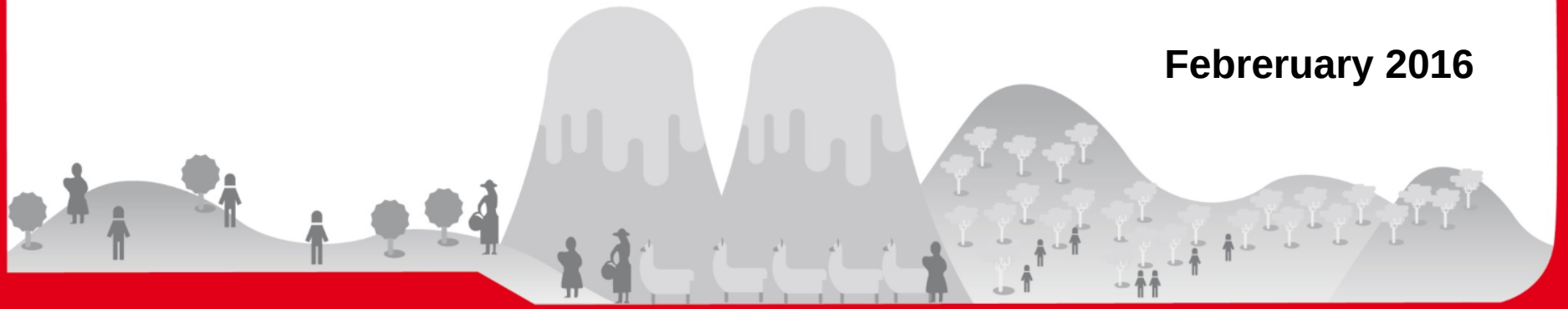
PERÚ Ministerio del Ambiente

Analytical work to support the development of of policy options for mid-and long-term mitigation objectives in Perú

Febreruary 2016



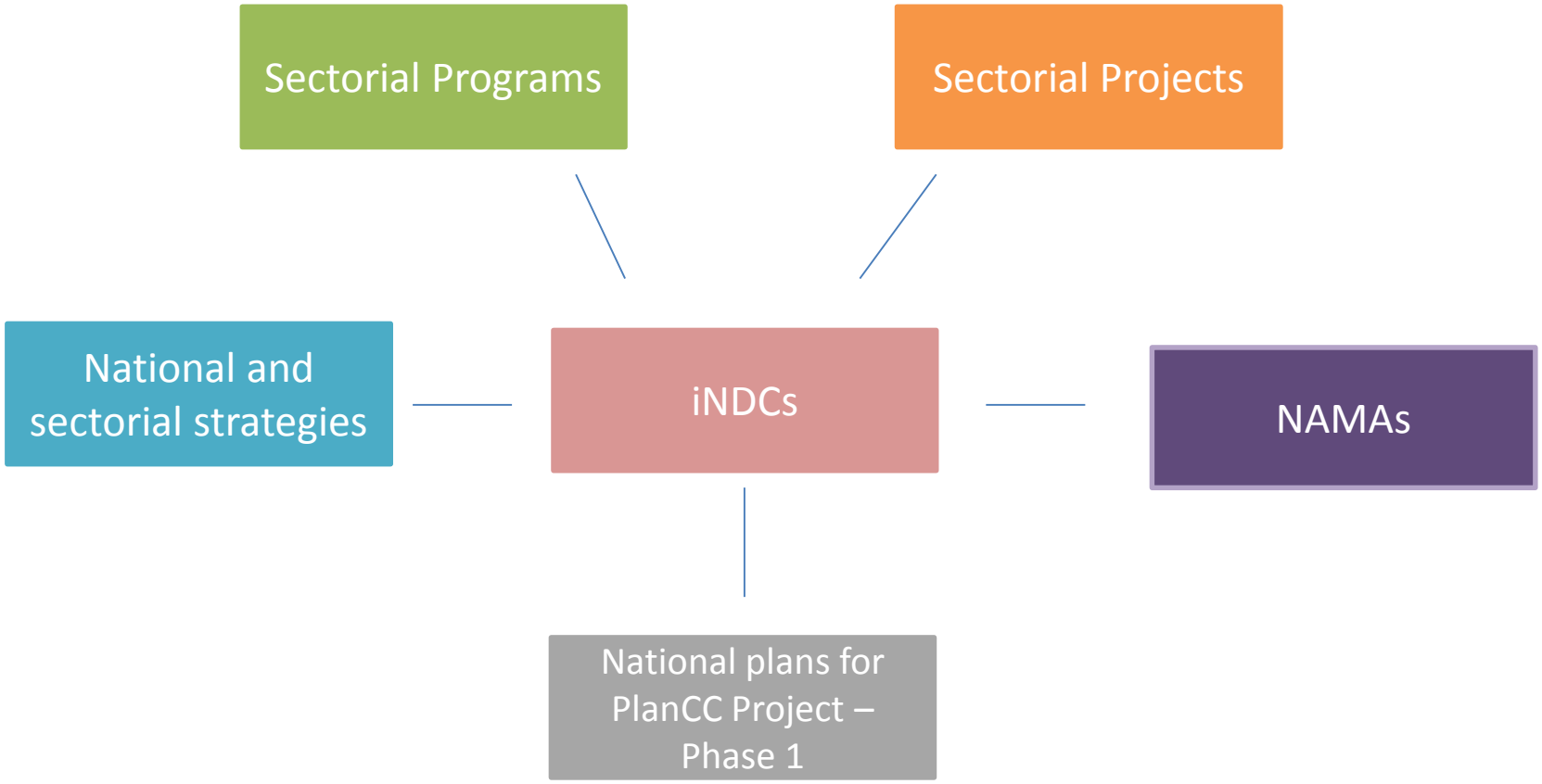
Perú's INDCs

Voluntary, technically validated and with political support for its implementation

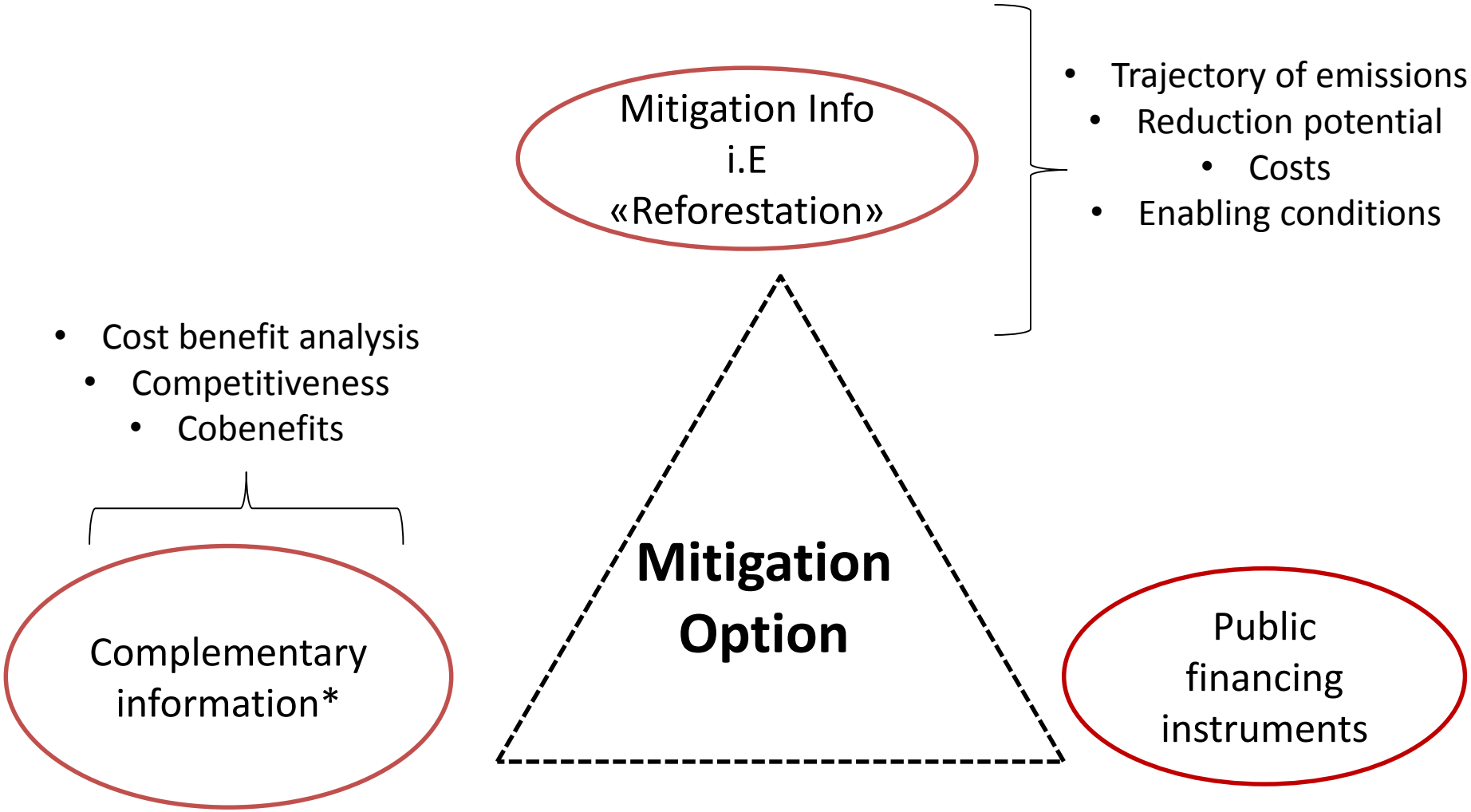
Strategy

1. Participatory work including other sectors.
2. Build upon what's been advanced and planned.
3. Adopt the contribution at a techinical and political level.
4. Create a Long Term Action Plan (implement and control the iNDC)

Input: Where do we get the ideas?



Input (II) : On the ground



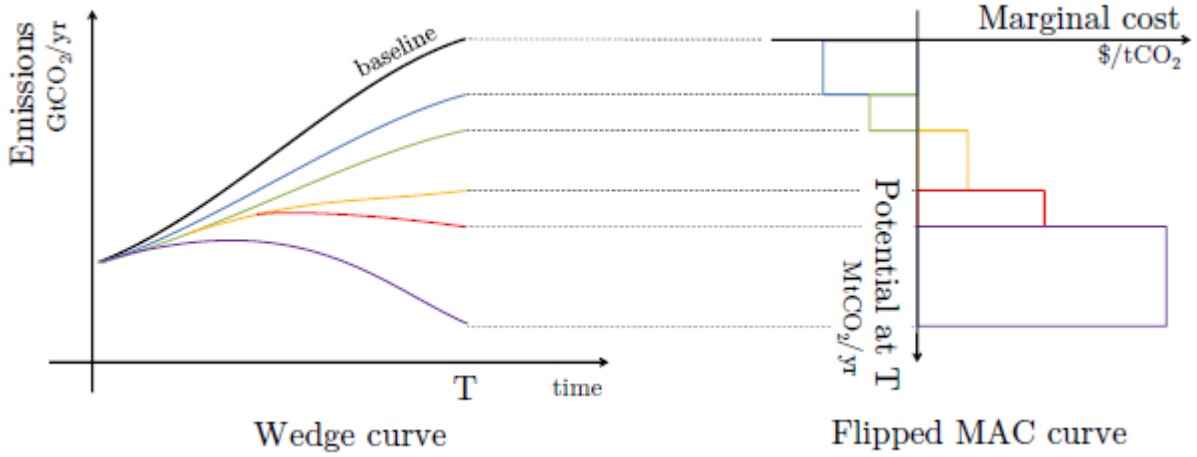
INDCs analitical work : PMR Objective

Contribute to generate quantitative information on the possible implications (Costs and cobenefits) of the implementation of the mitigations options considered in the formulation of Perú's iNDCs.

Scope of analysis

- Build emission-reduction pathways from the list of GHG mitigation options
- Quantify the investment needed and identify financing opportunities
- Assess the macro-economic implications of the emission reduction pathways' implementation

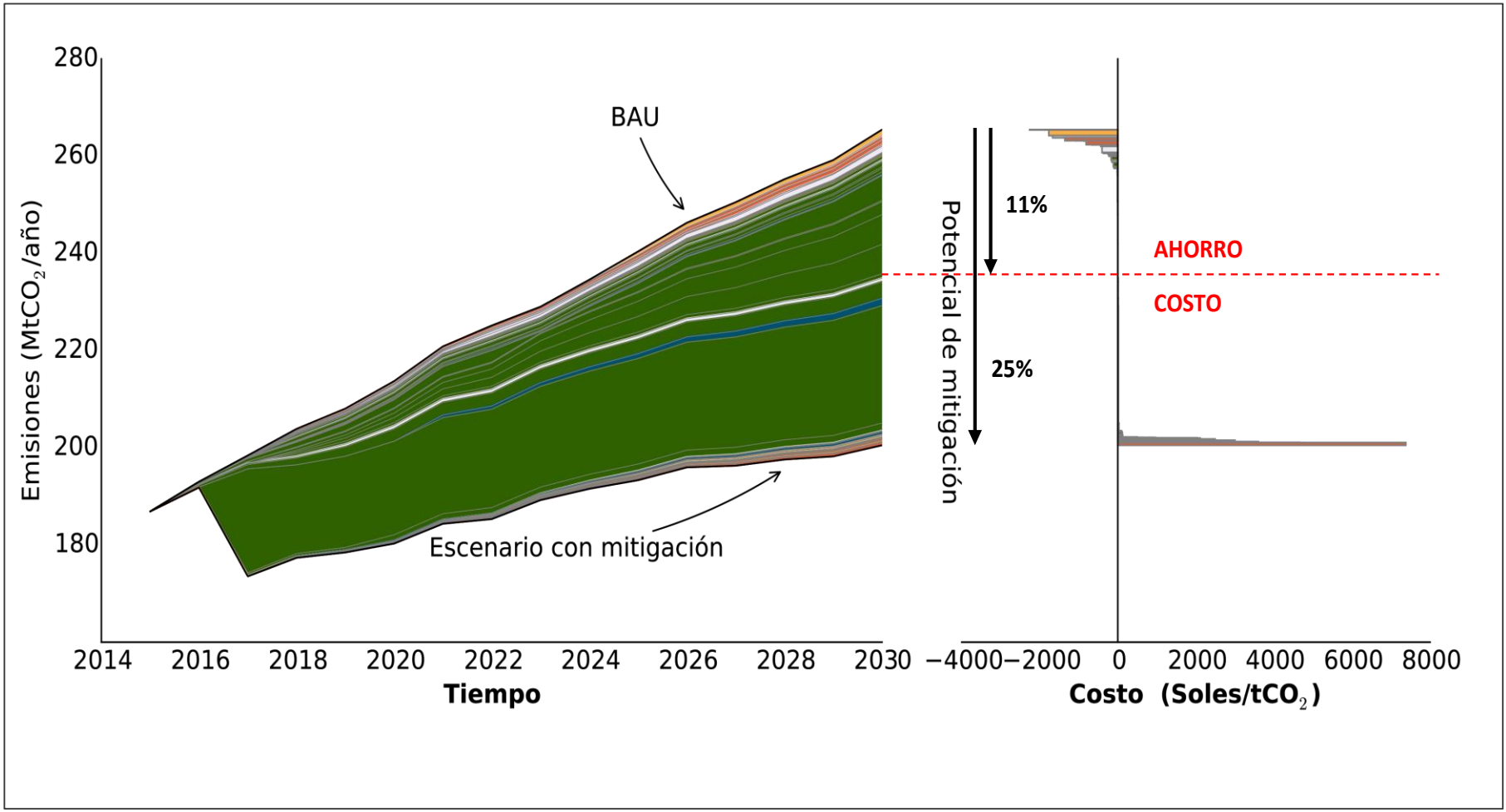
Build emission-reduction pathways from the list of GHG mitigation options : Maccinert

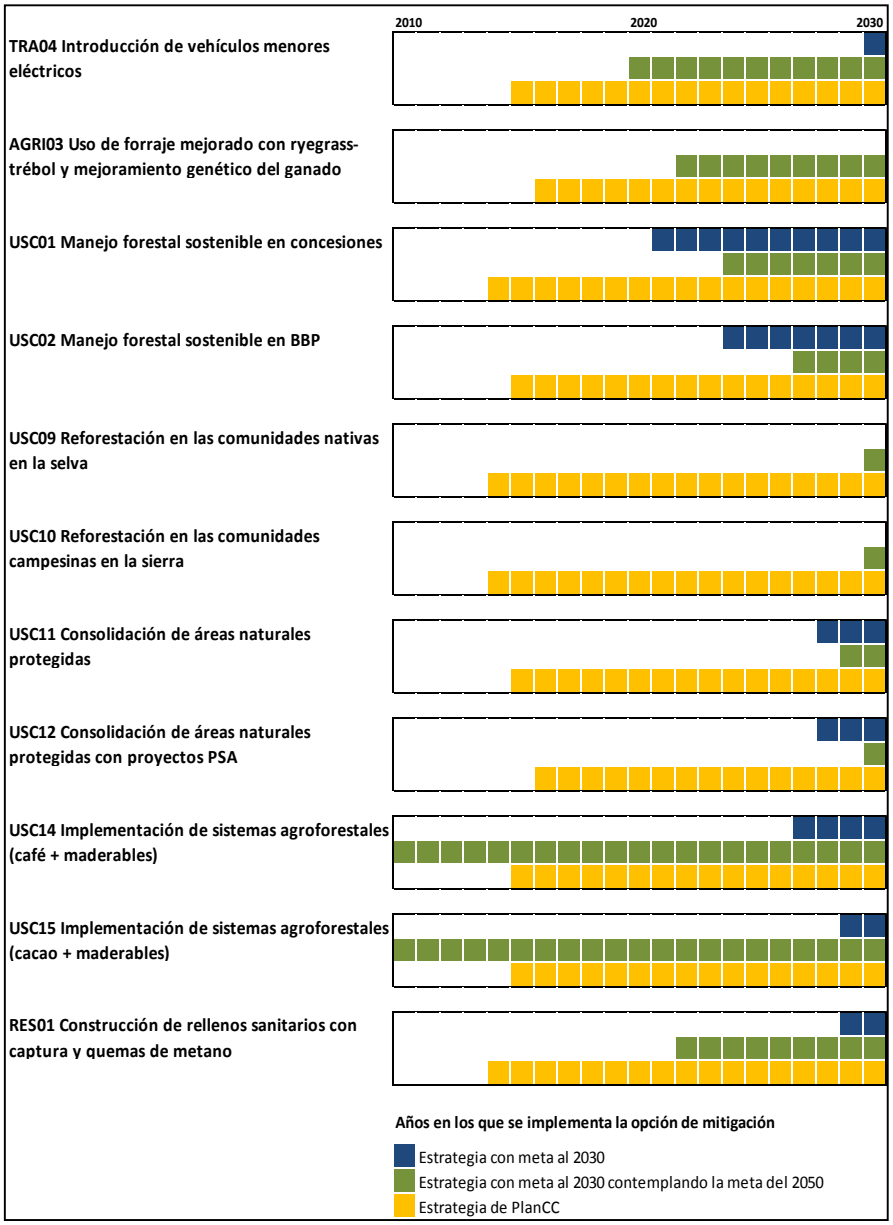


Source : Vogt-Schilb et al (2014)

Aim : seek both quantity and quality of abatement, by combining a **"synergy approach"** that focuses on the cheapest mitigation options and maximizes co-benefits, and an **"urgency approach"** that starts from a long-term objective and works backward to identify actions that need to be implemented early.

Build emission-reduction pathways from the list of GHG mitigation options : Maccinert (II)





Build emission-reduction pathways from the list of GHG mitigation options : Maccinert (III)

Quantify the investment needed and identify financing opportunities

Initial list of mitigation options

Review of estimated costs and projected cashflows

Estimation of main financial indicators

Identification of domestic financial resources & instruments

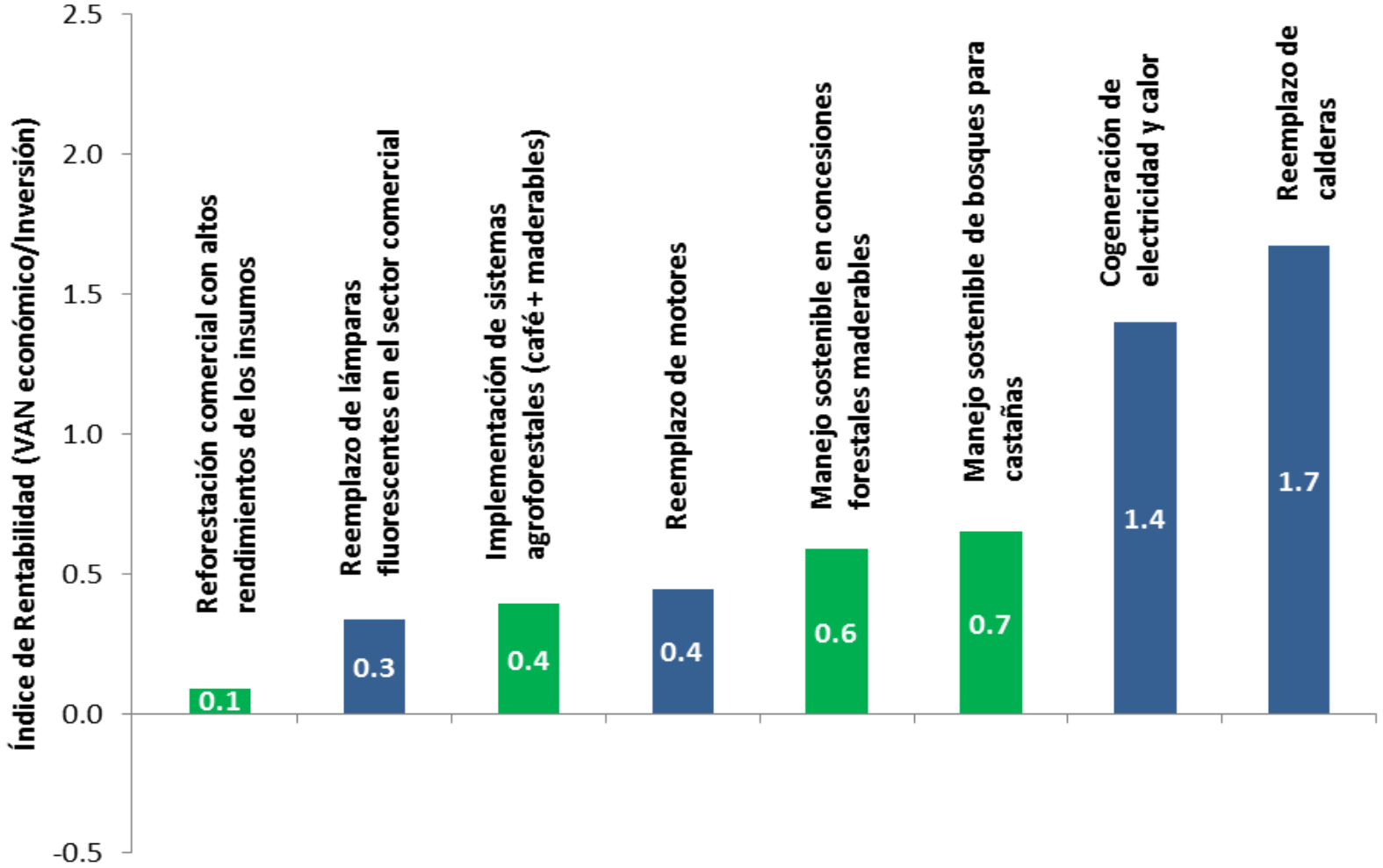
Quantify the investment needed and identify financing opportunities (II)

- In the **energy** sector (replacement of lighting up to the efficiency of engines and electricity cogeneration, among others). The projects were very profitable, and some are already underway with funding from the private sector. However, support is still limited due to reasons such as **lack of information, high risk perception, or the idea that the cost does not justify the effort**.

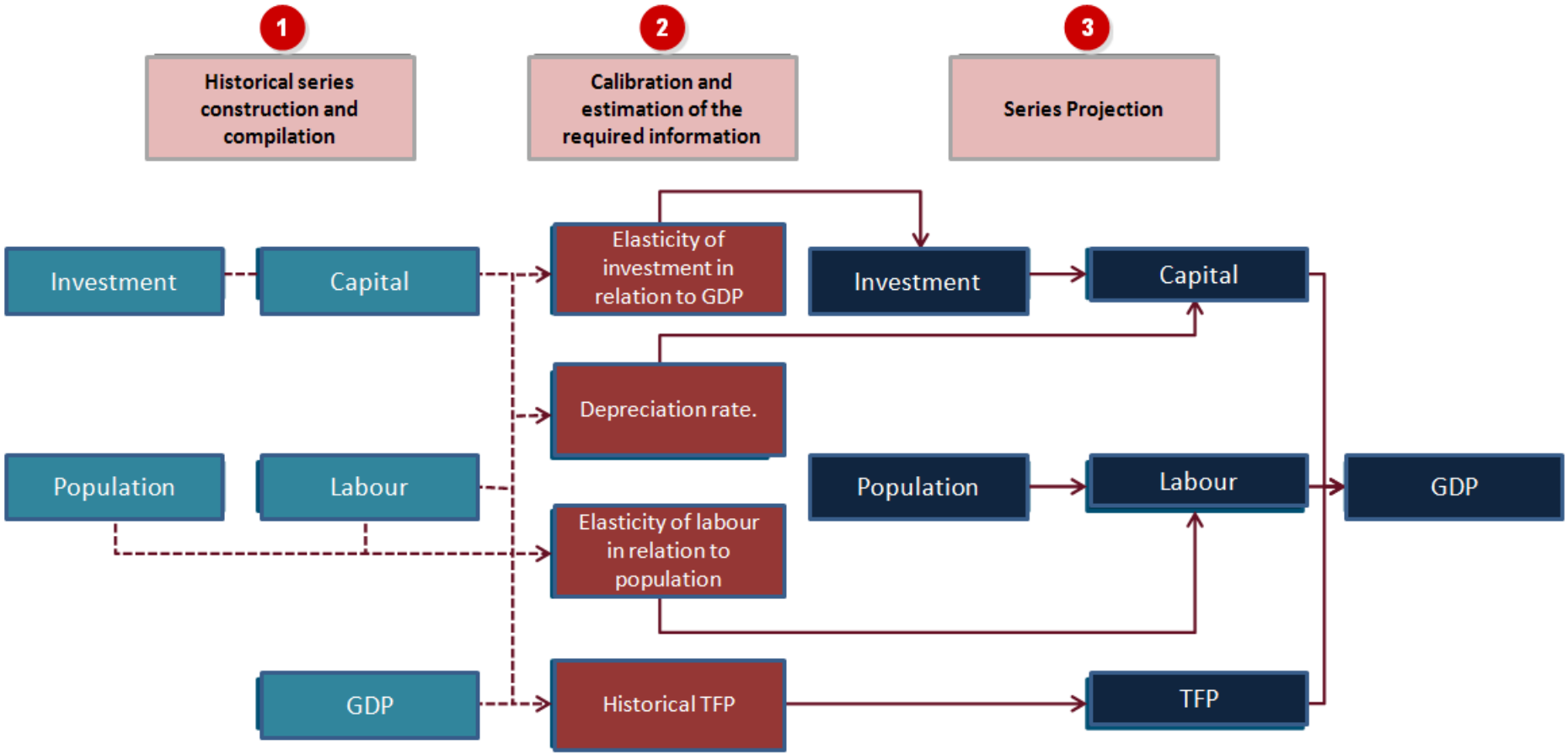
- In the case of the **forestry** sector, the most attractive projects, such as commercial reforestation, require significant amounts of investment and have a payback period of relatively long investment, so the **funding issue becomes more relevant**.

- In the case of the **waste sector**, the return on invested amount were low due to reduced information for the evaluation.

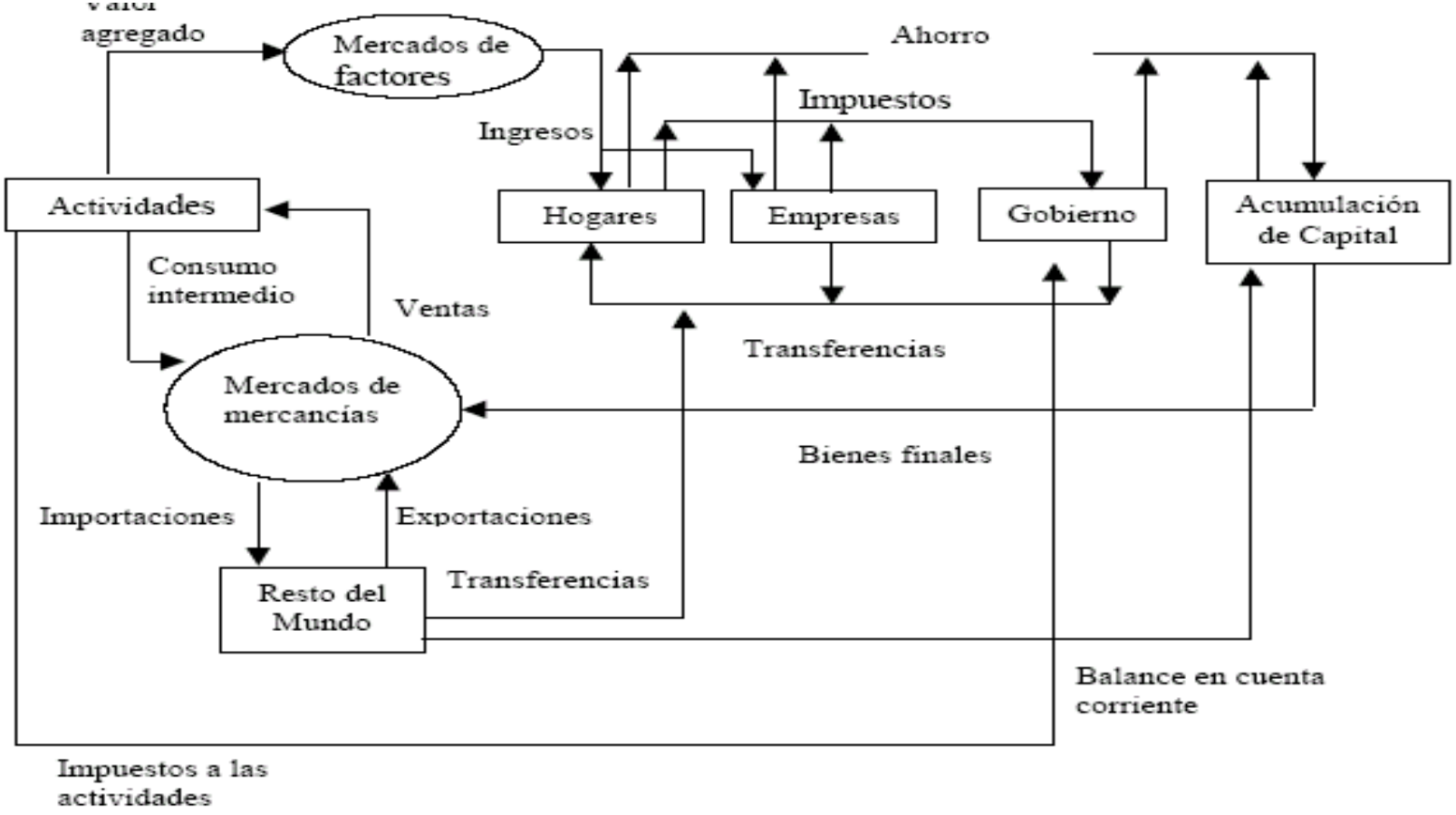
Quantify the investment needed and identify financing opportunities (III)



Assess the macro-economic implications of the emission reduction pathways' implementation: Projection



Assess the macro-economic implications of the emission reduction pathways' implementation (II) : Simulation



Assess the macro-economic implications of the emission reduction pathways' implementation

Model Assumptions	• Exogenous productivity and labor supply growth • Full employment, : wages adjust to reach equilibrium • Adjusts in the exchange rate to reach equilibirum in the external market
Assumptions of the Governmen's	• Equilibrated Government budget balance – no fiscal deficit in the LT • No transaction costs :Governent revenue are allocated to public investment, consumption and transfers
Model characteristics	• Land as a factor of production • Emission intensity factors • 25 economic activities included in the model (related to the emission options, agriculture, fishery, energy, transportation)

Thank you!

María Verónica Villena
mvillena@minam.gob.pe