Market Readiness Proposal (MRP) of Mexico

Summary of Expert Group Feedback

Country: Mexico
Lead, PMR Expert Group: Michael Lazarus
Date of presentation: October 23, 2012
Outline of Presentation

1. Brief description of PMR Expert Feedback Process
2. Overall impressions of the MRP
3. Issues raised in Expert Group feedback
4. Key challenges going forward
1. Brief description of PMR Expert Feedback Process

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<thead>
<tr>
<th>PMR Expert Group</th>
<th>Feedback Process</th>
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<tbody>
<tr>
<td>Benoit Leguet (Ian Cochran)</td>
<td>Draft MRP provided to PMR Secretariat &amp; Expert Group (Sep 4)</td>
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<td>Steven Gray</td>
<td>Draft feedback provided</td>
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<td>Franz Tattenbach</td>
<td>Expert group conference call (Sep 14)</td>
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<tr>
<td>Michael Lazarus (lead)</td>
<td>Consolidated feedback provided to country team (Sep 17)</td>
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<td>2 day in-country meeting to discuss feedback and strategies to advance the MRP (Sep 20 &amp; 21)</td>
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<td>Revised MRP provided to PMR Secretariat &amp; Expert Group (Oct 8)</td>
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2. Overall impressions of the Draft MRP

- “Clear and substantial effort to address mitigation”, building on a strong foundation (National Climate Change Law)

- Comprehensiveness of recording infrastructure, with registries for both emissions and emissions reductions, as well as transaction log

- Ambitious scope of activities

- Target areas (urban development and transport) that have not generally succeeded in project-based crediting; while more challenging, could lead to innovative approaches with wide replicability

- Some design elements (e.g. crediting methodologies) remain to be tackled as part of implementation process
3. Issues raised in Expert Group feedback

- Provided in response to first draft of MRP;
- Reflect topics discussed in in-country meeting and addressed in revised MRP;
- Highlight some broader issues (beyond the Mexico MRP alone) that may be common across the PMR process
3. Issues raised in Expert Group feedback

Relationship to Mexican climate change strategy

• Clarifying the link between the MRP, the proposed crediting NAMAs, and plans to meet Mexico’s emissions pledge
  • How NAMA credits will be used and will contribute to pledge achievement.
  • How the potential risk of double counting emission reductions might be addressed (e.g., if another country used NAMA-generated credits).

• Clarifying the relationship between unilateral, supported, and crediting NAMAs and how they might be distinguished and/or blended

• Positioning of NAMA crediting with respect to international discussions/agreements on a framework for various approaches
  • For example, how credits/units issued will contribute to net mitigation benefit and move away from pure offsets.
3. Issues raised in Expert Group feedback

Approach to crediting NAMAs

- Clarifying the relationship with other NAMAs and programs currently under way
  - Specific activities that would be credited; potential economic impact of NAMA crediting

- Justifying the need for a new (scaled-up) market mechanism rather than use of (reformed) CDM

- Addressing the risk of low international credit demand
  - Potential options/alternatives to sustain proposed crediting NAMAs if international credit demand; how activities might have value absent significant crediting revenue
  - Further exploring options such as a performance-based payments.

- Exploring means to engage private sector, co-finance investments
3. Issues raised in Expert Group feedback

Rationale for selecting target areas

- Process, criteria and rationale for selecting the target areas
- How they were prioritized above other areas
3. Issues raised in Expert Group feedback

Technical and institutional market readiness components

- Registry design and comprehensiveness (avoiding double counting and double claiming)
- Process for developing and approving methodologies (crediting baselines and MRV) and ensuring environmental integrity
  - Interaction of regulations and policies with BAU scenarios and/or crediting baselines
- Process for issuing NAMA credits, and other elements that might be needed for developing a (domestic) market (e.g. rules for holding and transferring units)
3. Issues raised in Expert Group feedback

Urban Mobility NAMA

- Clarity on specific NAMA activities that would be targeted for crediting, building on existing initiatives (UTTP and PROTRAM)
- How challenges faced by BRT and related transport projects in the CDM would be overcome through a scaled-up, aggregated crediting NAMA (adequate incentives, baselines, quantification given many exogenous factors)
3. Issues raised in Expert Group feedback

Refrigerator NAMA

- Clarity on scope of NAMA program (e.g. fraction of refrigerator market reached)
- How the crediting NAMA expands and extends current refrigerator exchange program
- International fungibility risk associated with HFC-based offsets
3. Issues raised in Expert Group feedback

Urban NAMA

• Enormous promise (high scale-up and replicability potential) and significant challenges (housing market barriers, finance, piloting)

• Quantification of emission reductions
  • Excellent assessment of options for crediting baselines (control group vs. modeled): innovative and potentially complex (many exogenous factors to control for (weather, energy prices, etc.)
  • Accounting for waste and water savings, since they are largely “out of boundary” (typically involving lifecycle analysis)

• Relationship to existing housing NAMA
4. Key challenges going forward

• Managing the ambition and breadth of NAMAs
• Handling interactions among NAMAs, and with existing policies
• Sequencing of pre-pilot and pilot activities
• Developing practical and robust crediting baselines, monitoring, and verification procedures for urban-focused NAMAs
• Mobilizing public and private co-financing
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