related to the Grant's activities

Please describe any developments, challenges and lessons learned regarding any other issue related to the achievement of the Grant's objectives and the implementation of the Grant's activities.

- The strong links to technical teams in the relevant ministries continue to prove invaluable for this process. These relationships allowed for detailed technical discussions about Ministry priorities and how they related to PMR objectives to find high-impact activities that were relevant and coherent in both frameworks.
- The strong links the team has with international colleagues, often formed through the PMR have also provided insights and support which would hardly have been available locally and sometimes even regionally.

5. ADDITIONAL INFORMATION

In this Section, please provide any additional information that may be relevant for the achievement of the Grant's objectives and/or the implementation of the Grant's activities. Please also provide any relevant information related to carbon pricing and the use of market-based instruments for climate change mitigation.

Costa Rica is in the midst of highly contested presidential elections that will undergo a second round of voting on April 1, 2018. Although both second-round candidates acknowledge climate change and the importance of addressing it, they may have different approaches to this. The end of the cycle for the current Government also means that a substantial amount of attention and resources are devoted to end-of-term work and reports, which can cause delays.

This means that it is necessary to stay abreast of both national and international policy developments and to remain flexible enough in the implementation of the MRP that the project can adapt to shifting priorities without losing track of its core mission.

Integration with the *Paris Climate Agreement* is indispensable for the success of pricing mechanisms, which in turn rely on MRV&R schemes compliant with Article 13 of the *Paris Climate Agreement* that will demonstrate progress in the implementation of the NDC. Direct participation in the negotiations and related events provides an unrivaled depth of understanding of the current and upcoming issues.

Maintaining the current momentum for implementation through the government transition will be strategic to meeting end-of-year goals.

ANNEX 1

MRP RESULTS FRAMEWORK

COSTA RICA MRP: IMPLEMENTATION PHASE					
<p>Country Objectives: The Costa Rican National Climate Change Strategy and the recently submitted INDCs are the main pillars for an integrated, long-term strategy for sustainable development that seeks to transform Costa Rica into a low-carbon climate resilient country.</p>					
<p>Primary Key Result: The carbon mitigation component of the strategy focuses on aligning with a carbon neutral economy by 2021 with net GHG emissions of 9.47 million tons of CO₂e by 2030. Central to this aspiration goal is the design and operation of carbon pricing mechanisms, both as policy and financing instruments.</p>					
	Status	Indicator	Baseline	Targets End of Project	Source of verification
<p>Project Objective</p> <p><i>Contribute to advance Costa Rica's integrated, long-term strategy through the development, design and implementation of market readiness activities.</i></p>		<p><i>Technical inputs for market readiness activities designed and implemented</i></p>	<p><i>Market and C-Neutrality program out of date, disjointed from INDC, and National Energy Plan. Insufficient data and mostly ad-hoc, report-specific data gathering and analysis. Mitigation activities not anchored in policy yet and will require support for implementation.</i></p>	<p><i>Carbon pricing mechanisms designed and ready for implementation</i></p>	<p><i>Reports produced; processes established</i></p>
<p>Outcome 1</p> <p>Completion of the domestic market design</p>					
<ul style="list-style-type: none"> Update market conceptual framework 	<p><i>Completed</i></p>	<ul style="list-style-type: none"> <i>C-neutrality and carbon pricing mechanisms concept notes discussed and agreed</i> 	<ul style="list-style-type: none"> <i>Fragmented concept of C-Neutrality (2005 baseline vs net neutrality vs decarbonization); market designed for pre-INDC conditions.</i> 	<ul style="list-style-type: none"> <i>Market infrastructure ready for operation</i> 	<ul style="list-style-type: none"> <i>Concept notes</i> <i>Signed MOUs</i> <i>Carbon Board minutes and agreements</i>

<ul style="list-style-type: none"> ● Governance and institutional arrangements 	<i>Under implementation</i>	<ul style="list-style-type: none"> ● Governance instruments modified ● Key institutional collaboration arrangements for governance and data measurement codified 	<ul style="list-style-type: none"> ● Gaps in legal instruments: Agreement 36-2012-MINAET and Decree 37926-MINAE which create the Carbon Neutral Program and the Domestic Carbon Market as well as rules and regulations adopted by the Carbon Board and Methodologies Committee ● Most institutional collaboration on ad hoc basis. 	<ul style="list-style-type: none"> ● C-neutrality and carbon pricing mechanisms concept notes reflected in Presidential decrees ● Carbon Board and Secretariat appointed, trained and operational ● MOUs prepared with key institutional partners 	<ul style="list-style-type: none"> ● Registry/tracking tool in place ● MRV protocols and methodologies documented ● External expert review
<ul style="list-style-type: none"> ● Registry/tracking tool 	<i>Under implementation</i>	<ul style="list-style-type: none"> ● Registry/tracking tool designed; continuous data measurement and analysis system established 	<ul style="list-style-type: none"> ● Data collected on an ad hoc basis Rudimentary registry tracking. No continuous data gathering and processing capacity 	<ul style="list-style-type: none"> ● Data measurement and analysis is institutionalized with operating IT infrastructure and updated on periodic basis 	
<ul style="list-style-type: none"> ● MRV protocols and methodologies 	<i>Under implementation</i>	<ul style="list-style-type: none"> ● MRV protocols and methodologies designed 	<ul style="list-style-type: none"> ● Project-driven MRV with no cohesive strategy in place 	<ul style="list-style-type: none"> ● Selected methodologies submitted to Methodologies Committee for approval. 	
<ul style="list-style-type: none"> ● Capacity building, communications and consultation 	<i>Under implementation</i>	<ul style="list-style-type: none"> ● Facilitating and coordinating engagement with stakeholders 	<ul style="list-style-type: none"> ● No outside evaluation or input on design or implementation 	<ul style="list-style-type: none"> ● Stakeholder alliances formed 	
<ul style="list-style-type: none"> ● International peer review of market design 	<i>Suspended</i>	<ul style="list-style-type: none"> ● Market design evaluated by international panel of experts 		<ul style="list-style-type: none"> ● Third party validation of market design 	
Outcome 2 Strengthening of demand by assessing a range of policy options:					
<ul style="list-style-type: none"> ● INDCs scope and impact (incl. market component) 	<i>Under implementation</i>	<ul style="list-style-type: none"> ● Policy options preliminary identification ● Technical support to the Climate Change Directorate and the Sectoral Climate Change Coordinator in approaching analytical challenges and gaps 	<ul style="list-style-type: none"> ● INDC sets decarbonization pathway and net maximum emissions target for 2030. Widely expected to be translated into some form of cap and act as a driver for the Carbon Neutral Program. 	<ul style="list-style-type: none"> ● INDC internalization roadmap ● Convergence of demand and supply analyzed 	<ul style="list-style-type: none"> ● Project documentation ● Adopted INDC Strategy and 2016 Climate Change Strategy (tbd) ● Air quality levy decree ● Energy efficiency

		<i>related to the design and operationalization of INDC implementation strategies</i> <ul style="list-style-type: none"> Support in enabling policy options for INDCs (including upstream policy analysis and carbon neutrality program) 			<i>tax</i> <ul style="list-style-type: none"> Carbon neutrality certification
<ul style="list-style-type: none"> Voluntary Demand by organizations from the Carbon-Neutrality Program 	<i>Under implementation</i>	<ul style="list-style-type: none"> C-neutrality concept notes discussed and agreed Governance instruments modified Key institutional collaboration arrangements for governance and data measurement codified 	<ul style="list-style-type: none"> Demand options partially assessed, intention to use the carbon neutrality program to internalize INDCs, reverse-auction mechanism concept put forth 	<ul style="list-style-type: none"> Demand stimulus policy options assessed 	
<ul style="list-style-type: none"> Regulatory demand from the yearly emissions levy (canon) 	<i>Under implementation</i>	<ul style="list-style-type: none"> Reverse auction mechanism design 	<ul style="list-style-type: none"> Levy from emissions from mobile and static sources as well as energy efficiency tax approved in National Energy Plan 2015-2030. Funding for remediation efforts related to these instruments could provide basis for institutionalized demand via reverse auction mechanism. 	<ul style="list-style-type: none"> Reverse auction mechanism in place Demand policy mix formulated 	
<ul style="list-style-type: none"> Capacity building, communications and consultation 	<i>Under implementation</i>	<ul style="list-style-type: none"> Facilitating and coordinating engagement with stakeholders 		<ul style="list-style-type: none"> Stakeholder alliances formed 	
Outcome 3					
Consolidation of supply through the implementation of mitigation and offset activities in three sectors:					
<ul style="list-style-type: none"> Activities in support of UCC supply from the electrical sector Supply and demand side 	<i>Under implementation</i>	<ul style="list-style-type: none"> Specific LED Policy Instruments including laws, regulations, programs and other specific instruments to promote low emission 	<ul style="list-style-type: none"> National Energy Plan 2015-2030 sets out political support for a vision, plans and activities for energy and transport sectors, 2/3 of key MRP emission sectors. Limited data available, highly 	<ul style="list-style-type: none"> Market potential and suitability assessed Enabling environment (including market) 	<ul style="list-style-type: none"> Project documentation Sectoral products (tbd)

<p>energy efficiency and conservation</p> <ul style="list-style-type: none"> ○ Non-conventional renewable options for self-supply (distributed energy and low-enthalpy geothermal power) 		<p><i>development proposed.</i></p> <ul style="list-style-type: none"> ● <i>Structures, schema and tools for the generation and capture of data to quantify mitigation activities and/or potential issuance as UCCs developed and operating.</i> ● <i>Climate finance structures for specific mitigation actions analyzed and best relevant practices proposed.</i> ● <i>Specific technical elements necessary to develop policy instruments, MRV schemes and/or provide an enabling environment for mitigation actions with potential for UCC issuance</i> 	<p><i>atomized and of variable quality.</i></p> <ul style="list-style-type: none"> ● <i>Mostly ad-hoc data collection schemes and/or limited reporting and analysis in infrastructure.</i> ● <i>Agriculture NAMAs leading edge of NAMAs in Costa Rica require support to consolidate</i> ● <i>Well established governance structure and documented MRV structures still required in all sectors.</i> ● <i>Abundant opportunities to facilitate implementation and reduce mitigation MAC.</i> 	<p><i>mechanism, MRV schema, IT infrastructure, etc) ready for inclusion of each sector in market</i></p> <ul style="list-style-type: none"> ● ● <i>Sectoral activities/inputs completed and delivered</i> 	
<ul style="list-style-type: none"> ● Activities in support of UCC supply from the transport sector <ul style="list-style-type: none"> ○ Electrification of the private vehicular fleet and the public transport system ○ Public transport sectorization in the Greater Metropolitan Area (GAM) ○ Gradual substitution of fossil fuels with biofuels 	<p><i>Upcoming</i></p>				
<ul style="list-style-type: none"> ● Activities in support of UCC supply from the livestock and agriculture sector <ul style="list-style-type: none"> ○ Coffee NAMA ○ Livestock NAMA 	<p><i>Upcoming</i></p>				

ANNEX 2
COSTA RICA: ALIGNMENT OF MRP ACTIVITIES AND OECD ACCESSION PROCESS

Emissions Levy	Polluter Pays Principle C (72)128 - Recommendation of the Council on Guiding Principles concerning International Economic Aspects of Environmental Policies	<p>RECOMMENDS that the Governments of Member countries should, in determining environmental control policies and measures, observe the Guiding Principles Concerning the International Economic Aspects of Environmental Policies set forth in the Annex to this Recommendation.</p> <p>Guiding Principles</p> <p><i>a) Cost Allocation: the Polluter-Pays Principle</i></p> <p>The principle to be used for allocating costs of pollution prevention and control measures to encourage rational use of scarce environmental resources and to avoid distortions in international trade and investment is the so-called "Polluter-Pays Principle". This principle means that the polluter should bear the expenses of carrying out the above-mentioned measures decided by public authorities to ensure that the environment is in an acceptable state. In other words, the cost of these measures should be reflected in the cost of goods and services, which cause pollution in production and/or consumption. Such measures should not be accompanied by subsidies that would create significant distortions in international trade and investment</p>
	C (74) 223 - Recommendation of the Council on the Implementation of the Polluter-Pays Principle	<p>III. RECOMMENDS that:</p> <p>1. Member countries continue to collaborate and work closely together in striving for uniform observance of the Polluter-Pays Principle, and therefore that as a general rule they should not assist the polluters in bearing the costs of pollution control whether by means of subsidies, tax advantages or other measures;</p>
	Economic Instruments in Environmental Policy C (90) 177/FINAL - Recommendation of the Council on the Use of Economic Instruments in Environmental Policy	<p>I. RECOMMENDS that Member countries:</p> <p>i) Make a greater and more consistent use of economic instruments as a complement or a substitute to other policy instruments such as regulations, taking into account national socio-economic conditions;</p> <p>ii) Work towards improving the allocation and efficient use of natural and environmental resources by means of economic instruments so as to better reflect the social cost of using these resources;</p>

		<p>iii) Make effort to reach further agreement at international level on the use of environmental policy instruments with respect to solving regional or global environmental problems as well as ensuring sustainable development;</p> <p>iv) Develop better modeling, forecasting and monitoring techniques to provide information on environmental consequences of alternative policy actions and their economic effects;</p> <p>v) Integrate environmental and economic decision-making in sectorial policies in order to avoid adverse effects on environmental resources, e.g. As could be the case for price-support mechanisms in sectors such as energy, agriculture and transport.</p>
	<p>Energy</p> <p>C(85)101 - Recommendation of the Council on the Control of Air Pollution from fossil fuel combustion</p>	<p>I. RECOMMENDS that Member countries:</p> <ol style="list-style-type: none"> 1. Should pursue policies to control more effectively air pollution resulting from emissions of oxides of sulphur and nitrogen, hydrocarbons, and particulate matter, from stationary and mobile sources in their countries in order to achieve environmentally acceptable levels of ambient air quality and deposition of pollutants; 5. Should co-operate to improve the availability and quality of data on air pollutant emissions from different categories of polluters; <p>GUIDING PRINCIPLES</p> <p>5. Information Needs</p> <ol style="list-style-type: none"> a) Improvement of the air pollutant emissions database by adopting comparable techniques and methods of measuring emissions, and providing reliable emissions inventories. b) Continuous monitoring of air pollutant emissions. c) Continuing international research co-ordination and exchange of information. d) Encouragement for the transfer between countries of available technologies and methods to reduce air pollution. e) International co-operation on research and development to increase the effectiveness and to reduce the costs of controlling emissions, particularly for retrofitting existing

		installations.
SINAMECC	Environmental Information C(90)165/FINAL - Recommendation of the Council on Environmental Indicators and Information	<p>I. RECOMMENDS that Member countries, taking into account the objectives defined in the preamble of this document:</p> <p>1. Intensify their efforts by various means, including through strengthening institutions and financial arrangements, to improve statistics, indicators and information on the environment and in particular:</p> <ul style="list-style-type: none"> • Link environmental and economic information through work on pollution abatement and control expenditures, benefits of environmental policies, environmental damage costs, flows and stocks of natural resources and macro-economic aspects of environmental policies; • Develop environmental indicators and related environmental accounting to measure environmental performance and better integrate environmental and economic decision-making; • Better communicate environmental information to decision-makers and the public, through periodic reports on the state of the environment, environmental forecasting and other means; • Improve the quality and comparability of existing statistics, including official statistics; develop new statistics to fill gaps in information concerning environmental pressures and conditions; and develop cost-effective methods and techniques of environmental monitoring and data collection;
MCCR and PPCN 2.0	Economic Instruments in Environmental Policy C (90) 177/FINAL - Recommendation of the Council on the Use of Economic Instruments in Environmental Policy	<p>I. RECOMMENDS that Member countries:</p> <p>i) Make a greater and more consistent use of economic instruments as a complement or a substitute to other policy instruments such as regulations, taking into account national socio-economic conditions;</p> <p>ii) Work towards improving the allocation and efficient use of natural and environmental resources by means of economic instruments so as to better reflect the social cost of using these resources;</p> <p>iii) Make effort to reach further agreement at international level on the use of environmental policy instruments with respect to solving regional or global environmental problems as well as ensuring sustainable development;</p> <p>iv) Develop better modeling, forecasting and monitoring</p>

		<p>techniques to provide information on environmental consequences of alternative policy actions and their economic effects;</p> <p>v) Integrate environmental and economic decision-making in sectorial policies in order to avoid adverse effects on environmental resources, e.g. As could be the case for price-support mechanisms in sectors such as energy, agriculture and transport.</p>
	<p>Material Flows and Resource Productivity</p> <p>C(2004)79 - Recommendation of the Council on Material Flows and Resource Productivity</p>	<p>I. RECOMMENDS that Member countries:</p> <ol style="list-style-type: none"> 1. Take steps to improve information on material flows, including its quality and relevance for environmental management, in particular: <ul style="list-style-type: none"> • Develop methodologies to enhance knowledge of material flows within and among countries; • Consolidate and improve data collection concerning material flows within and among countries; • Develop tools to measure resource productivity and economy-wide material flows, including appropriate estimation methods, accounts and indicators; 2. Further develop and use indicators to better integrate environmental and economic decision-making, and to measure environmental performance with respect to the sustainability of material resource use; 3. Promote the development and use of material flow analysis and derived indicators at macro and micro levels; 4. Link environmental and economic related information through work on material flows, stocks and flows of natural resources, environmental expenditure, and macro-economic aspects of environmental policies; 5. Co-operate to develop common methodologies and measurement systems of material flows, with emphasis on areas in which comparable and practicable indicators can be defined, drawing on work already done at national and at international level.
	<p>Declaration</p> <p>C/MIN(2009) 5/ ADD1/FINAL. Declaration on Green Growth</p>	<p>STRENGTHEN our efforts to pursue green growth strategies as part of our response to the current crisis and beyond, acknowledging that “green” and “growth” can go hand-in-hand.</p> <p>ENCOURAGE green investment and sustainable management of</p>

		<p>natural resources. In this respect, we are resolved to make further efforts to use efficient and effective climate policy mixes, including through market-based instruments, regulations and other policies, to change behavior and foster appropriate private sector responses. We will consider expanding incentives for green investment, in particular in areas where pricing carbon is unlikely to be enough to foster such private sector responses. Such areas may include smart, safe and sustainable low-carbon infrastructure and R&D technologies that can contribute to building a sustainable low-carbon society. Approaches to recognize the value of biodiversity should be encouraged through appropriate instruments and consistent with relevant international obligations. We are resolved to share information on green investment flows and policies, and best practices.</p>
Energy Efficiency and Distributed Generation	Energy C(77)109/FINAL - Recommendation of the Council on the Reduction of Environmental Impacts from Energy Use in the Household and Commercial Sectors	<p>RECOMMENDS that:</p> <ol style="list-style-type: none"> 1. Management of energy demand should be a major element of combined environmental and energy policies in the household and commercial sectors and that these policies be coordinated and be mutually reinforcing in both providing protection of the urban environment and conserving energy; the mutuality of these policies should be given public recognition in policy statements. 2. Preference be given to energy policies in the household and commercial sectors aiming for growth rates and composition of energy consumption that are compatible with environmental aims and would therefore be less harmful to the environment. 3. Effective energy conservation measures, which provide specific environmental benefits, taking into account economic and social costs, should be selected and given priority for the household and commercial sectors. 4. The energy distribution system and the utilization of clean fuels in high-density urban population areas should be progressively improved to meet environmental requirements.
	C(85)102 - Recommendation of the Council on Environmentally Favorable Energy Options and their Implementation	<p>I. RECOMMENDS that Member countries, in the context of their long-term environmental and energy policies, identify and promote environmentally favorable energy options consistent with broader social and economic goals by:</p>

		<ul style="list-style-type: none">a) Achieving closer institutional links between energy and environmental policymaking from the earliest stages and throughout the policy process;b) Developing further and applying methods of energy and environmental analysis;c) Encouraging the identification of the net environmental benefits of policies which promote increased energy efficiency;d) Identifying and reducing barriers to the implementation of environmentally favorable energy options;g) Identifying and taking into account, at an early stage of decision-making, the environmental implications of energy-related measures and strategies as well as the energy implications of environmental measures and strategies;
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