



## Partnership for Market Readiness

### Expression of Interest

November 12, 2010



## Introduction - Capacity building needs assessment: How to get started?

This document is meant to provide a framework for countries to express their interest in participating in the Partnership for Market Readiness (PMR)<sup>1</sup>. It contains a series of questions designed to help countries make an early assessment of opportunities to use market-based instruments<sup>2</sup> within their national and/or sectoral mitigation strategies, their existing capacity and what gaps may need to be filled. Capacity is a central element in the overall process to implement market-based instruments, both in the design and implementation phase. The individual needs for additional capacity vary substantially depending on the starting point of a country, the selection of instruments and the scope of the envisaged implementation.

The process is divided in two parts.

A. The **Expression of interest**, which includes an official cover letter and a policy statement, provides an opportunity for a country to formally seek support from the PMR and express its interest in using market instruments as a potential mechanism to achieve climate mitigation actions within its national political context.

B. A **Questionnaire** supports the Expression of Interest. The Questionnaire is used to provide detailed technical information on the country's existing capacity to implement market mechanisms. While it is not required to respond to all the questions, interested countries are encouraged to provide as much information as possible in order to shed light on their domestic contexts and provide an understanding of their respective market readiness capacity. The questionnaire covers five areas:

- *Policy, legal frameworks and institutions*: this section covers the existing policy framework, national policy-making processes, and institutions related to climate change which form an important part of the relevant government capacity – crucial for the effectiveness of any policy instrument, especially market-based instruments. This section looks at regulatory capacity, links to the UNFCCC, experience with the Clean Development Mechanism (CDM), and other environment-related market-based instruments.
- *Measurement, reporting and verification (MRV)*: this section provides an overview of government capacity and existing procedures for data management and MRV of energy use and GHG emissions. This is important both for the use of market instruments, but also for assessing non-market based mitigation actions.
- *Understanding of the sector(s)*: this section is intended to provide a more detailed insight related to individual sectors, particularly with respect to government capacity, data availability and organization of the sector.
- *Non-governmental actors*: while the focus of the capacity needs assessment is clearly on public capacity, to successfully implement mitigation actions, especially market-based instruments, a solid capacity base within non-governmental actors is essential. This section therefore assesses this capacity, to enable a government to evaluate the overall situation and capacity building needs within the country.

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<sup>1</sup> The reader should refer to the design document of the Partnership for Market Readiness for a detailed description of the PMR.

<sup>2</sup> For reference purposes, Annex 1 contains an overview of market instruments being discussed internationally.

## **List of acronyms**

CDM	Clean Development Mechanism
DNA	(CDM) Designated National Authority
DOE	Designated Operational Entity
GHG	Greenhouse gas
ISO	International Organization for Standardization
JI	Joint Implementation
LEDS	Low emissions development strategy
MRV	Measuring, reporting and verification
NAMA	Nationally Appropriate Mitigation Action
PMR	Partnership for Market Readiness
VER	Voluntary Emission Reduction
UNFCCC	United Nations Framework Convention on Climate Change

## A. Expression of interest

### Partnership for Market Readiness (PMR)

#### Expression of interest in participating in the PMR

*Countries seeking support from the PMR are requested to prepare a cover letter, including a short statement confirming the country's interest in participating in the PMR. The cover letter should be accompanied by an Annex containing the following information:*

#### **1. Name of the government agency submitting expression of interest**

- Ministry of Environment and Natural Resources (SEMARNAT)
- Under Ministry of Planning and Environmental Policy
- General Directorate on Climate Change Policies

#### **2. Name and contact information of designated PMR Government focal point**

Juan Mata Sandoval, General Director on Climate Change Policies

Jose Antonio Urteaga Dufour, Deputy General Director for Climate Change Projects

#### **3. Domestic mitigation action:** outline what are the purposes and main objectives of your country's mitigation strategy.

- a. Provide an overview of domestic mitigation policies and plans and the status of the implementation - at both the national and sub-national levels.

The Mexican government, through the Interministerial Commission on Climate Change (CICC, integrated by 11 Ministries) implemented from 2009 the Special Climate Change Program 2009-2012 (PECC 2009-2012).

In this Program the mitigation goal to 2012 is 51 MtCO<sub>2</sub>e/year. This general goal includes 56 specific goals, of which 22 represent 85% of the target to 2012.

The PECC is composed of 4 chapters:

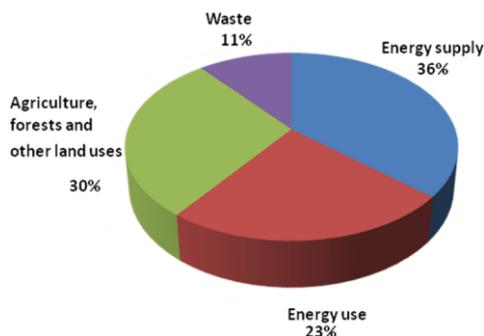
1. Long term vision
  - Mexico's mitigation pathway towards 2050
  - Mexico's adaptation pathway towards 2050
2. Mitigation
  - Energy supply
  - Energy use
  - Agriculture, forests and other land uses
  - Waste
3. Adaptation
  - Hydrological resources
  - Agriculture, livestock, forestry and fishery
  - Ecosystems
  - Integrated risk management
  - Infrastructure
  - Land zoning and urban development
  - Public health
4. **Components of a cross cutting policy**
  - Foreign policy
  - Institutional strengthening
  - Economics of climate change
  - Education, training, communication
  - R&D

About the status of the implementation of the mitigation actions included in the PECC, current GHG emissions abatement up to October 2010 are:

- 21.4 MtCO<sub>2</sub>e/year
- 42.3% of the 2012 total mitigation goal (51 MtCO<sub>2</sub>e/year)

b. Briefly identify the key sectors targeted by the mitigation strategy.

The key sectors are:



**4. Market Instruments<sup>3</sup>:** briefly outline experience to date with relevant market instruments as well as future plans.

a. Provide a brief description of experience to date with market-based instruments, e.g., type of instrument, dates of implementation, scope, and key outcomes.

In the case of CDM until December of 2010, Mexico has the following results:

- 126 registered projects and one Programmatic CDM (the first programmatic CDM in the world)
- 31 projects issued 7 million CERs
- The expected CERs of the registered projects are 9.8 MtCO<sub>2</sub>e/year.
- The Mexican DNA has provided approval letters to 88 projects, in addition to the 126 projects that are already registered. These 88 projects could mitigate 7.4 MtCO<sub>2</sub>e/year.
- The Mexican DNA has provided non objection letters to other 131 projects; these projects could mitigate 52.1 MtCO<sub>2</sub>e/year.

The attachment of this response present detailed information about these CDM projects

b. To the extent that one (or more) specific market instrument is already identified for future implementation, provide a brief overview of the status of development/implementation and its relevance to the country's overall mitigation strategy.

In collaboration with other governmental agencies and with the support of several organisms, SEMARNAT is developing the following NAMAs:

- Cement Industry
- Iron industry
- Transport (BRT)
- Green Mortgage (including, solar water heating, thermal insulation, compact fluorescent lamps, high efficiency air conditioning)

**5. Support from the PMR:** provide a short summary of your current assessment of the capacity needs and gaps for which support from the PMR is being sought. To the extent that one (or more) specific market instrument is identified, outline the type of support that your country may be seeking from the PMR.

<sup>3</sup> Without prejudging future developments on market instruments, this question refers to instruments providing a price signal that create an incentive to use or invest in climate-friendly technologies and/or processes. Such market instruments can include domestic instruments (e.g., emissions trading and non-GHG based schemes such as renewable energy and energy efficiency trading systems) and international market instruments such as reformed CDM, sectoral, and NAMA crediting.

- Capacity building in the Mexican governmental agencies and in the main business organizations
- Identification of potential mitigation, assessment of GHG reduction measures, and setting targets for medium term in the private and public sectors.
- Identification of the main financial mechanisms to implement the GHG reduction activities

**6. Institutional setting:** how would you plan to coordinate the PMR efforts at the domestic level, i.e., which Ministry would lead and which government agencies would be involved?

The lead of PMR should be the CICC, the president and the technical secretariat of this commission is SEMARNAT.

The Ministries as part of the CICC that will participate in PMR are:

- Treasure
- Economy
- Social Development
- Energy
- Transport and Communications
- Agriculture
- International affairs

**7. Stakeholder participation:** are there intentions/plans /processes to engage non-governmental stakeholders (e.g., private sector)? If so, provide brief description.

The general structure to address the climate change issues in Mexico, includes a Climate Change Expert Council, integrated by members of the NGOs, private sector, universities, etc. We could consider the participation of this council, and also the participation of the Private Sector Round Table (in this group are involved the key business organizations)

**8. Initiatives by other bilateral and multilateral development partners:** outline any initiative(s) pursued with other international partners underway in your country that is (are) relevant to market readiness support (e.g., low carbon development strategies, MRV, etc).

We have different types of support about this issues from:

- USAID for LEDs, and implementation of PECC
- U.S, Dutch, and German Governments for NAMAs
- European Commission for MRV
- GTZ for programmatic CDM