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# Crediting-related activities under the PMR: status and support for implementation

Alyssa Gilbert, Noémie Klein, Ecofys  
Michael Lazarus, SEI (consulting team lead)  
Alexandrina Platonova-Oquab, PMR Secretariat  
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# Outline

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- ◆ Objectives
- ◆ Approach and Methodology
- ◆ Potential role of crediting instruments
- ◆ The eight crediting MRPs to date: Commonalities and divergence
- ◆ Assessing no-regrets:
  - Creating readiness
  - Maximizing benefits
- ◆ How can a PMR work programme for crediting-related activities support scaled-up mitigation?

# Objectives of the study

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1. Review and compare the 8 MRPs that focus on crediting-related activities
2. Assess whether and how these activities can stimulate scaled-up mitigation by creating a domestic environment that can support a range of climate policies
3. Identify additional opportunities for the PMR to support, through implementation of crediting-related MRPs

# Approach and Methodology

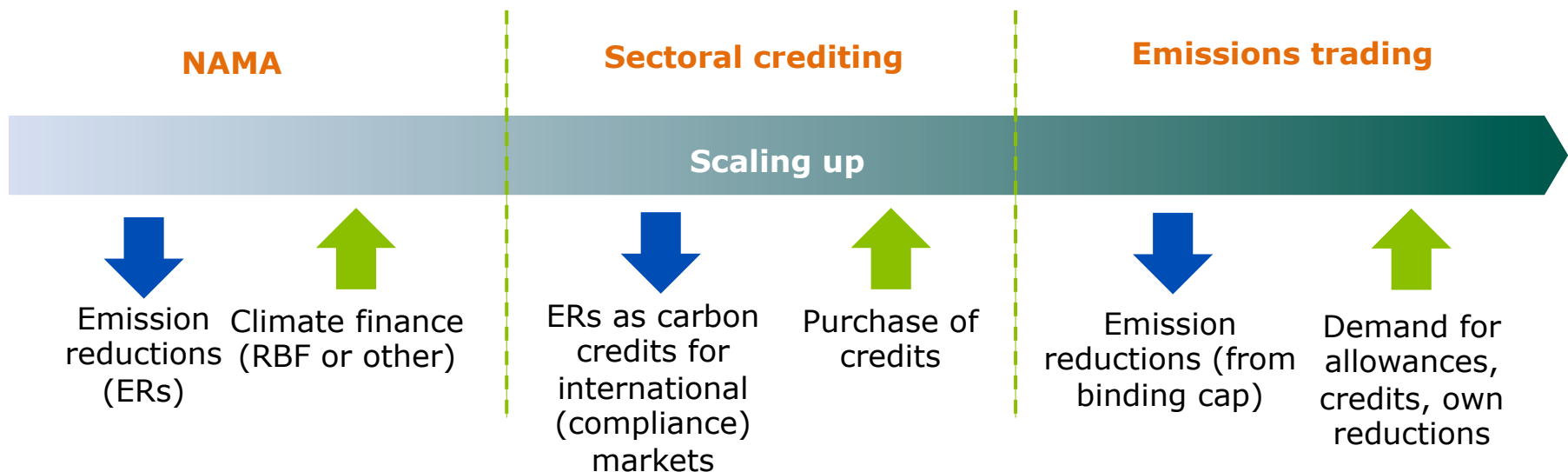
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- ◆ Establish theoretical basis
- ◆ Detailed assessment of eight MRPs (Colombia, Costa Rica, Mexico, Morocco, Peru, Thailand, Tunisia, Vietnam)
- ◆ Targeted interviews (e.g. GIZ, NAMA facility, FCPF, EBRD-PETER)
- ◆ Analysis and iteration
- ◆ Conclusions

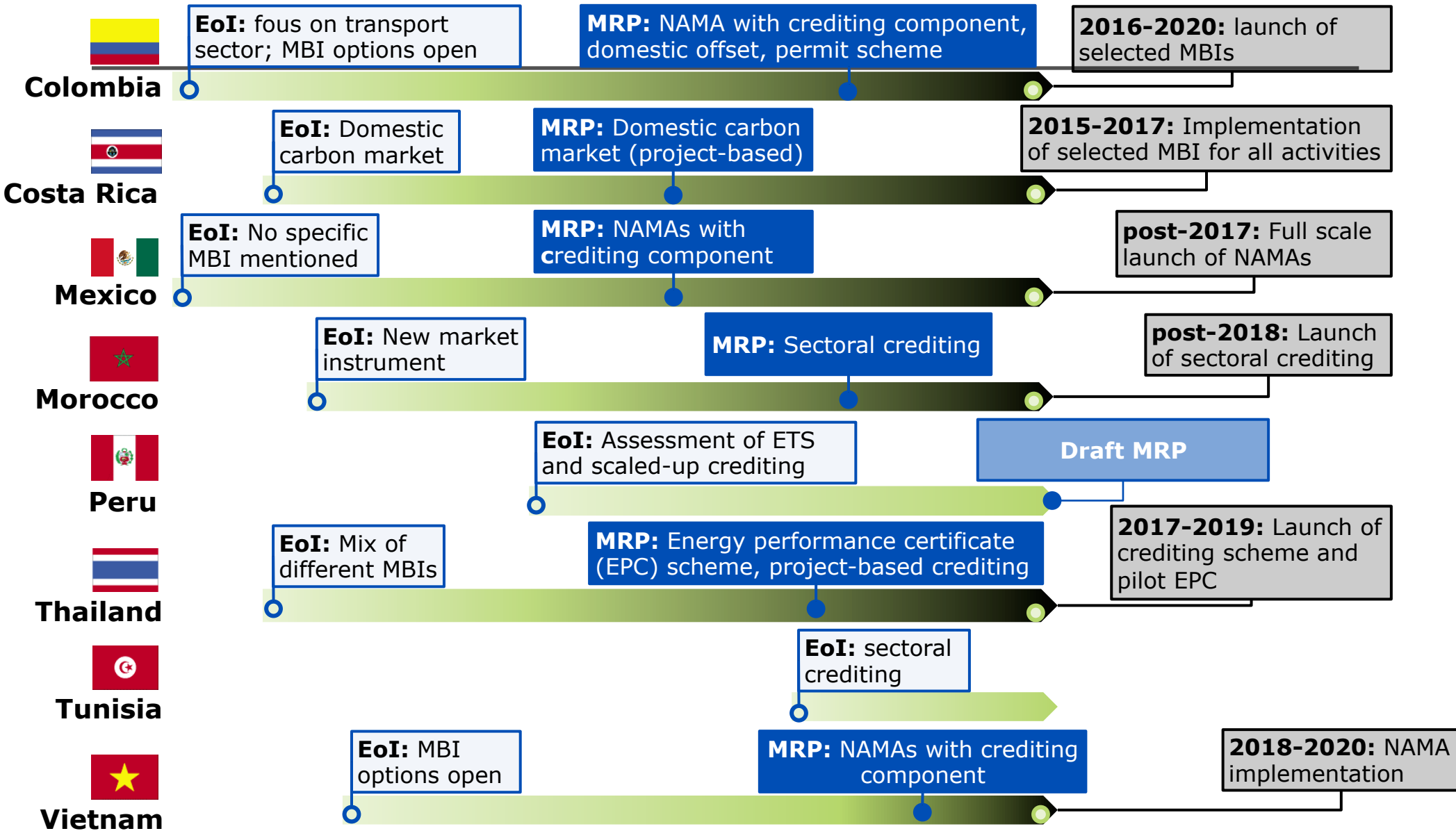
# Role of crediting instruments: Support to the evolution of domestic climate policy

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This possible pathway serves to illustrate how crediting-based activities might be considered by a country to build readiness for future policy instruments



2011      2012      2013      2014      2015      and beyond



○ EoI submission      ● Final MRP presentation      ● Expected implementation date

# Summary of commonalities and divergences

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- ◆ Choice of instrument:
  - no common blueprint for the choice and design
- ◆ Choice of sectors:
  - reflects national priorities
- ◆ Role of crediting instruments:
  - support for domestic climate actions, policies, and/or markets
- ◆ Sources of demand:
  - various approaches to mitigate risks of uncertain int. demand
- ◆ Roadmaps to implementation:
  - many common elements, tailored to each country context

# Criteria for assessing no-regrets market readiness efforts

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1. Create readiness while minimizing potential “regrets”
2. Maximizes potential benefits



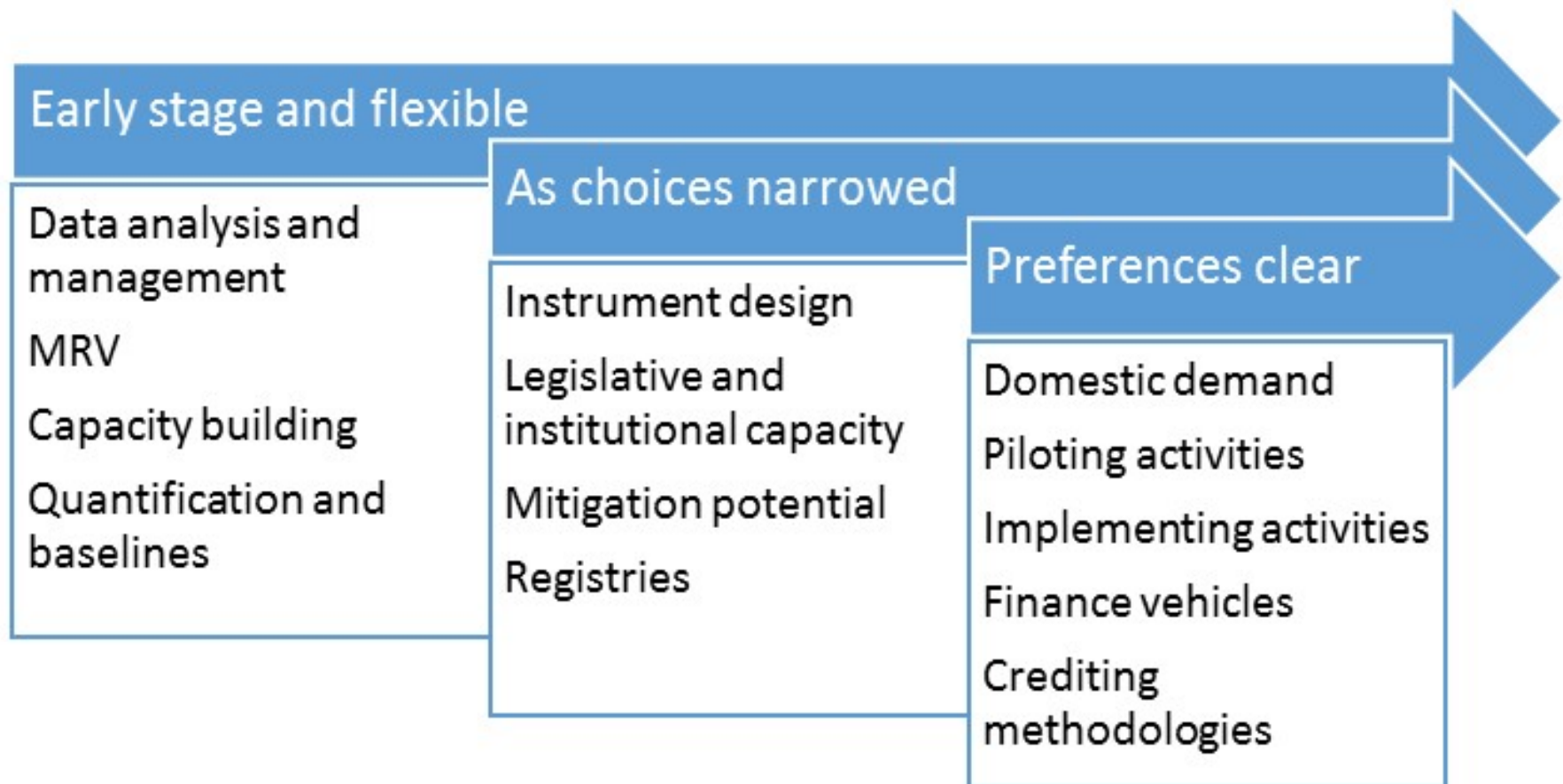
# Criterion 1: Creating readiness while minimizing regret

	Options for crediting-related activities	Domestic sectoral crediting	International Sectoral crediting	International project-based crediting	ETS	Carbon tax	Results-based Finance
1	Instrument design	Required	Required	Helpful	Helpful	Helpful	Helpful
2	Mitigation potential	Helpful	Helpful	Helpful	Helpful	Helpful	Helpful
3	Data collection	Required	Required	Helpful	Required	Required	Helpful
4	Data management	Required	Required	Helpful	Required	Required	Required
5	MRV	Required	Required	Helpful	Required	Required	Required
6	Reg. & inst. Framework	Required	Helpful		Required	Required	Helpful
7	Quantification (+baseline)	Required	Required	Required	Required	Helpful	Helpful
8	Crediting methodology	Required	Required	Helpful	Helpful	Helpful	Required
9	Net ER approach	Helpful	Helpful	Helpful			Helpful
10	Registries	Required	Required		Required		Helpful
11	Domestic demand	Required			Required		
12	Investment frameworks	Helpful	Helpful	Helpful			Helpful
13	Capacity building	Required	Required	Helpful	Required	Required	Required
14	Piloting activities	Helpful	Helpful				Helpful
15	Implementation activities	Helpful	Helpful		Helpful	Helpful	Helpful

**Disclaimer: subjective assessment based on the authors own interpretation**

Decisions can be made to maximize flexibility only, but this is not a balanced approach.

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## Practical insights: creating readiness

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- ◆ Focus on building broad institutional capacity (at least five countries e.g. Morocco, Tunisia)
- ◆ Budgetary flexibility e.g. use of RBF frameworks in Peru, Mexico
- ◆ Extensive development of data management and registries – in all eight countries
- ◆ Flexibility and resilience in the face of political change (Mexico, Chile)
- ◆ Relationship of MRPs with other initiatives e.g. broader climate strategies or NAMAs e.g. Mexico, Colombia

## Criterion 2: Maximizing potential benefits

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- ◆ Increasing political momentum for low-carbon developments
- ◆ Providing confidence to stakeholders that can stimulate low-carbon investment
- ◆ Broad support for mitigation policies
- ◆ Improving stakeholder engagement
- ◆ Improving co-ordination of mitigation activities and promoting synergies
- ◆ Learning by doing, leading to better policy design and implementation more rapidly

# How can future PMR support for crediting-related activities support scaled-up mitigation?

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## Key findings

- ◆ Continue (and expand) its support for a mix of activities that both support specific crediting instruments and bring wider benefits by paving the way for broader mitigation policies
- ◆ Consider more explicitly using the criteria creating readiness while minimizing regrets and maximizing benefits
- ◆ What to consider to consolidate and maximize support:
  - Goals
  - Realistic expectations on pace of implementation
  - Stage of assessment
  - Evaluation and evolution
  - Synergies with other initiatives

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- ◆ For further information and input, contact:

### PMR Secretariat

[pmrsecretariat@worldbank.org](mailto:pmrsecretariat@worldbank.org)

[www.thepmr.org](http://www.thepmr.org)

### Consulting team

- Michael Lazarus, [mlaz@sei-us.org](mailto:mlaz@sei-us.org)
- Noémie Klein, [n.klein@ecofys.com](mailto:n.klein@ecofys.com)
- Alyssa Gilbert, [a.gilbert@ecofys.com](mailto:a.gilbert@ecofys.com)

# Additional slides

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# Key terms used in this study

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## ◆ Crediting instrument:

- An existing or new program or mechanism that a country develops (e.g., sectoral crediting in the cement sector) or participates in (e.g., CDM or NMM) that is capable of issuing credits

## ◆ Crediting-related activity:

- specific element of a work plan undertaken in preparation for piloting, implementing, and/or participating in a given instrument (e.g. developing an MRV system for a cement sector crediting program)



# Instruments under consideration and development in 8 MRPs

Country	Type of instrument(s)	Sectors covered	Sources of credit demand
<b>Colombia</b>	NAMAs with a crediting component Domestic offset scheme. Possible permit scheme for vehicle importers)	Urban transport	Domestic (for domestic offsets through fuel carbon levy; vehicle importer/producer standard) International (NAMAs with crediting component)
<b>Costa Rica</b>	Domestic carbon market based on project-based crediting instruments for multiple sectors	1 <sup>st</sup> Phase: power generation, agriculture, solid waste, transport, and sustainable construction	Domestic (entities committing to carbon neutrality); Some activities may be supported via (crediting) NAMAs
<b>Mexico</b>	NAMAs with a crediting component	Urban communities; urban transport; refrigeration	International Domestic (compliance with tax or ETS?)
<b>Morocco</b>	Sectoral crediting	Electricity; Cement; phosphates	International
<b>Peru</b>	NAMAs with a crediting component	Provisional scope: Energy supply, housing, industry, waste and transport	International and possibly Domestic (under consideration)
<b>Thailand</b>	Voluntary energy performance certificate scheme (no carbon credits)  Project-based crediting	Energy production, industry and large commercial buildings Municipalities and communities	Domestic (pooled funds; voluntary market)
<b>Tunisia</b>	Sectoral crediting	Electricity; cement	International
<b>Vietnam</b>	NAMA with a crediting component	Steel; Solid waste	International

# Roadmaps to implementation envisaged in MRPs

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- ◆ Common activities found in all eight PMR countries
  - Policy analysis to assess instruments and coherence
  - Enabling institutional and regulatory frameworks
  - MRV capacity and systems
  - GHG data management systems and/or registry
- ◆ And other activities found in several, e.g.:
  - Setting baselines and quantifying mitigation potential (Mexico, Morocco, Peru, Thailand, Tunisia and Vietnam).
  - Instrument design (e.g. sectoral crediting in Morocco and Tunisia, NAMA crediting components in Peru and Vietnam)
  - Piloting market-based instruments (Costa Rica, Colombia, Tunisia, Morocco, Thailand , Mexico and Vietnam)
  - Developing domestic market infrastructure (Costa Rica, Thailand)
  - Stakeholder participation, coordination of activities, strengthening the financial infrastructure, wider readiness capacity building activities....

# Synthesis of the crediting-related activities supported in 8 MRPs

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1. Analysis of policy options
2. Instrument design
3. Mitigation potential assessment
4. Data collection
5. Data management
6. MRV
7. Regulatory and Institutional frameworks and coordination
8. Quantification approaches (including baseline setting)
9. Crediting methodologies or protocols
10. Approaches to achieve net emission reductions
11. Registries for crediting projects and units
12. Creation or strengthening of domestic demand
13. Finance vehicles
14. Capacity building, engagement, and stakeholder participation
15. Piloting activities
16. Implementation activities

# Climate policy frameworks under which crediting-related activities could catalyze scaled-up mitigation (1)

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Various policy frameworks may include potential market and non-market mechanisms that countries may pursue to “scale up” mitigation action

## Market-based mechanisms

- Domestic ETS
- Carbon tax
- Crediting instruments
  - Internationally-recognized crediting (e.g. via NMM or FVA)
  - Domestic voluntary crediting program
  - Domestic crediting program for domestic ETS/tax compliance

## Non-market mechanisms and finance options

- Direct GHG regulation (e.g. performance standard)
- Finance options or vehicles
  - Results based finance
  - NAMA, climate finance
  - Other traditional finance options

# How might crediting-related activities catalyze scaled-up mitigation?

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- ◆ Creates readiness
  - Facilitates frameworks for investment in scaled-up mitigation
  - Enables greater access to climate finance
  - Assists in the implementation of various mitigation-related policies from market to non-market instruments (see e.g., next slide)
- ◆ Maximizes potential benefits
  - Increases institutional or political momentum for low-carbon investment
  - Strengthens stakeholder engagement in mitigation opportunities
  - Promotes synergies among mitigation-related activities
- ◆ Minimizes potential “regrets”
  - Avoids risks of missed opportunities, e.g. by considering a wide range of potential future policy frameworks
  - Is adaptable to changing circumstances, enables learning-by-doing
  - Creates realistic expectations; avoids over-investing in activities highly dependent on uncertain market rules