
Market Readiness Proposal (MRP) Colombia Summary of Expert Group Feedback

Country:

**Expert Presenter: Pedro Martins Barata on
behalf of the Expert Group**

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Outline of Presentation

1. Brief description of PMR Expert Feedback Process
2. Overall impression of the MRP
3. Key suggestions/issues raised by the Expert Group for MRP and future work
4. Key challenges going forward

1. Brief description of PMR Expert Feedback Process

PMR Expert Group

- Pedro Martins Barata (GET2C Portugal)
- Michael Lazarus (SEI/Stockholm Environment Institute)
- Christopher Zegras (MIT/Massachusetts Institute of Technology)

Feedback Process

- Draft MRP submitted to Secretariat January 9, 2014;
- Written feedback provided by the experts to the Secretariat by January 23
- Consolidated feedback provided to country team January 25
- Two-day in-country visit to discuss feedback and advance MRP January 28-29
- Revised MRP provided to PMR Secretariat & Expert Group February 17

2. Overall Impression of the Draft MRP by the Expert Group

- The proposal is overall well written, clear, and thorough
- It builds on a very rich and detailed foundation of prior work, including much work undertaken in respect of offset projects in the transport sector
- The proposal would benefit from several improvements:
 - The rationale for the choice of the transport sector as a preferential target for the introduction of MBIs could be more thoroughly argued;
 - The proposal is often reactive, with considerable energy spent on reporting past CDM experience with transport sectors
 - Some lack of clarity in relation to the framing of the suite of MBIs scanned (e.g. “performance standards” as an MBI) and the interaction with existing policies
 - The proposal would benefit from further economic analysis to back up assumptions regarding GHG abatement costs and feasibility/desirability of alternative instruments (e.g. the fuel tax)

Key elements that should/could be further discussed:

- Systematic consideration of issues of demand and supply in an uncertain international context
- Embedding of the proposal in terms of the international offer/contribution/commitment in a post-2020 regime

3. Expert Group Impressions and Feedback: Building Blocks 1 & 2

- BB1 focuses mostly on institutional and policy aspects of GHG policy, namely the National Strategy on Low Carbon Development (CLCDS); It would benefit from integrating a more generic overview of social and economic challenges facing the country as a backdrop to the development of energy and climate policies
- As an example, there is a relatively cursory overview of Colombia's energy profile.
- The discussion on past experience with CDM projects could be shortened. It is of limited interest to the issue of capacity requirements for a new market mechanism.
- BB2: the discussion on choice of sector and instrument could be further developed; concepts such as “costs” (economic, financial, transaction) are not fully defined or are unclear in their use in the document
- The discussion on the feasibility of carbon taxes in the transport sector should be further clarified: assumptions on price elasticity are not backed up and seem to contradict arguments on low capacity of revenue raising and recycling

3. Expert Group Impressions and Feedback: Building Block 3

- ◆ Good discussion on MRV principles overall, but confusing presentation of bottom-up vs. top-down.
 - Bottom-up vs top-down concepts seem to be confused with “tiers” in information aggregation.

- ◆ Consider focusing more on consistency of MRV activities with national inventories system It would be important to begin here with a clear picture of data requirements that are likely to be relevant to the specific activities in mind

- ◆ The proposal should reflect better the extent to which the required data collection systems for the proposed actions interact with the systems that Colombia will put/is putting in place to produce on a more systematic way its national inventory (and to eventually underscore its mitigation contribution under a future regime), so as to create synergies between the specific work of the MRP and its wider work on national accounting.

3. Expert Group Impressions and Feedback: Building Block 4

- ◆ Best and most detailed section, although repeating in some sections the work from previous BB

- ◆ The proposal details three proposed MBIs:
 - A suite of credited NAMAs in the transport sector
 - An urban transport credited NAMA
 - A Transit-Oriented Development NAMA (including both the development of non-motorised transit and transport demand management)
 - A domestic compensation scheme
 - A vehicle performance standard-based quota trading mechanism

- ◆ There is a good short presentation of the rationale for the choice of the transport sector and a good description of Colombia's past experience with CDM in this sector

3. Expert Group Impressions and Feedback: Building Block 4

- ◆ The different proposals for instruments are more elaborated; in fact they may be too elaborated at this stage in the development of the MBI concepts:
 - Detail on baselines not in line with the state of the development of the concepts
 - The structuring of different proposals and potential overlap between them needs to be further explored
 - The “performance standard” mechanism is now made clearer than in the remainder of the proposal. It relies on creating a local market with potentially limited liquidity. Further examination of liquidity and data feasibility would be warranted. On the positive side, it is an instrument which generates its own demand.
 - The domestic compensation scheme is now clearer and it is essentially one way of earmarking revenue (without necessarily increasing tax rates) from fuel taxes to generate funding for the offsets. As such it is one way of addressing potential shortcomings in demand for credits generated under the credited NAMA proposals, and it is a welcome addition to the suite of instruments.

4. Key challenges going forward

- More comprehensively arguing from economic and social drivers the choice of different instruments
- Embedding more clearly these instruments in overall Colombian climate policy, especially in the context of developing Colombia's contribution
- Likewise, clarifying data requirements and systems proposed and potential links with the development of national inventory systems
- More institutional clarity on ownership of different actions proposed and on the involvement of private sector
- Developing in a systematic way options for contingent demand, should expected international demand for credits not materialize