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
Outline of presentation

1. National Context
2. MRP objective and focus
3. Summary of budget and timeline
National Context
<table>
<thead>
<tr>
<th><strong>UNFCCC ratification</strong></th>
<th>1993</th>
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<tbody>
<tr>
<td><strong>KP ratification</strong></td>
<td>2003</td>
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<tr>
<td><strong>Paris Agreement ratification</strong></td>
<td>February 2017</td>
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<table>
<thead>
<tr>
<th><strong>NDC</strong></th>
<th>Sep 2015</th>
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<tbody>
<tr>
<td><strong>LEDS</strong></td>
<td>Launched for the energy sector</td>
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</table>
| **National Communication** | 1<sup>st</sup> : Oct. 2001  
2<sup>nd</sup> : Feb. 2014  
3<sup>rd</sup> : Finalized |
| **BUR 1** | Dec 2014 |
| **BUR 2** | Dec 2016 |
GHG emissions in Tunisia

National GHG emissions inventories

Gross GHG Emissions

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

1- Energy 57,9%

2- Industrial Process and Product Use 11,7%

3- Agriculture, Forestry and other Land Use 23,9%

4- Waste 6,5%
Carbon intensity evolution

TCO2e/1000TND

<table>
<thead>
<tr>
<th>Year</th>
<th>TCO2e/1000TND</th>
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<tbody>
<tr>
<td>1994</td>
<td>0.812</td>
</tr>
<tr>
<td>2000</td>
<td>0.758</td>
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<tr>
<td>2010</td>
<td>0.619</td>
</tr>
<tr>
<td>2011</td>
<td>0.529</td>
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<tr>
<td>2012</td>
<td>0.608</td>
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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

Move to energy transition and meet NDC goals
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

Focal Point
ANME

Steering committee
Bilateral meetings
(Key stakeholders)
Stakeholder consultation meetings
(7 meetings)
PMR expert feedback process

Consultancy firms:
✓ Get2C
✓ Apex
✓ Alcor

MRP Tool: Version 3
**MRP activities**

**BB1**
National context presentation

**BB2**
Identification of the main obstacles to carbon pricing in Tunisia and assessment of its impact on socio-economic aspects

**BB3**
Create enabling environment for carbon pricing ➔ Update and improvement of mitigation scenarios and transparency activities (MRV) for the identified sectors

**BB4**
Design and preparation of 3 carbon pricing instruments

**BB5**
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)

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

**Energy/Carbon tax**

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

Electricity sector (Results-Based Finance)

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

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

**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.

- 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.
- 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.

Short Term vision

Long Term vision
Governance structure for the MRP implementation

Project duration: 2 years

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

- Delivery Partner
- National focal point ANME
- World Bank- PMR Secretariat

Project Management Unit

- Administrative pole
- Technical pole

- Technical committee
- Steering committee

ANME, M. Energy, M. finance, MDICI, M. environment, STEG, cement sector, NGO...
Summary of budget and timeline
## Planning of proposed activities under the PMR

### 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
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<tr>
<th>BB</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>PMR contribution US$</th>
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<td>BB2 Modeling activities</td>
<td>200 000</td>
<td>300 000</td>
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<td>500 000</td>
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<tr>
<td>BB3 Development of mitigation scenarios and MRV systems</td>
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<td>75 000</td>
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<td>BB4 Design of instruments</td>
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<td>BB5 Cross-cutting activities</td>
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<tr>
<td>Total</td>
<td>800 000</td>
<td>1 575 000</td>
<td>625 000</td>
<td>3 000 000</td>
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Thank you