Tunisia’s Market Readiness Proposal (MRP)

Country: Tunisia
Responsible Agency: National Agency for Energy Conservation (ANME)
Delivery Partner: United Nations Development Program (UNDP)
Date of Submission: April 2018

PA 18 – Kyiv, Ukraine
April 26 ,2018

PARTNERSHIP FOR MARKET READINESS

Outline of presentation

1. National Context
2. MRP objective and focus
3. Summary of budget and timeline

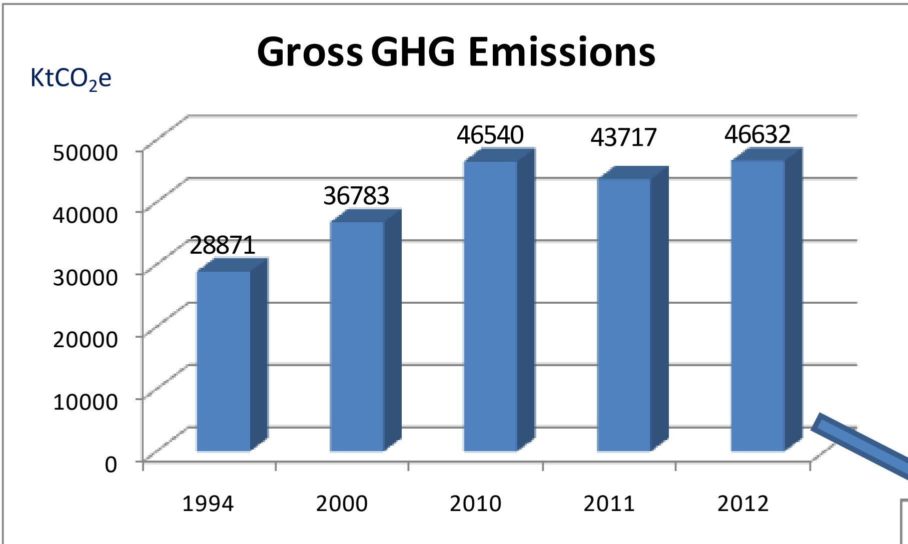
National Context

UNFCCC ratification	1993
KP ratification	2003
Paris Agreement ratification	February 2017

NDC	Sep 2015
LEDS	Launched for the energy sector
National Communication	1st : Oct. 2001 2nd : Feb. 2014 3nd : Finalized
BUR 1	Dec 2014
BUR 2	Dec 2016

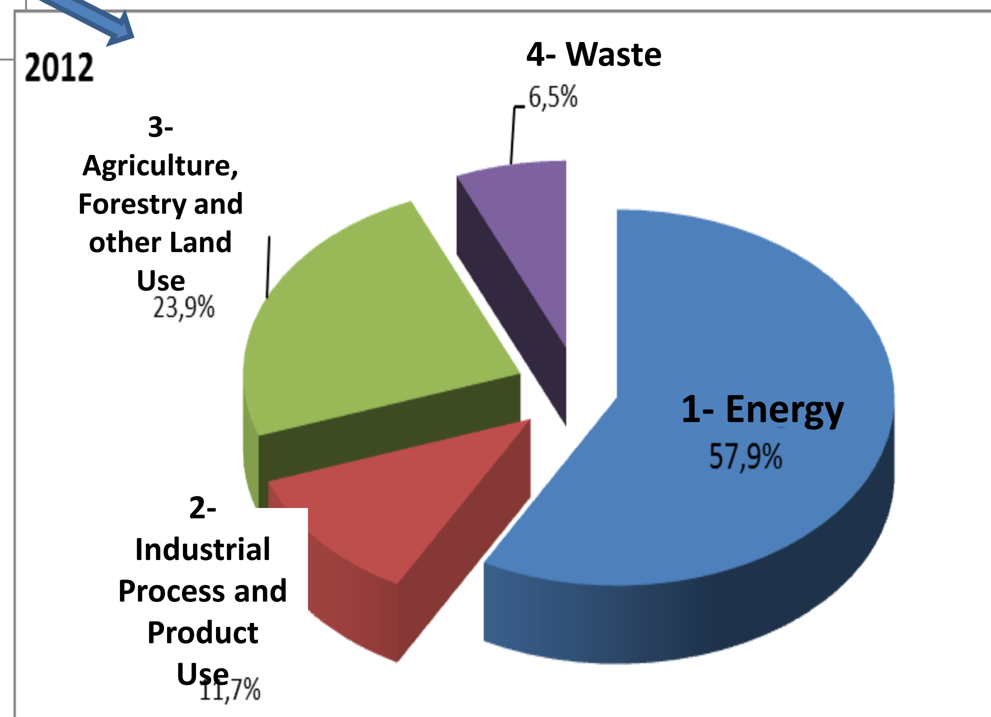
GHG emissions in Tunisia

National GHG emissions inventories



Energy-related emissions account for 58% of total national emissions (27 MTCO2e) in 2012

GHG emissions by sector - 2012 -

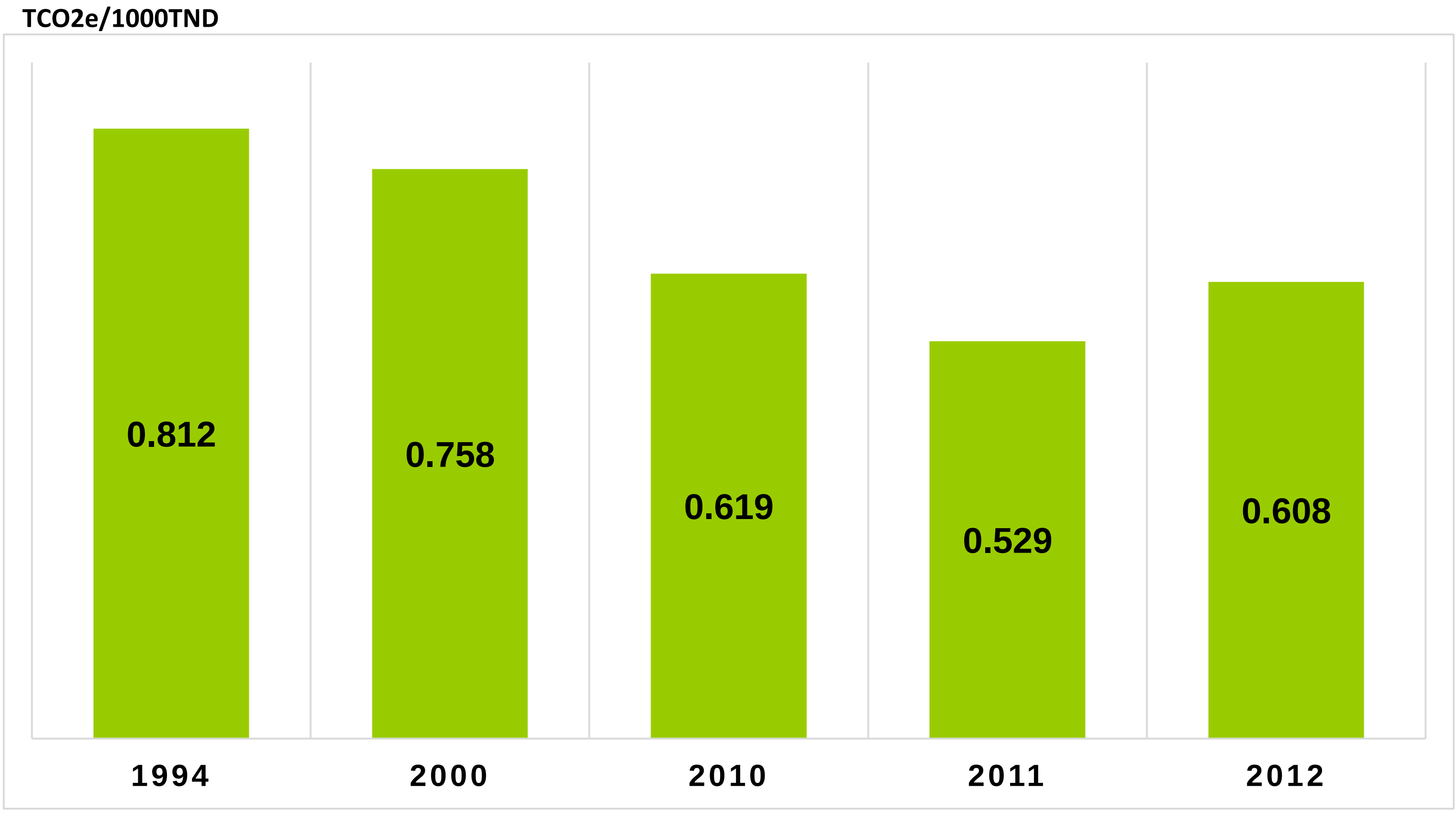


2012

Per capita emissions

3 TCO2e

Carbon intensity evolution



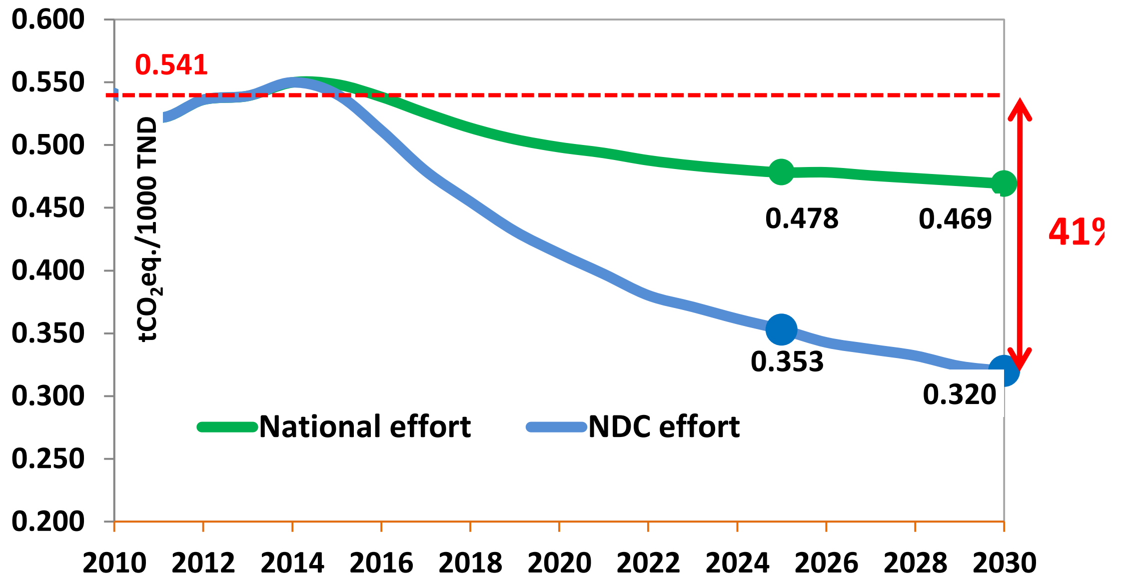
Tunisian NDC objective

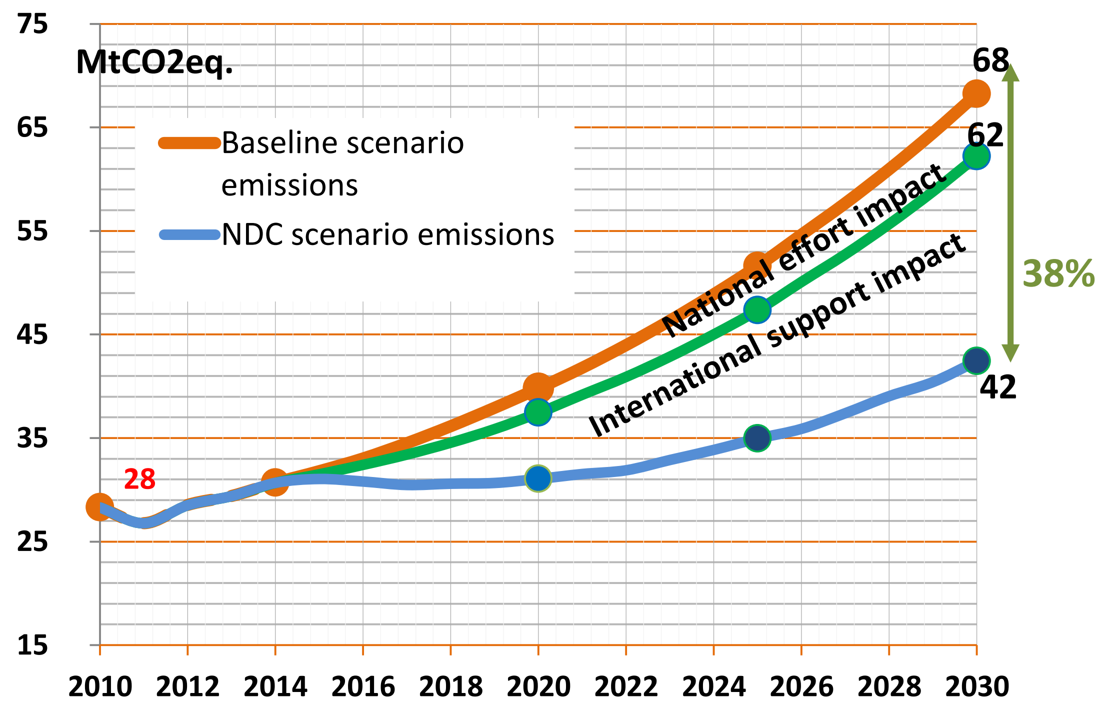
✓ ***Objective***: Reduction of **carbon intensity** by **41%** by 2030 comparing to 2010

✓ ***Total emissions avoided***: 207 MtCO2e

✓The ***Energy Sector*** (EE&RE) represents **73%** of the total NDC target

✓ ***Investment needs:*** 17 billion US dollars of which 15 billions for the energy sector





MRP objective and focus

Long Term vision

Why Carbon Pricing instruments?

Carbon pricing

Lever for public policy

Achievement of National priorities

Accelerate the Energy Transition in Tunisia

- *Renewable Energy*
- *Energy Efficiency*

Implementation of the Paris Agreement

Strengthen the mitigation policy in Tunisia

- NDC
- LEDS

Main assets for carbon pricing in Tunisia

Energy Conservation Law (2004-72) : the basis for the whole EE&RE policy

Energy Conservation Policy, based on two main objectives :

- Increasing the share of renewable energy to 30% in 2030
- Reducing primary energy consumption by 30% in 2030.

➔ **National action plan for accelerating the implementation of these two objectives**

The Energy Transition Fund (FTE):

- Created in 2005 by Law, under the name of National Fund for Energy Conservation (FNME) to incentivize EE and RE projects
- Updated by Law, under its new name of Energy Transition Fund (FTE) in December 2013
- Reformed in July 2017 to broaden it with a substantial expansion of its fields and modes of intervention (subsidy , loan, equity)

Need to mobilize significant national and international additional resources

X 4 the current FTE resources

<u>Move to energy transition and meet NDC goals</u>

Main assets for carbon pricing in Tunisia

Experiences/lessons learnt acquired through NAMAs development:

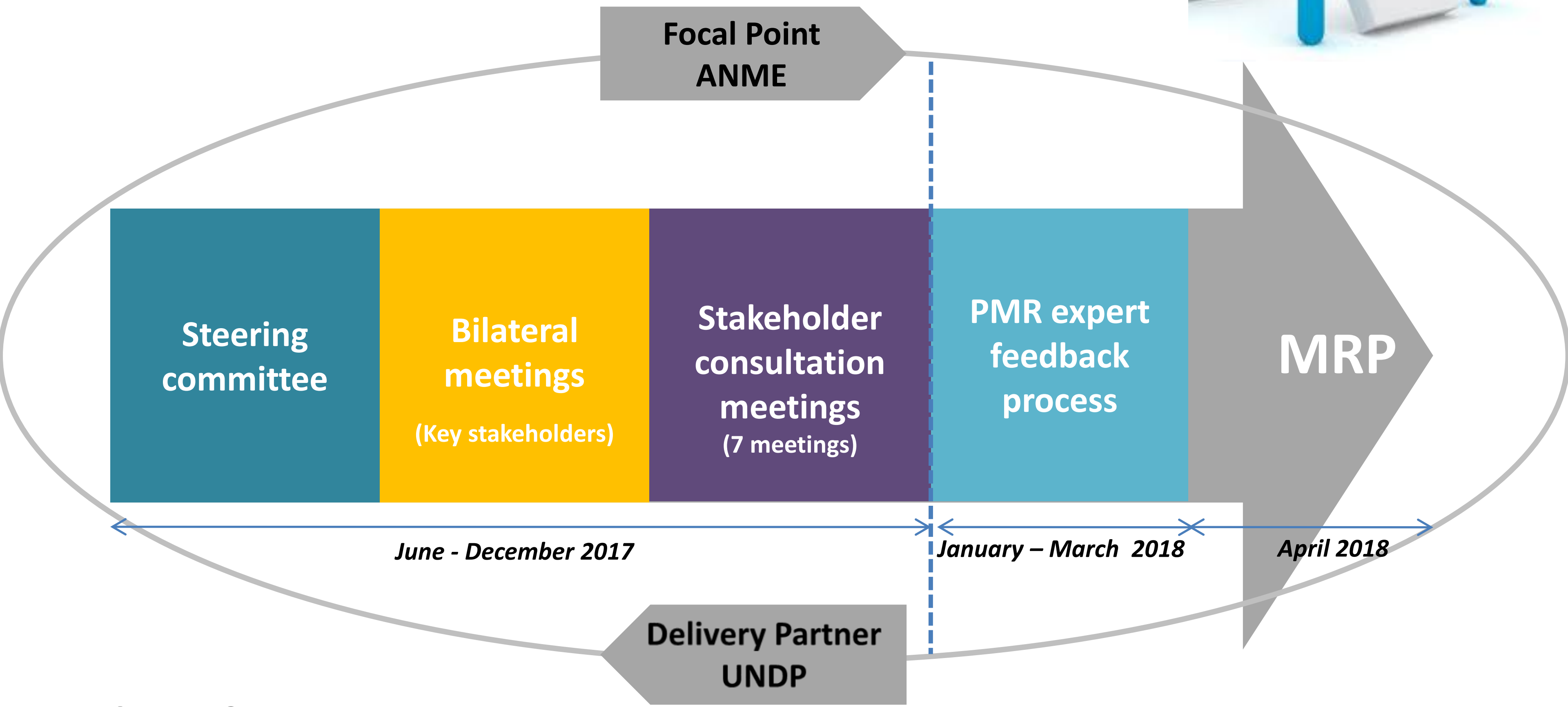
• Tunisia has capitalized on a broad experience in the design and development of NAMAs in particular NAMA Tunisian Solar Plan (PST), NAMA cement and NAMA building.

Engagement of the financial sector:

• Involvement of the financial sector on the issues related to carbon pricing at an early stage would facilitate the implementation of carbon pricing policy .

MRP preparation process

June 2017- April 2018



Consultancy firms:

- ✓ **Get2C**
- ✓ **Apex**
- ✓ **Alcor**

→ **MRP Tool:** *Version 3*

MRP activities

BB1	National context presentation
BB2 *(2 activities)*	Identification of the main obstacles to carbon pricing in Tunisia and assessment of its impact on socio-economic aspects
BB3 *(4 activities)*	Create enabling environnement for carbon pricing → Update and improvement of mitigation scenarios and transparency activities (MRV) for the identified sectors
BB4 *(3 activities)*	Design and preparartion of 3 carbon pricing instruments
BB5 *(4 activities)*	Cross-cutting activities PMU, communication & outreaching activities, capacity building activities…
BB6	Summary of activities, timeline and budget

Proposed Carbon Pricing Instruments

- ✓ **Instrument 1:** Introduction of a carbon tax to support the FTE
- ✓ **Instrument 2**: Introduction of a « results-based finance » system to support the development of renewable electricity
- ✓ **Instrument 3**: Identification and design of a CPI for the cement sector under the voluntary agreement between the cement industry and public authorities

Link and articulation between the 3 CPI

✓ **Instrument 1** : Carbon tax will provide additional resources to FTE (Energy Transition Fund)

Energy/Carbon tax

↓

The FTE will be the pillar of the 3 articulated instruments to be designed

Energy Transition Fund *(FTE)*

✓ **Instrument 3** : CPI definition will rely on the additional FTE resources (Instrument 1) , while renewable-based mitigation activities will be channeled through Instrument 2

✓ **Instrument 2**: will be fed by the additional FTE resources (Instrument 1) to incentivize RE projects

Electricity sector (Results-Based Finance)

Cement Sector (CPI to be determined based on the VA)

Instrument 1: Introduction of a carbon tax to support the FTE

A law providing for an energy tax to feed the FTE does already exist but is not yet operational

Change the taxation principle :
Tax based on carbon content rather than on energy consumption

Short Term vision

Mobilize new resources for FTE with taxation levels sized according to the FTE needs

Long Term vision

Give price signals to consumers, with progressively increasing taxation levels to stimulate direct consumers' choices towards the use of less GHG emitting energies and practices

Carbon taxation channeled through such existing and well known instrument (FTE), is foreseen to become one of the "natural" drivers for low-carbon transition in Tunisia, allowing the integration of carbon pricing in the energy policy and thus supporting the Energy Transition policy

Instrument 2: Introduction « results-based finance » system to support the development of renewable electricity

Short Term vision

Attract and increase the involvement of the private sector in the achievement of the Tunisian Solar Plan (TSP), by implementing a carbon pricing system to reward avoided GHG emissions from renewable electricity generation

Long Term vision

Learning the use of this instrument may provide technical insights for the future access to the international mechanisms provided for in Article 6 of the Paris Agreement

Instrument 3: CPI for the cement sector

Choice of the instrument will be based on international experience and on consultation with the cement industry

Short Term vision

- ✓ *Definition of a CPI that supports GHG mitigation effort in the Tunisian cement sector through 4 mitigation options (EE, RE ,reduction of clinker /cement ratio, co-processing) under the frame of the voluntary agreement*
- ✓ *Definition of the operational modalities of the CPI implementation*

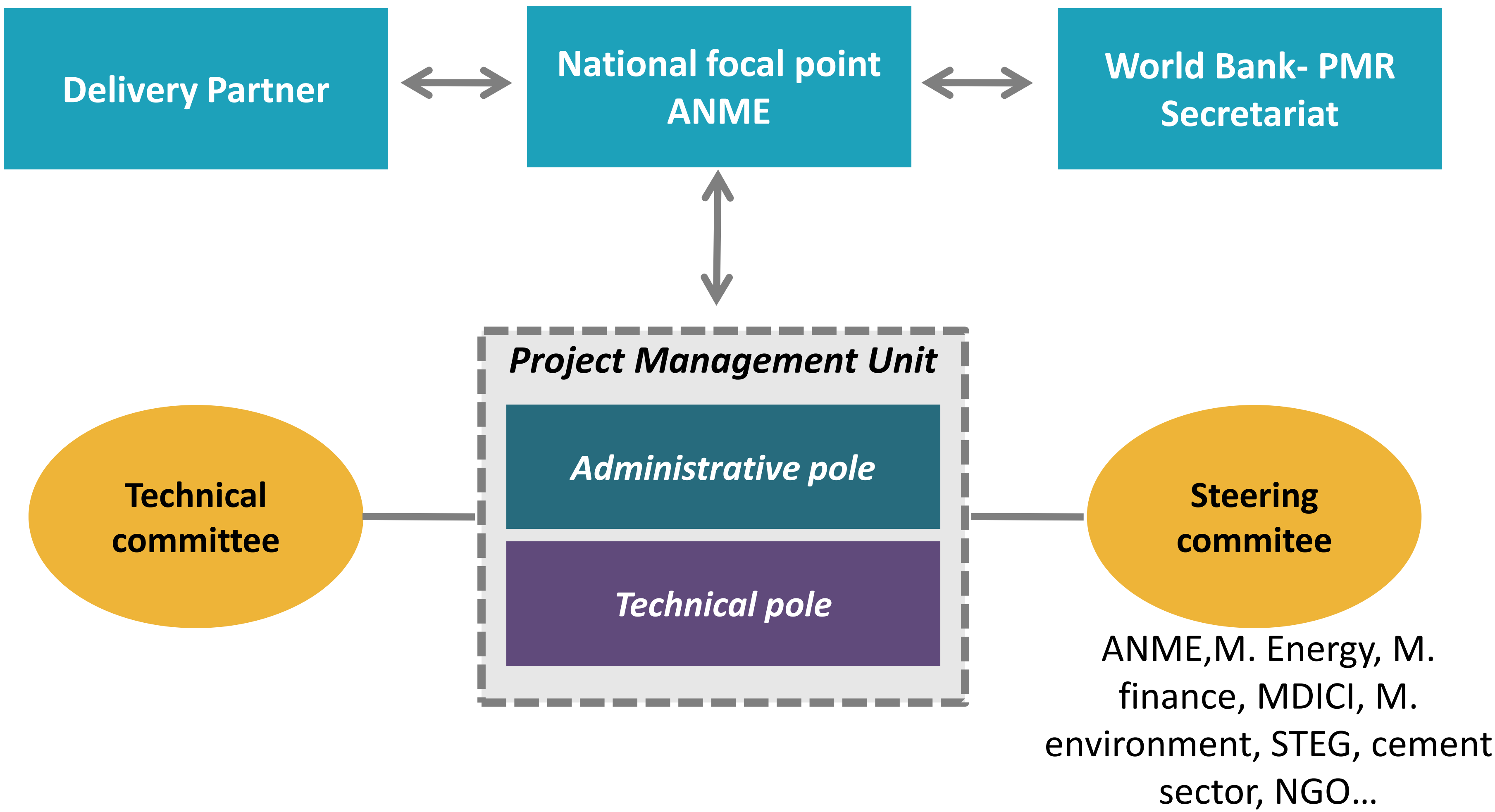
Long Term vision

- ✓ *Real application to the cement sector, and expansion to other industrial sectors.*
- ✓ *Getting ready for the potential access of this sector to the mechanisms provided for in Article 6 of the Paris Agreement*

Governance structure for the MRP implementation

Project duration : 2 years

*Establishment of a solid Project Management Unit “**PMU**” totally dedicated to the project*



Summary of budget and timeline

Planning of proposed activities under the PMR

	2018		2019				2020			
	Tr. 3	Tr. 4	Tr. 1	Tr. 2	Tr. 3	Tr. 4	Tr. 1	Tr. 2	Tr. 3	Tr. 4
BB2										
Impact assessments of subsidies removal and carbon pricing	■	■	■	■	■	■				
Activity 1 – Impact assessments of energy subsidies removal on socio-economic development	■	■	■	■	■					
Activity 2– Impact assessments of carbon-pricing on socio-economic development	■	■	■	■	■	■				
BB3										
Forecasting and scenarios			■	■	■	■				
Activity 3 – Updating of the mitigation target in the energy sector			■	■	■	■				
Activity 4 – Updating of the mitigation target in the electricity sector			■	■	■	■				
Implementation of a MRV system			■	■	■	■	■			
Activity 5- Improvement of Ener-info database			■	■	■	■	■			
Activity 6 – Design and implementation of an electricity generation MRV system				■	■	■	■			
BB4										
MBI for the global energy sector	■	■	■	■	■	■				
Activity 7 – Introduction of a carbon tax to support the Energy Transition Funds	■	■	■	■	■	■				
MBI for renewable electricity generation		■	■	■	■	■	■	■		
Activity 8 – Introduction of a results-based payments system to support development of renewable electricity		■	■	■	■	■	■	■		
MBI for cement sector		■	■	■	■	■	■	■		
Activity 9 – Experimentation and training on how to use a carbon pricing system based on voluntary agreement of the cement sector		■	■	■	■	■	■	■		
BB5										
Organisational structure of the process	■	■	■	■	■	■	■	■		
Activity 10 – Establishment and Operation of a Project Management Unit	■	■	■	■	■	■	■	■		
General capacity building and communication	■	■	■	■	■	■	■	■		
Activity 11 – Introduction of new assessment criteria standards by financial organizations, based on climate impacts			■	■	■	■				
Activity 12 – Capacity building to support the implementation of the activities outlined in the MRP	■	■	■	■	■	■	■	■		
Activity 13 – Communication, advocates and involvement of the stakeholders	■	■	■	■	■	■	■	■		

Summary of PMR budget

BB	2018	2019	2020	PMR contribution US$
BB2 **Modeling activities**	200 000	300 000		500 000
BB3 **Development of mitigation scenarios and MRV systems**	100 000	425 000	75 000	600 000
BB4 **Design of instruments**	175 000	325 000	150 000	650 000
BB5 **Cross-cutting activities**	325 000	525 000	400 000	1 250 000
Total	**800 000**	**1 575 000**	**625 000**	**3 000 000**

Thank you