

PMR PROJECT IMPLEMENTATION STATUS REPORT (ISR)

1. SUMMARY INFORMATION

Implementing Country/Technical Partner:	Kingdom of Morocco
Reporting Period:	10/20/2015 – 04/11/2016
Report Date:	April 11, 2016
Implementing Agency:	Ministry Delegated for the Environment of the Ministry of Energy, Mines and Environment
Contact Person:	Mr. Mohamed Nbou, Director, Climate Change, Biodiversity and Green Economy, Ministry Delegated for the Environment

Grant Executed By:	Kingdom of Morocco
Grant Effectiveness and Closing Dates:	10/20/2015–12/31/2018
Grant Amount (USD):	3,000,000 USD
Funding Mobilized (USD):	710,000 USD (from the Moroccan government (200,000 USD) and from other sources of funding (USD 510,000))
Funding Committed (USD)	-

2. OVERVIEW

In 2011, Morocco has expressed interest to join the PMR, which was approved by the Partnership Assembly (PA) at its first meeting in Barcelona, in June of the same year. Following the procedure established by the PMR, Morocco then prepared a framework of activities for the PMR, which was presented and approved by the Assembly (PA) in June 2012. This document introduces the political context of the country, describing the objectives mitigation in the country and the proposed role of market based instruments. It also provides a preliminary assessment of the preparation of the sectors to design and implement such mechanisms.

Accordingly, Morocco has received a preparation grant of USD \$ 350,000 to prepare a full Market Readiness Proposal (MRP). This was developed over a period of 11 months, between May 2013 and April 2014, and was presented by the Government of Morocco to the Partnership Assembly in 2014.

The first draft of the MRP was submitted by Morocco for consideration of the PMR in February 2014, and the final draft was approved by the Partnership Assembly (PA) of the PMR at its 9th meeting in Cologne, Germany on May 25, 2014. The grant became operational on October 20, 2015, following which the implementation phase was initiated. The grant was funded with US\$ 3.000.000, and will last from October 20, 2015 to December 31, 2018.

The PMR project in Morocco project began operations in November 2015.

The main focus of the PMR project in Morocco is to inform and assist the Moroccan government in evaluating the implementation of an international crediting mechanism in the three targets sectors (electricity generation, cement production, and phosphates processing). The PMR project seeks to establish the foundation needed for the sectoral crediting mechanism including activities on (i) market-based instrument (MBI) governance; (ii) data management and MRV and relevant sectoral piloting of the MRV systems, and (iii) capacity development. These activities will also be supported by the definition of a national strategy for MBI implementation in Morocco, including assessment of appropriateness and relative weight of different MBIs in the possible mix of instruments available to the Government of Morocco. The PMR project is also outlining the activities to be implemented by for the Moroccan Government during the second phase of the project (2019-2020), with additional support of the PMR (if available), to advance in the process, in particular through the design and operationalizing of the sectoral crediting programs mechanism, provided national and international signals are positive, particularly concerning the demand for credits.

First, the efforts has been devoted to the creation of the Project Management Unit (PMU) that is currently completed and operational. The Ministry Delegated for the Environment has also committed to contribute to the functioning of the PMU through the engagement of a number of ministerial experts in a so called “extended PMU”.

Second, the process of selection of the technical consultant and procurement specialist (support team to the PMU) is close to its completion.

Third, the Ministry of Environment, with support of the PMU, conducted periodic meetings of the Steering Committee and the Technical Committee of the PMR project. The meetings re-confirmed the interest and expectations of the main beneficiaries and stakeholders of the project, including different ministries, agencies and private sector representatives of the targeted sectors. The members of the Committees also discussed the potential contribution of the PMR project to the upcoming process of preparation to the implementation of the (i)NDCs in Morocco. The members outlined a strengthened relevance of the PMR project for the Government’s policy and technical efforts to define relevant mix of policy instruments and actions to achieve its mitigation targets, in particular taking into account the role of market-based mechanisms.

The next immediate step is to prepare and conduct the competitive selection process for consultancy services to implement the various activities of the first component of the project, in accordance with

the activities structure defined in the MRP. The selection of consultants and the initiation of activities is expected before the end of June 2016.

3. IMPLEMENTATION REPORT BY COMPONENT

Differences between the Objectives/Activities in the Market Readiness Proposal and the Grant Agreement

<p>Are there any important and material differences between the objectives/activities proposed in the Market Readiness Proposal and endorsed by the Partnership Assembly of the PMR and those agreed to in the Grant Agreement with the Delivery Partner and described in the Project's Results Framework?</p>	<p>No</p>
<p>There are no important differences between the objectives and corresponding activities proposed in the MRP and those agreed in the grant. Nevertheless, with the purpose of effective project management, and to facilitate the planning for procurement of consultant services to support the planned activities in the MRP, the following consolidation of the MRP activities has been suggested in the grant agreement:</p> <ul style="list-style-type: none"> - Component 1- <i>Design and piloting of the MRV and data management system and supporting analysis of appropriate market-based instruments</i> – is regrouping the Activities 1, 3, 7, 8 and 10 of the MRP that represent the totality of the analytical activities included in the first phase of the project and supported by the current PMR implementation grant. - Component 2 - <i>Capacity Building</i> – (Activity 14 in the MRP) is consolidating all the project activities relevant for the preparation and implementation of a plan to build the capacity of the Government and the private sector. This component will be closely coordinated and build on the outcomes of the Component 1 and serve as an overarching knowledge sharing and engagement platform for the project. - Component 3 – <i>Project Management</i>–(Activity 13 in the MRP) includes the establishment and operation of the PMU set up within the Ministry Delegated for the Environment to implement and manage PMR activities and to coordinate with related programs and initiatives. The PMU is expected to support the preparation of an institutional framework for carbon markets in Morocco in the period following the PMR project. 	

Implementation Progress by Component

A. Component 1: Design and piloting of the MRV and data management system and supporting analysis of appropriate market-based instruments	
Status:	Under implementation
Comments:	<p>This component represents the major part of the analytical and policy work planned under the PMR project and includes several sub-components such as:</p> <ul style="list-style-type: none"> - (i) Analysis of appropriate mitigation instruments and MBI governance for Morocco based on the appropriate techno-economic modelling for the national economy, and a regulatory and policy study to provide recommendations on which instruments to implement by sector and propose an appropriate governance framework. - (ii) Design of a MRV system, and piloting of the MRV in the three sectors covered by the MRP (electricity, cement and phosphates) with the focus on (a) design of an institutional and legislative framework and operational and technical requirements (general and sectoral); (b) design of piloting activities for the monitoring and reporting system, and (c) roadmap for the development of a verification and accreditation system; and (d) planning the development of an IT platform to manage data and MRV systems. - (iii) Establishing a baseline for each of the three sectors covered by the project; - (iv) Evaluation of GHG mitigation potential in the three sectors covered based on the benchmark studies. <p>The development of the terms of reference for the consultancy services will shortly start in accordance with the activities structure defined in the MRP and taking into account the recent policy developments (please see section 4 of the ISR below). The selection of consultants and the beginning of analytical work is expected in June 2016.</p>
B. Component 2: Capacity Building	
Status:	Under implementation
Comments:	The capacity building component of the project will be implemented through a combination of practical and participative workshops, meetings for participants to share knowledge during piloting activities, study trips, tools and logistics, and knowledge products. This

	<p>component will be closely coordinated and build on the outcomes of the Component 1 and serve as an overarching knowledge sharing and engagement platform for the project.</p> <p>The implementation of this component is largely depending of the progress of the Component 1. Nevertheless, the development of a preliminary plan for capacity building activities, defining relevant sequencing, coordination and consolidation of capacity building activities is planned to be initiated by the PMU starting from June 2016, and in particular, reflecting the needs of consultative processes under the sub-activities of Component 1.</p> <p>Further, the first national workshop focused on the exchange of the latest advancements of the climate change related policies and initiatives in Morocco and, more specifically, in the targeted sectors, is being considered to take place in 2016.</p>
C. Component 3: Project Management	
Status:	Under implementation
Comments:	The project management unit was set up within the Ministry Delegated for the Environment (MoE) in Novembre2016 (It involves the project director, the project coordinator from the Ministry Delegated for the Environment, the national coordinator and the administrative and financial assistant).The MoE has also committed to contribute to the functioning of the PMU through the engagement of a number of ministerial experts in a so called “extended PMU”.

If necessary, please add components in the table above.

4. PROGRESS, CHALLENGES, AND LESSONS LEARNED

Important policy or regulatory developments related to the Grant’s objectives and activities:
<p>Developments:</p> <p>Several important national and international policy and regulatory developments took place after the finalization of the MRP (in May 2014) and the establishment of the grant agreement (October 2015) and will be taken into account in further implementation of the PMR project in Morocco.</p> <p>While Morocco didn’t yet identify or established GHG mitigation policies that would provide explicit carbon pricing at the national level, the government of Morocco undertook several important policy developments, including GHG mitigation strategies and plans that can already contribute to</p>

incentivize the private sector to integrate carbon constraint in their investment decisions in line with the low carbon growth objectives of the government.

Some of the key developments include:

- **Intended Nationally Determined Contribution (INDC)** of Morocco, which was submitted by Morocco prior to the COP 21 in Paris. In developing its INDC, Morocco has conducted a wide consultation process with stakeholders. This process allowed to review the policies and programs implemented by Morocco in the fight against global warming and to define the level of ambition that the country wishes to adopt as part of its contribution. This process culminated in the June 2, 2015 held a national conference chaired by the head of government, to officially present Morocco's commitments on GHG mitigation. Morocco through its INDC and other government programs has defined what it wishes to accomplish in mitigating GHG emissions within its climate resilient development programs in various sectors (including Energy, Industry, Agriculture, Waste, and LULUCF).

The INDC regards as paramount the setting up of an international market mechanism, so as to reduce costs to achieve the goal of limiting the temperature increase to 2°C. Morocco does not exclude the possibility of using these mechanisms to achieve its objectives conditional and / or unconditional. Therefore, the PMR Morocco is fully in line with the INDC vision.

The INDC formulated the post-2020 mitigation targets and relevant financial needs that are briefly summarized in the table below:

	Mitigation targets	Financial needs
Unconditional mitigation target	13 % reduction in GHG emissions by 2030 compared to a business as usual (BAU) scenario.*	Overall investment needs are estimated at USD 45 billion between 2015 and 2030, of which 35 USD billion is conditional upon: <ul style="list-style-type: none"> - access to new sources of finance and enhanced support to be mobilized through new climate finance mechanisms (e.g., GCF); - conclusion of a legally-binding agreement under the auspices of the UNFCCC; - Morocco does not exclude the possibility of using (international market) mechanisms to achieve its conditional and/or unconditional targets.
Conditional mitigation target	Additional 19% reduction in GHG emissions achievable under certain conditions, which would bring the total GHG reduction to 32% below BAU emission levels by 2030.*	

* Morocco reserves the right to revise said BAU scenario on the basis of new analysis by 2020.

The implementation of the INDC is based on several laws, strategies and action plans, based on clear and ambitious sectoral targets. More specifically:

- The **National Energy Strategy** up until 2030, aims to achieve: (i) 42% of the installed capacity from renewable energies, 14% of solar energy, wind energy 14%, 14% hydroelectric; and (ii) Energy savings of 12% and 15% by 2020 and 2030.
- A new **National Strategy of Energy Efficiency** is being validated by the Minister of Energy and currently under approval process, aims to reach **25%** reduction of energy consumption in the sectors of construction, industry and transportation by 2030.
- The two industrial sectors targeted by the PMR Morocco - cement and phosphates – are expected to reduce their energy consumption by 15% by 2030 through the implementation of more efficient industrial processes.
- The **National Low-Carbon Development Strategy (LEDS)**, expected to be finalized in July 2016, will take into account the appropriate mitigation actions at national level (Nationally Appropriate Mitigation Actions - NAMAs) covering the majority of economic sectors emitters. As of 2015, Morocco has validated three sectoral NAMAs: (1) Building NAMA, (2) Agriculture NAMA, and (3) NAMA Waste. Two other NAMAs are being validated by the DNA, namely Solar pumping NAMA and Power generation Photovoltaics NAMA.

Challenges :

Several important observations could be made in this context vis-à-vis to further implementation of the PMR project:

- The PMR project should necessarily take into account the targets and the approaches outlined in the INDC, but also endeavor to timely inform the assessment of the role and contribution of the envisaged MBI in the targeted sectors to the implementation of the targets set in the INDC of Morocco.
- The development of the regulatory and technical work, in particular, under Component 1 need to take into account both the national regulations, policies and actions envisaged under the (i)NDC and by other low-carbon development policies and actions to ensure the consistency and transparency of the recommended approaches in the broader context of national policies in Morocco.

On the other hand, as mentioned above, if successfully integrated in the PMR project implementation and coordinated with the upcoming process of preparation to the implementation of the (i)NDCs in Morocco, these challenges can also be considered as strengthening relevance of the project for the Government's policy and technical efforts to define relevant mix of policy instruments and actions to achieve its mitigation targets, in particular taking into account the role of market-based mechanisms.

Lessons learned: N/A

<p>Important changes in the technical design or approach related to the Grant’s activities:</p> <p>Developments: The implementation of the PMR project activities would seek to take into account as appropriate and available, the emerging requirements of the Paris Agreement in term of the different frameworks for the cooperative actions/new mechanism (such as established in the Article 6 of the Paris Agreement and relevant COP21 decisions), including in terms of accounting and transparency.</p> <p>Challenges: The design and development of sectoral crediting under the PMR project will be implemented in the context of significant regulatory uncertainty at the international level. At the same time, the technical design developed in the MRP allows to cope with the uncertainty, in particular, taking into account the review process embedded in the implementation approach.</p> <p>Lessons learned: N/A</p>
<p>Key capacity issues (implementation, technical, financial management, procurement) related to the Grant’s activities:</p> <p>Developments: One of the main objectives of the PMR project is to build and improve the capacity of the Government and the private sector in terms of design and piloting MRV systems in selected sectors and to establish core technical components for the design of sectoral crediting mechanism in Morocco, with support from an international grant.</p> <p>Challenges: The experience from the first reporting period outline the relative complexity in terms of financial and administrative management of the project to ensure compliance with the requirements of the WB, that has been one the major challenges in this preliminary phase of implementation of PMR. Therefore, the project could also increase capacity in terms of management and implementation of the technical assistance projects, both at the national and sectoral level, with support from international funding.</p> <p>Lessons learned: The capacity of the PMU and the Ministry Delegated for the Environment in terms of financial and administrative management in line with the requirements of the WB need to be further strengthen to allow the acceleration of project implementation. Potentially, other implementation modalities could be considered together with the WB.</p>
<p>Coordination with other carbon pricing initiatives, including those funded by other donors:</p> <p>Developments: The PMR project implementation will be informed by the developments and outcomes of other initiatives implemented or under consideration in Morocco that are relevant to the implementation</p>

of project activities. For instance, in continuation of the dialogue established during the preparation for the MRP, the PMU and the WB coordinate with the following initiatives:

- Initiatives on GHG inventory and accounting (project FIRM supported by UNEP and UE, and National GHG Inventory System (NIS-GES) supported by GIZ);
- Initiatives supporting the preparation of the NDC of Morocco, including the Competence Center Climate Change in Morocco (Morocco 4C), which is a capacity building and information exchange platform;
- LEDS project (Low Emission Development Strategy) focused on the integration of INDC objectives into the various sectoral policies as part of a broad process of consultation between policy makers and stakeholders.

MoE facilitates synergies between these initiatives and the PMR Morocco.

Challenges: N/A

Lessons learned: N/A

Stakeholder engagement related to the Grant's activities:

Developments:

The partners of the three sectors targeted by the PMR project are committed to achieving the objectives of PMR and to contribute to the next steps in implementing the project.

Challenges:

The challenge is to maintain relevance and demonstrate clear value added of the outcomes of the PMR project, including in terms of capacity building, to the private sector. Close attention will be paid by the PMU to ensure systematic and coordinated engagement of the stakeholders in the targeted sectors into the project implementation process as compared to the outreach at the final stage of the project.

Lessons learned: N/A

Other issues related to the Grant's activities

5. ADDITIONAL INFORMATION

In this Section, please provide any additional information that may be relevant for the achievement of the Grant's objectives and/or the implementation of the Grant's activities. Please also provide any relevant information related to carbon pricing and the use of market-based instruments for climate change mitigation.