

## 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 (PISR), please contact the PMR Secretariat at: [pmrsecretariat@worldbank.org](mailto:pmrsecretariat@worldbank.org).

### 1. SUMMARY INFORMATION

<b>Implementing Country/Technical Partner:</b>	Republic of Kazakhstan
<b>Reporting Period:</b>	October 2018 – September 2019
<b>Report Date:</b>	7 October 2019
<b>Implementing Agency:</b>	Ministry of Ecology, Geology and Natural Resources
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<b>Grant Executed By:</b>	World Bank, Environment & Natural Resources Global Practice
<b>Grant Effectiveness and Closing Dates:</b>	June 30, 2020
<b>Grant Amount (USD):</b>	US\$1,500,000
<b>Funding Mobilized (USD):</b>	US\$849,871.61 (As of September 30, 2019)
<b>Funding Committed (USD)</b>	US\$650,128.39

### 2. OVERVIEW

The Republic of Kazakhstan joined the PMR in March 2014 as a Technical Partner with the Ministry of Energy (ME) as implementing agency and was allocated US\$1.0 million to build capacity and address key challenges facing the National Emissions Trading System (hereafter KZ ETS) as well as the country's climate change mitigation strategy.

The funding allocated was divided into two Phases (1<sup>st</sup> tranche and 2<sup>nd</sup> tranche of US\$500,000 each) with six activities identified based on the needs of the Ministry of Energy (MoE) and consultation with stakeholders. To note, the Climate Change Policy and Green Technologies Department is now under the Ministry of Ecology, Geology and Natural Resources (MEG NR).

As three project activities implemented under the 1<sup>st</sup> tranche were completed (benchmarks for industry; barriers to ETS; upstream analysis) with deliverables detailed in [Project Implementation Status Report \(ISR\) October 2018](#), this Project Implementation Status Report (ISR) focuses on the period covering October 2018 – September 2019.

Under the 2<sup>nd</sup> tranche and as of today, two project activities (benchmarks consultation and electronic reporting) were completed, and the third activity on registry is to be launched by the end of 2019. Similarly, Kazakhstan received an additional finance of \$500K. The progress under this new tranche is also outlined below. The implementation progress for the 2nd tranche is detailed below.

#### **Second tranche - June 2016 – September 2019:**

1. **“Stakeholder Consultation Process on the Developed Benchmarks” (June 2016 – December 2017, Completed):** The objective of this activity was to develop an appropriate set of benchmarks (for industry, oil and gas and the power sector) based on the previous benchmarking work by the MEGNR (previously MoE) and “Zhasyl Damu”, the Norwegian Ministry of Foreign Affairs, USAID and the PMR. Stakeholder engagement and consultations with industry and line Ministries was an integral part of this process to ensure the full understanding of the methodology and calculation of the benchmarks considered. The selected consultant (Carbon Limits and Climate Change Coordination Center) worked with the MEGNR (previously MoE), “Zhasyl Damu” and other technical partners to recalculate the benchmarks given new data provided from emitters which changed due to the recent economic slowdown in Kazakhstan.

The Law of the Republic of Kazakhstan “On inserting amendments and additions to some legislations on environmental issues” #491-V 3PK as of April 8, 2016 suspended the Kazakh ETS from January 1, 2016 till January 1, 2018. But submission of annual reports on GHG emissions by emitters with verification confirmations was kept valid.

Despite this circumstance work on improving the national ETS’ operation was continued, and Carbon Limits provided guidelines on the methodological issues related to the choice of allocation method, benchmarks and their use for allowance allocation in the ETS to the MEGNR (previously MoE). The revised benchmarks were presented several times to the emitters, business associations, line Ministries, verifiers and other key stakeholders at a series of consultation workshops led and organized by Carbon Limits since 2016. The MEGNR (previously MoE) also discussed the developed benchmarks with the current Working Groups in line Ministries with the participation of Carbon Limits.

Because of the extensive consultations, the MEGNR (previously MoE) opted to provide the option for emitters to select the allocation method (grandfathering vs. revised benchmarks) as a transition period to let the emitters understand the benefits of benchmarking. The hybrid method was approved [by the Government Decree 370 as of June 15, 2017](#). The allocation is to be provided per installation, not as an entity as it was previously. The final draft set of 52 benchmarks revised for the power, industrial and oil and gas sectors were presented to emitters in July 2017. To ensure the full regional coverage and attendance of emitters, Carbon Limits, jointly with the MEGNR (previously MoE), arranged final workshops in Astana, Almaty and Atyrau with over 140 attending emitters. The gradual shift towards benchmarks is envisaged post-2020. Following the last round of consultations in regions, the final set of 52 benchmarks was approved by [the Minister’s Order #222 as of July 28, 2017](#).

The next National Allocation Plan (NAP) for 2018-2020 includes both allocation methods as options for emitters. Thus, NAP for 2018 – 2020 was adopted by the Government Decree #873 as of December 26, 2017 which includes a total of 225 installations. Allowances were allocated by using benchmarks to 149 installations and only 76 installations preferred to get allowances by using grandfathering method.

2. **“Development of Electronic GHG Data Reporting” (October 2016–June 2018, Completed):** The objective of this activity is to support Kazakhstan in building an online reporting platform and

data management system to increase the accuracy, completeness and consistency of the GHG data reported by emitters, and to allow more accurate data review and analysis by authorities. Such assistance is timely given that recent amendments to ecological regulations (2016 and 2017) mandates for the development of such a platform. The GHG reporting, before the completion of this activity, was processed manually. The local consultant (“Zhasyl Damu”) under the guidance of the international consultant CITEPA has completed this task as per the agreed Terms of Reference (ToR).

The electronic reporting platform became operational since January 1, 2018. A completion workshop was organized in January 2018 by CITEPA and “Zhasyl Damu” on the final report and further recommendations for the electronic GHG platform. According to the final report from international consultant (French CITEPA) “Development of a GHG e-reporting system in Kazakhstan” below are recommendations from the “Future needs and developments” section that will be taken by MEGNR RK for work during the system maintenance:

- i. **Monitoring plans:** this document is prepared by the operator and approved by the local competent authority. It describes, for each installation covered by the KZ-ETS, the GHG emissions calculation methodologies (emission sources, installed capacity, types of fuels and materials, calculation or measurements methodology, values and references of calculation parameters such as net calorific value, oxidation factor, emission factor, carbon content).
- ii. **Plant passports:** this document is prepared by the operator and approved by the local competent authority. It contains data on the plant, such as the plant name, the organization name, identification numbers, location, technology used, etc.
- iii. The development of a **calculation an internal engine** is also expected. This module would be automatic and would calculate the GHG emissions based on the relevant data entered by the plant operator, and the relevant calculation methodologies.
- iv. **The online application should be available in English in 2020.**
- v. **An integration** module will be developed to allow third-party systems to be linked with the E-reporting tool.
- vi. **Training Needs Analysis Workshop** could also be developed for the different categories of stakeholders to develop future Trainings and Capacity Building actions. On this basis, users and stakeholders workshop could be organised on a regular basis to consider feedbacks in the multiannual Work plan, develop FAQ and inform them from any evolution in the E-reporting system or in the regulation.

Recommendations (i), (ii) and (iii) are planned for implementation in 2019 year by contractor company Regul Soft for the information system maintenance and support. Recommendations (iv), (v) and (vi) are planned for implementation in the year 2020 within the contract with MEGNR RK. The tender of the MEGNR (previously MoE) in 2018 did not take place, therefore it is expected the implementation of recommendations within the MEGNR (previously MoE) ToR framework will be shifted for later period.

3. **“Enhancement of Kazakhstan’s Carbon Unit Registry” (To be launched by end 2019):** This activity relates to the infrastructure supporting the issuance, transfer, and cancellation/retirement of carbon units in Kazakhstan’s carbon market. This activity was previously on hold at the request of the MEGNR (previously MoE) who wanted to have greater certainty on whether Kazakhstan will ratify the Doha Amendment. The MEGNR (previously MoE) requested the PMR to launch this activity in the coming months following a Resolution of the Council of Foreign Investors which took place in the summer of 2017 under the chairmanship of the President of Kazakhstan. As an outcome of the Council Meeting, the President tasked the MEGNR (previously MoE) to work on the integration of the national ETS with international carbon markets in the long-term (among other assignments). Discussions by the MEGNR (previously MoE) with the UNFCCC experts also revealed the urgent need to operationalize the county’s registry. As such, the MEGNR (previously MoE) will opt to modify

and improve the existing registry. The PMR's revised scope of technical assistance includes the analysis of international linking.

Previously, MERK took a decision to suspend realization of this activity due to the letter of the Ministry of National Economy requesting to study and submit proposals on merging two organizations: Informational and Analytical Centre, RSE (Republican State Enterprise) and "Zhasyl damu", JSC, which are both exist as the subordinate organizations under the ME RK. The ME RK in its response letter expressed no objection for such reorganization. So far, this issue is uncertain and no activities on their optimization are ongoing.

**Implementation of PMR's activities for the period of 2016-2019**

**SECOND TRANCHE**

*2018\* Due to circumstances outlined above in relevant components, activities scheduled for 2018 were not implemented.*

**Funding that has been committed and disbursed under 2<sup>nd</sup> tranche**

	<b>Committed funds (USD\$)</b>	<b>Actual funds (USD\$)</b>
<b>Second tranche</b>		
Stakeholder consultation	60,000	50,000
E-reporting development	280,000	120,000
Carbon unit registry	0	0
<b>TOTAL:</b>	<b>840,000</b>	<b>670,000</b>

**THIRD TRANCHE**

Years/Activity title	2019												2020					
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
Carbon unit registry											X							X
NDC Update									X									X
Carbon market regulation post 2020										X								X

**Additional Funding that has been committed and disbursed under 3<sup>rd</sup> tranche**

	<b>Committed funds (USD\$)</b>	<b>Actual funds (USD\$)</b>
<b>Third tranche</b>		
Update Kazakhstan's NDC and Provide a Roadmap for NDC Implementation		0

for post-2020 "Proposed New Activity" The study on the allocation of quotas for the next National Allocation Plan (NAP) and the carbon market regulation post 2020 Legal and Technical Diagnostics of the State Registry of the Greenhouse Gas Emissions Trading System of Kazakhstan		0
<b>TOTAL:</b>	<b>650,000</b>	<b>0</b>

### 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?	Activities under the Additional Finance component has been changed. Instead of a low-carbon development study, a study to develop a roadmap for post-2020 NDC implementation has been taken up instead to avoid duplicity as GIZ is conducting a larger low-carbon development study.
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#### *Implementation Progress by Component under the 2<sup>nd</sup> tranche covering the period from June 2016 to September 2019*

<b>Component 4: "Stakeholder Consultation Process on the Developed Benchmarks"</b>	
Status:	<p><b>Completed (September 2017)</b></p> <p>The objective was to assist the ME with the development and/or revision of an appropriate set of benchmarks for the sectors covered by the ETS (i.e. industry, oil and gas, power) based on the previous work done on benchmarking and conduct in-depth stakeholder consultations including with line Ministries and industry to ensure that the proposed benchmarks, their methodology/calculations, and how they are to be used, is fully understood and adopted.</p> <p>Inputs provided during the revisions/recalculation of the benchmarks resulted in the following:</p> <ul style="list-style-type: none"> <li>• <b>Industrial sector:</b> 36 companies (52 installations) were considered in the benchmarking calculations. Given the data of ten companies producing cement</li> </ul>

	<p>(clinker), the total average volume of CO<sub>2</sub> emissions 2013 to 2015 was calculated to be 0.961 ton CO<sub>2</sub>/ton (of goods produced).</p> <ul style="list-style-type: none"> <li>• <b>Oil sector:</b> 33 companies (45 installations) were included in the calculation of benchmarks. Based on the data provided from oil and gas companies, the total average volume of CO<sub>2</sub> emissions from 2013 to 2015 was calculated to be 0.065 ton CO<sub>2</sub>/ton (of goods produced).</li> <li>• <b>Power sector:</b> 50 companies (127 installations) were included in the calculation and based on the data received from power companies from 2013-2015. As a result, four benchmarks were calculated depending on the fuel consumed under the 1<sup>st</sup> category – coal and 2<sup>nd</sup> category - other fuel. <ul style="list-style-type: none"> <li>○ First category (coal-based installation): for electricity: 0.985 ton CO<sub>2</sub>/Megawatt hour; for heat and power: 0.484 ton CO<sub>2</sub>/Gcal</li> <li>○ Second category (other fuel installations): for electricity: 0.621 ton CO<sub>2</sub>/Megawatt hour; heat and power heat: 0.310 ton CO<sub>2</sub>/Gcal.</li> </ul> </li> <li>• Seven workshops, including three regional, were conducted with key stakeholders during implementation to help develop and finalize an allocation method, discuss the methodology adopted and the resulting benchmarks.</li> </ul> <p>As an outcome of this consultation process, the MEGNR (previously MoE) opted for a hybrid allocation method for the next 3 years (2018-2020) <a href="#">approved by the Government Degree #370 as of June 15, 2017</a>. Emitters are given the option to choose the allocation method: grandfathering or benchmarks as per the revised coefficients with allocations distributed as per installation (not entity as it used before). Prior the approval by the Government of the revised benchmarks, the final set was presented and explained for final discussion and comments in Nur-sultan, Almaty and Atyrau (July, 17, 26, 24, 2017, respectively) to ensure a high level of attendance by emitters and to ensure easier travel arrangements by nearby emitters. Around 140 emitters attended the regional workshops. Following the discussion and agreement reached among the key stakeholders, the final set of 52 revised benchmarks for the power, industrial and oil and gas sectors was approved by the <a href="#">Government Degree #222 as of July 28, 2017</a>. As a result NAP for 2018 – 2020 was adopted by the Government Decree #873 as of December 26, 2017 which includes totally 225 installations. Allowances were allocated by using benchmarks to 149 installations and only 76 installations preferred to get allowances by using grandfathering method.</p>
Comments:	This activity has been completed.
<b>Component 5: “Development of Electronic GHG Data Reporting”</b>	
Status:	<p><b>Completed (June 2018)</b></p> <p>The objective is to build an electronic compliance system (i.e. online reporting platform and related data management systems) in order to increase the accuracy, completeness and consistency of the GHG data reported by emitters, and to allow more accurate data review and analysis by authorities. The outcome includes:</p> <p><b>Phase I</b> “System Needs Analysis” (completed) consisted of an assessment of the existing regulatory framework and the current data system, analysis of data exchange needs and research into similar systems in other countries, as well as a presentation of a model (prototype) of the future system for Kazakhstan.</p> <p><b>Phase II</b> “Functional Systems Specifications” (completed) focused on the development of the system’s functional requirements, including: types of data, categories of users, main functional components, requirements of the interface, requirements in resources and financing options. As part of this assignment, a 5-year Business Plan was</p>

	<p>developed to evaluate the human and financial resource needs for the system, and analyzed funding options (e.g. government budget, user fees, etc.). Functional specifications also took into account recent amendments to the Ecological Code in order to be more consistent with current regulation and to also maintain a degree of flexibility for any future regulatory changes. Phase II was completed after a stakeholder workshop in July 2017.</p> <p><b>Phase III</b> “Technical Systems Specifications” (completed) provided the system developers with guidance on system performance, architecture, hardware, software, security, and hosting. Technical requirements also clarified processes related to software development, integration, testing, and deployment.</p> <p><b>Phase IV</b> “Systems Integration, Testing and Deployment” integrated (brought together the various functional, user interface, and data components into one cohesive system), tested (ensured its efficacy by testing every scenario for each functional component on every major operating system and every major browser version), and deployed and launched the system providing support to and building the capacity of GHG data management users who are key to ensuring smooth reporting cycles and accurate data input.</p> <p>At the finalization of each Phase, the reports were presented to key stakeholders and users. Comments and proposals were received from line Ministries, emitters, verification companies and other stakeholders during three workshops. Each of these reports were developed and reviewed in consultation by CITEPA (Centre Interprofessionnel Technique D’Etude de la Pollution Atmospherique), who provided international experience in E-Reporting systems.</p> <p>The software development phase was completed by “Zhasyl Damu” under a separate contract and the developed system is fully operable. The System has IT security certification. All the users: emitters, verifiers and the Committee on State Regulation and Control, have engaged to the processes of the system. An online help desk is also accessible for system users.</p>
<p>Comments:</p>	<p>All deliverables produced by the local consultants (“Zhasyl Damu”) have been reviewed by the French international consultant “CITEPA” to ensure that international best practice and experience is considered in each of the Phases and reflected in the final report "Development of GHG e-reporting system in Kazakhstan", where Insights, international examples, lessons learned, and recommendations were given.</p> <p>As per local legislation, the Committee for Environmental Regulation and Control (CERC) under the MEGNR is the main Beneficiary of the E-reporting as it oversees Monitoring, Reporting and Verification (MRV). The Climate Change Policy and Green Technologies Department under the MEGNR is interested in a well-designed E-reporting system mainly to use the data for public policy analysis and elaboration of the National Inventory Report to the UNFCCC.</p>
<p><b>4. “Enhancement of Kazakhstan’s Carbon Unit Registry” – To be launched by end 2019</b></p>	
<p>Status:</p>	<p>This activity relates to the infrastructure supporting the issuance, transfer, and cancellation/retirement of carbon units in Kazakhstan’s carbon market. The objective is to have an analysis of the legislative, regulatory and institutional framework that would support the development of a registry in line with domestic (i.e. ETS) and international needs (i.e. Paris Agreement).</p>

Comments:	The procurement modality is yet to be defined, but will be based on the scope of the agreed work.
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### Proposal for the 3<sup>rd</sup> Allocation under Additional Financing

Status:	<p>Additional Funding Proposal was submitted and presented at the 17<sup>th</sup> Partnership Assembly (PA 17) held in Tokyo, Japan from 24 to 27 October 2017. PA 17 adopted a Resolution No. Pa17/2017-2 with a decision to allocate additional funding to Kazakhstan as a Technical Partner for Targeted Technical Support of the activities proposed to be carried out in Kazakhstan’s “Additional Proposal for Targeted Technical Support” in the amount of US\$ 500,000, with the expectation that such activities will be implemented in accordance with the “Additional Proposal for Targeted Technical Support” prior to the end of the PMR operational phase.</p> <p>The following activities were proposed:</p> <p><b>Proposed Activity 1 – Low Carbon Development Study</b> – will primarily address interaction between ETS and non-ETS sectors in light of Kazakhstan’s commitments under the Paris agreement.</p> <p><b>Proposed Activity 2 – Allowance Allocation and Market Regulation Study</b> – will address the role of the Allowance Reserve in the new phase of Kazakhstan’s ETS</p>
Comment:	<p>The abovementioned activities were revised as follows:</p> <p>There are two Assignments for 2019-2020, the objective of the first assignment is two-fold:</p> <p style="padding-left: 40px;">i) <b>Conduct a study on the allocation of quotas for the next National Allocation Plan (NAP) for post-2020 and the carbon market regulation for post-2020</b></p> <p style="padding-left: 40px;">and</p> <p style="padding-left: 40px;">ii) <b>Legal and Technical Diagnostic of the State Registry of the GHG ETS of Kazakhstan.</b></p> <p>The first Task of this Assignment is to update benchmarks for quotas allocation. The overall objective of this task is to analyze and update existing benchmarks in the sectors (industry, oil and gas and power) included in the current ETS of Kazakhstan to align them with the EU ETS using the technical outputs from Phase I as a basis. The PMR Technical Guides (<i>titled ‘A Guide to Greenhouse Gas Benchmarking for Climate Policy Instruments’ and ‘Establishing scaled-up crediting program baselines under the Paris Agreement: Issues and Options’</i>) can serve as a useful resource for this assignment.</p> <p>Stakeholder consultations are an integral part of the development of benchmarks, and will ensure that the purpose of the benchmarks, their methodology/ calculations, and how they are to be used is fully understood. These consultations also aim to ensure acceptance of the benchmarks by industries who may be affected by their implementation.</p> <p>Moving on to the second Task, the analysis and consultation to inform decision-making for the next period of the ETS of Kazakhstan need to be undertaken. Given that the current allocation phase for Kazakhstan ends in 2020, the overall goal of this task is to agree on a duration for the next National Allocation Plan.</p> <p>Stakeholder consultations will be key for this task and will therefore include consultations with installation operators on a proposal to introduce primary sales of</p>



quotas for the next NAP, therefore to determine a price for carbon. The consultations would result in a set of recommendations for the operationalization of the next NAP. The exercise will also consider potentially allocating quotas for other GHGs such as methane as well.

The key outcomes of this analysis would be on the following: duration of the cap, introduction of auctions and type and quantity of auctions.

Legal and Technical Diagnostics of the State Carbon Units Registry and Opportunities Study for its Future is the third Task, the goal of which is to conduct an analysis on the legal and technical framework of Kazakhstan's current registry system to determine any potential gaps as well as deviation from international practices. This task consists of the following key components:

- Conduct a review of the legal, institutional and technical issues for the proper functioning of the state registry. *(This includes the development and agreement on a Terms of Reference for Data Exchange Standards (DES) for the registry under the Kyoto Protocol and its adaptation under the Paris Agreement.)*
- Analysis on how the registry can be ready for future linking with the international market.
- As a Forward Look, the task will also explore the potential use of blockchain for Kazakhstan's Registry.

**(ii) Update Kazakhstan's NDC and Provide a Roadmap for NDC Implementation for post-2020** is the title of the second Assignment.

The key objectives of this assignment are the following:

- Conduct an economy-wide assessment of the GHG mitigation potential of all sectors to inform Kazakhstan's updated NDC that would be submitted to the UNFCCC Secretariat in 2020;
- Develop a technical implementation roadmap to guide the implementation of the updated NDC for the period of 2020-2025;
- Conduct stakeholder engagement with all relevant agencies and build internal capacity of the MEGNR (previously MoE) and key stakeholders concerned.

**Task 1** is to conduct a top-down economy-wide assessment of the GHG mitigation potential of all sectors to inform Kazakhstan's updated NDC.

The goal of this component is to ensure that the updated NDC reflects Kazakhstan's ambition in ramping up climate action. The ambition can be reflected through tighter 2030 targets, an expansion of the scope of NDC, introduction of new policies, more robust transparency systems and/or improved governance structures for implementation of climate action. This modeling exercise will also identify the benefit/risks associated with each NDC scenario.

Studies and modeling tools to be considered under this component include those developed by the Government of the Republic of Kazakhstan (*– including the MEGNR (previously MoE) and other agencies – local universities and think-tanks, and multilateral and bilateral international technical assistance programs (e.g. World Bank, EBRD, ADB, GIZ etc.)*).

Analysis of indicators mentioned in the national strategy documents, state programs and strategic plans of key ministries that could contribute to achievement of the first NDC of the Republic of Kazakhstan under the Paris Agreement will be conducted. Analysis of the indicators in the strategies and state programs will provide conclusions on their contribution to the achievement of the NDC of Kazakhstan and provide recommendations on the need to update the current indicators and/or develop new

	<p>ones in the state programs and strategic plans of the key ministries. This analysis will also provide recommendations on the work for updating and introducing indicators that would not cause any burden on the state budget and minimizing risks to increase costs from the republican budget.</p> <p>Through stakeholder consultations with all relevant ministries and line agencies, all assumptions and modeling tools would need to be agreed with the MEGNR (previously MoE) to ensure enactment by the Government. The modeling exercise should present alternative NDC scenarios and the policy suite in addition to Kazakhstan’s ETS necessary to reach the desired NDC. Similarly, the benefit and risks of each scenario will also be analyzed.</p> <p><b>Task 2</b> is to develop a technical implementation roadmap to guide the implementation of the updated NDC for the period of 2020 – 2025.</p> <p>The objective of this component is to provide technical guidelines to the Cabinet and other relevant agencies on how Kazakhstan can achieve the targets on the updated NDC developed through component 1.</p> <p>This exercise will include a thorough study of existing policies in place and identify what is already aligned and what are the gaps to achieve the updated NDC. This will include factors that will impact Kazakhstan’s ability to achieve the updated NDC.</p> <p>The roadmap will include practical recommendations, timeline of actions and indicators to track progress in implementing the Roadmap. Prioritization of recommendations will seek to maximize environmental effectiveness, socio-economic impacts and co-benefits and feasibility of implementation.</p> <p>Conduct stakeholder engagement with all relevant ministries, line agencies and build internal capacity of the MEGNR (previously MoE) and key stakeholders concerned is the third component of the Assignment.</p> <p>To ensure buy-in from relevant ministries and line agencies for the updated NDC, regular and thorough stakeholder engagement will be a key cross-cutting activity throughout this assignment. Similarly, capacity building of key stakeholders concerned will be critical to ensure that the updated NDC will get implemented. Therefore, at least two capacity-building exercises will be organized during the length of this assignment to train staff on topics such as economic modeling/use of modeling tool, environmental policy analysis and effective stakeholder engagement.</p> <p>Status to date: The procurement procedures for the second activity (<b>Update Kazakhstan’s NDC and Provide a Roadmap for NDC Implementation for post-2020</b>) have been completed and “Zhasyl Damu” jointly with Ernst and Young (Kazakhstan) were selected as the implementing companies. The implementation of this activity is expected to start in October 2019 and will be completed by June 2020.</p> <p>As for the first Assignment, the procurement procedures are expected to start this month, in October.</p>
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**5. PROGRESS, CHALLENGES, AND LESSONS LEARNED**

<p><b>Important policy or regulatory developments related to the Grant’s objectives and activities:</b></p> <p>Kazakhstan is one of the largest emitters of GHG in Europe and Central Asia with total annual national emissions of 300.9 MtCO<sub>2</sub>e in 2015 – with the energy sector accounting for 82% of total GHG emissions, followed by agriculture (9.6%) and industrial processes (6.4%). Given the abundance of cheap domestic coal, more than 80% of produced electricity is coal-fired, followed by natural gas (7 percent) and hydro</p>
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power (8 percent). In addition, energy-poverty remains an issue with 67% of households in rural areas still using coal as a primary heating source.

The Kazakh Government has consistently advocated ambitious global carbon dioxide mitigation goals. Kazakhstan has played an active role in the UNFCCC negotiations since the Convention's inception in 1992, due to its own significant vulnerability to climate change and threat of land degradation, desertification and fresh water deficits. Throughout the years following the adoption of the Kyoto Protocol, Kazakhstan was one of the few countries leading and advocating to increase the ambition of the Kyoto framework and spearheading the negotiations on extending and amending Annex I of the agreement to cover countries that have not been previously part of it. Although Kazakhstan was not listed as Annex I Party of the Convention at the time of its adoption, it has undertaken Annex I obligations through a unilateral declaration in March 2000.

In 2012, at the Doha Conference of Parties, Kazakhstan took on a legally-binding target for the second commitment period of the Kyoto Protocol at the level of 95% of 1990 levels for the period of 2013–2020. Also in Doha, Kazakhstan announced a long-term goal to reduce GHG emissions by 25% until 2050.

Recognizing the importance of the concerted global effort on safeguarding future climate, Kazakhstan proposed as its Nationally Determined Contribution (NDC), an economy-wide reduction of GHG emissions of 15% from 1990 emissions levels by 2030. The objective will contribute to sustainable economic development and enable Kazakhstan to enter a path of low-carbon "green" development, and contribute to the achievement of the long-term global goal – to keep global temperatures below 2 degrees Celsius.

Kazakhstan ratified the Paris Agreement in November 2016 and committed itself to the fulfillment of the proposed target as its first NDC. On January 2018, Kazakhstan's ETS, which was on pause for the last two years, became operational again.

With regards to the improvements, first of all some corrections to the system of monitoring, reporting and verification of GHG emissions were made by providing the possibility of electronic reporting. Now the emitters can submit their inventory reports by using an electronic reporting system.

Secondly, the competence for accreditation of bodies for validation and verification was transferred to the National Center for Accreditation which is the authorized body for accreditation in Kazakhstan. The advantage of doing it is that they conduct accreditation according to ISO standards.

The main improvement of the ETS is the adoption of benchmarks for GHG emissions.

According to the new Quota Allocation Rules two methods of quota allocation were used (both grandfathering and benchmarking). The choice of the allocation method was done by the companies themselves. As a result, 147 installations chose benchmarking and 75 grandfathering method.

The National Allocation Plan for GHG emissions for 2018-2020 was approved in December, 2017 and that was the last step for re-launching the ETS.

Starting from 2021 MEGNR (previously MoE) plans to use only the benchmarking approach to allocate quotas for GHG emissions. This change is already written in the Draft of the new Environmental Code of the Republic of Kazakhstan which is to be adopted by the Parliament in early 2020.

According to the Decree of the President of the Republic of Kazakhstan # 17 of 17 June 2019, the new Ministry of Ecology, Geology and Natural Resources (MEGNR) was created. The functions on climate change regulation which were previously at the Ministry of Energy's Climate Change Department had been transferred to the Climate Policy and Green Technologies Department of the MEGNR.

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

PMR support will be valuable in initiating discussions in Kazakhstan among key stakeholders on vision how to develop the next National Allocation Plan, including discussions on the following aspects: period of NAP (3 or 5 or more years), % of free allocation and auctions, schedule of primary quotas trading,

strengthening MRV, etc. If possible, PMR could assist in providing events or training courses on using and adapting the Paris Agreement Rulebook.

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

As reported in previous ISRs, the PMR supported activities are executed by the World Bank, thus the MEGNR is not involved in the financial management and procurement aspects of the PMR grant. On the one hand, this lowers the work load for the CCPGT Department which would face a shortage in human resources to do so. On the other hand, Kazakhstan – unlike other PMR Participants – does not benefit from a Project Implementation Unit (PIU) which would provide additional staff for the Ministry to implement PMR activities on the ground and build internal capacity. Overall, while the shortage of human resources on the side of the MEGNR remains, the increased involvement of the World Bank's Country Office in Kazakhstan in project implementation over the years has allowed PMR activities to run smoothly and deliver the expected outcomes.

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

Since January, 2014 when the World Bank Country Office in Kazakhstan hosted the first donor coordination meeting on technical assistance to ETS in Kazakhstan in collaboration with the Ministry of Environment and Water Resources (now Ministry of Energy), regular donor coordination meetings are held among key donors in Kazakhstan to update each other on ongoing and planned activities (i.e. ADB, EBRD, European Union, Germany, Norway, USAID, OSCE, GIZ, JICA, World Bank and others). It should be noted, however, that most initiatives specifically targeting ETS support have now been completed. A broader "Kazakhstan Green Economy Donors" group is now used to coordinate technical assistance initiatives in supporting low carbon development, including through carbon pricing.

In addition, the World Bank Country Office regularly participates in inter-ministerial working groups and workshops arranged by the Government or donors in Kazakhstan to present PMR's work and provide inputs from the PMR project team to the Government's strategic initiatives related to the climate mitigation policy. Thus, the Country Office was participating in the Working Group meetings chaired by local municipality (Akimat) on low carbon development strategy for Nur-Sultan city, sharing the PMR's work, including potential piloting a City-level Low-carbon Roadmap during the next phase. In parallel, regular meetings held with the ADB team related to its ongoing Regional Technical Assistance on Promoting Low-Carbon Development in Central Asia aimed to mainstream the climate actions in city investment plans in Kazakhstan (Nur-Sultan) where the efforts to help the country in fostering green transformation are being discussed.

German Society for International Cooperation (GIZ) has its ongoing project (implementation period: September 2018 - September 2021), the aim of which is to support the Government of the Republic of Kazakhstan in creating institutional and technical capacity necessary for the implementation of the Concept on transition to a green economy, as well as Nationally Determined Contributions (NDCs), which will have an accompanying positive impact on other countries of Central Asia.

In the first of three work packages, the project involves providing recommendations to decision makers in the MEGNR and the Ministry of National Economy, as well as other targeted governmental and non-governmental partners in the development of programmatic measures for the practical implementation of the Concept for the transition to a green economy. Via adapted modeling data obtained as a result of analysis of possible economic, environmental and social consequences of applying various software instruments will be taken into account in interdepartmental cooperation in the framework of implementation Concept for the transition to a green economy.

The second block of work seeks to strengthen dialogue with the private sector on implementation of green economy policies, especially in the areas of resource and energy efficiency. Consequently, this will help to take into account the needs and potential of the private sector when developing policies and disseminate relevant examples of innovative practices.

In the third block, such examples will be used to raise awareness of the opportunities of the green economy in various key stakeholder groups in Kazakhstan and neighboring Central Asian countries.

The aim of the project is to improve the institutional and technical capacity for the implementation of the Concept for transition to a green economy, as well as NDCs in combination with a concomitant positive impact on Central Asia. Three work packages - policy development, dialogue mechanisms and consultation (including with the private sector) and the dissemination of learning experiences will contribute to achieve the goals of the National Strategy for the transition to a green economy and NDC.

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

PMR activities are designed and implemented to maximize the involvement of different stakeholders in the consultation process around project activities and underlying policy developments. To enhance synergies with existing initiatives within the Ministry of Energy, at the CITEPA completion workshop on the electronic GHG reporting platform, representatives from the Ministry of Digitization and the Department of Waste Management were also present.

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

N/A

## 6. ADDITIONAL INFORMATION

N/A