
Market Readiness Proposal (MRP) of Costa Rica

Summary of Expert Group Feedback

Lead, PMR Expert Group: Michael Lazarus
Date of presentation: October 22, 2012

Outline of Presentation

1. PMR Expert Feedback Process
2. Overall impressions of the MRP
3. Issues raised in Expert Group feedback
4. Key challenges going forward

1. Brief description of PMR Expert Feedback Process

PMR Expert Group

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Feedback Process

- Draft MRP provided to PMR Secretariat & Expert Group (Sep 8)
- Draft feedback provided
- Expert group conference call (Sep 14)
- Consolidated feedback provided to country team (Sep 15)
- 2 day in-country meeting to discuss feedback and strategies to advance the MRP (Sep 17 & 18)
- Revised MRP provided to PMR Secretariat & Expert Group (Oct 5)





2. Overall impressions of the Draft MRP

- Draft MRP recognized as “thorough”, “well-structured”, “intriguing”, “impressive”, and “forward-looking”
- Innovative effort to leverage enterprises as drivers of mitigation; complements other PMR/market initiatives
- An ambitious agenda that could benefit from:
 - more sequencing and specificity of activities and resources
 - greater clarity on the role that a new crediting mechanism would play in achieving (firm-level and national) carbon neutrality
- Experience may suggest caution regarding voluntary initiatives

3. Specific elements of the MRP feedback

- Provided in response to first draft of MRP
- Reflect topics discussed in in-country meeting and addressed in revised MRP
- Highlight some broader issues (beyond the Costa Rica MRP alone) that may be common across the PMR process

Strategic considerations

- Clarifying relationship of domestic voluntary carbon market to the
 - National carbon neutrality goal
 - Domestic entity/organization Carbon Neutrality Standard
- Ensuring adequacy of demand
- Establishing credibility of a voluntary market approach

Selection and engagement of target areas for offset supply

- Criteria used to select target areas
- Potential role of crediting mechanism in each target area
 - Project-based, program-based, or sector-wide offset origination
 - Adequacy of incentives given marginal abatement cost
 - Interaction with existing and future policies, and with other sources of financing
- Distinguishing sources of offset supply from offset demand in the context of the CN program
 - Addressing possible tensions and overlaps between potential offset suppliers and buyers
- Role of REDD+ in the domestic carbon market

Operational and technical issues: domestic offset market

- Clarifying process for developing market infrastructure
 - Design of market institutions; functions and processes covered
 - Establishing principles and “nuts and bolts” for offset methodologies, crediting baselines, crediting periods, etc.
 - Incorporating lessons from other offset programs
- *Streamlining and sequencing of MRP activities*
- Treatment of policies and plans in crediting baselines
- Clarifying ownership, addressing risks of double counting
 - Avoided electricity emissions
 - Life-cycle emissions for waste management (recycling) and sustainable construction

Operational and technical issues: carbon neutrality standard

- Understanding how the standard works
 - Relationship between emissions (E) inventoried, own/planned reductions (R), and offsets (C)
- Emissions scopes and boundaries for CN companies (inventories)
- Risks of double counting with regard to reductions (R) as well as offsets (C)

4. Key challenges going forward

Implementing the MRP:

- Developing offset methodologies where experience with project types in similar conditions is limited (e.g. sustainable construction, fertilizer N₂O)
- Establishing reporting and processes sufficient to avoid double-counting emission reductions
 - Among different offset units and with reported reductions (R)
 - Emissions outside boundary, e.g. sustainable construction, electricity savings
- Covering the costs of market infrastructure on an ongoing basis

4. Key challenges going forward

Potential connections to international markets and processes

- Consistency of standards and protocols
- Potential for future international fungibility and linkage
- Relevance of international agreements and discussions on a framework for various approaches and a new market mechanism
 - E.g. achievement of a “net decrease and/or avoidance of GHG emissions”
- Scope of international third-party audit
- Relationship of domestic offsets (UCCs) to CDM and NAMAs

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5. Observations and lessons from the feedback process

- First set of international eyes on draft MRP
 - Preview of other external reactions
 - Clarifies elements that may be taken for granted and could be explicit, e.g. power of eco-competitiveness logic, role of offset market within broader Carbon Neutrality Standard
- Value of in-country mission/working session
 - Appreciate how local context shapes MRP, e.g. linkage of transportation and land use linked through PES program; agricultural offset demand and supply linked via dairy coop
 - Helps to translate expert feedback into specific revisions

5. Observations and lessons from the feedback process (2)

- Further guidance for feedback providers on appropriate expectations, e.g. elements that should be specified in the MRP vs. elaborated in its implementation (e.g. methodology for crediting baselines)
- More calendar time for feedback (and processing thereof)
 - Would enable better division of labor among experts, reduced redundancies, deeper analysis and suggestions for individual building blocks, and less overwhelming input for countries