



Template for Organizing Framework for Scoping of PMR activities

Country: [Costa Rica](#)

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1. Policy context: Domestic mitigation objectives and role of market instrument(s) (1/3)

1.1 Policy context, objectives and envisioned role for new market instruments

- ◆ Costa Rica is one of few developing countries that has carried out voluntary mitigation actions ahead of international climate agreements. Costa Rica has ambitious climate objectives, aspiring to become Carbon-neutral by 2021.
- ◆ Costa Rica promotes the use of markets instruments, it enacted a 3.5% carbon tax over thirteen years ago that partially funds a national program of payment for ecosystem services, including carbon and water. Costa Rica has developed a forest carbon market in which over 9,000 private and communal landowners participate.
- ◆ Costa Rica has supported the role of markets in climate negotiations since COP 1 and up to the Cancun Summit.

1. Policy context: Domestic mitigation objectives and role of market instrument(s) (2/3)

1.2 Overview of country's GHG emissions

- ◆ Total emissions stood at 8781 Gg CO₂ eq. in 2005.
- ◆ Energy emissions are 5685 Gg, 75 % of which are related to transport. Transport accounts for 40% of total emissions. Very low emissions from power generation, mostly renewable.
- ◆ Agricultural emissions of 4603 Gg represent close to half of total emissions.
- ◆ Waste related emissions of 1320 Gg represent about 15% of total emissions. Industrial emissions of 672 Gg are low.
- ◆ Forestry and land use represent a large sink of -3500 Gg, although still increasing, its ultimate potential limited by size.

1. Policy context: Domestic mitigation objectives and role of market instrument(s) (3/3)

1.3 Interest in market-based instrument(s)

- ◆ Costa Rica has long promoted the role of markets in addressing climate change and signed an early agreement with US on JI.
- ◆ Costa Rica has developed an national forest carbon market using the carbon tax and international loans and grants, is now in the process of building and internal private carbon market.
- ◆ Costa Rica supports the development of regional carbon markets and international carbon agreements.
- ◆ In the 1990's it pioneered an initial sale of 200,000 of carbon to Norway.
- ◆ Costa Rica has participated in the CDM with 8 projects.

2. Organization and consultations (1/2)

2.1 PMR contact point

Mr. Andrei Bourrouet, Vice-Minister MINAET

Climate Change Directorate, MINAET

Mr. William Alpizar, Director

2. Organization and consultations (2/2)

2.2 Partners in the formulation and implementation of the country's Market Readiness Proposal

- ◆ Consultations carried out with Ministries of Foreign Affairs, Health, Housing and MINAET. Active participation of ICE, and private sector associations.
- ◆ Two-day workshop held at INCAE Business School on March 24-25 with over 30 participants.
- ◆ Sectors analyzed included energy (renewable and efficiency), transport, waste management and housing.
- ◆ A number of potential NAMAS were identified and issues related to baselines and MRV components for each sector were considered.

3. Technical building blocks of market-readiness (1/4)

3.1 Taking stock of relevant sectors (and/or regions) – *(1 slide per sector/region)*

Renewable Energy and Efficiency

- ◆ Costa Rica has ample renewable energy resources, including hydro, wind and geothermal energy and has achieved over 90% renewable energy in electricity generation.
- ◆ There is now an interconnected Central American grid and a regional treaty for electricity trade (SIEPAC). Regional grid is 54% thermal (oil fired), so CR exports would have climate benefit.
- ◆ Costa Rica needs to maintain or improve percentage of renewable generation and wants to bring online 400 MW of renewable energy in 4 years, increase private power generation.
- ◆ Efficiency is important, there are hydrological, seasonal impacts.

3. Technical building blocks of market-readiness (2/4)

Sustainable Transport

- ◆ Transportation represents 40% of total emissions, public transport widely utilized, high levels of congestion.
- ◆ Improve public transport, redesign bus routes and develop rapid bus options (BRT).
- ◆ Improve road networks and infrastructure.
- ◆ Substitute 10% of fleet with hybrid vehicles, 10% with electric vehicles and 10% compressed-air vehicles, introduce ethanol and biodiesel.
- ◆ Vehicle restrictions, car-pooling and tele-commuting.

3. Technical building blocks of market-readiness (3/4)

Solid Waste Management

- ◆ Represents about 15% of total emissions. According to the law, solid waste management should be handled at the municipal level.
- ◆ Support municipalities (81) to establish integrated waste management systems, including recycling, collection and disposal.
- ◆ Promote legislation that all sanitary landfills should be designed with methane collection systems and co-generation.
- ◆ Establish legal framework for regulation of containers, disposable bottles, packaging and waste reduction measures.
- ◆ Expand present recycling efforts at the regional and national level, include private sector and NGO's.

4. Technical building blocks of market-readiness (4/4)

Sustainable Housing

- ◆ Presently all government supported housing is built in concrete (by law) and consequently relies on imported oil. Costa Rica is rebuilding its forests and can supply sustainable biomass for housing included wood, bamboo and canes.
- ◆ According to NEEDS study, increasing the role of biomass in construction has very attractive economic and greenhouse payoffs. Necessary to remove legal obstacles and develop standards for sustainable products.
- ◆ Encourage design in sustainable wood or bamboo in schools of architecture and engineering. Promote attributes of sustainable wood in terms of earthquake resistance, climate resiliency and freshness.

5. Other key relevant initiatives

- ◆ Presidential Environmental Council oversees climate strategy and implementation.
- ◆ Climate change strategy being updated and operationalized by MINAET (DCC) focusing on eight priority sectors, four in adaptation and four in adaptation.
- ◆ Costa Rica is a partner under FCPF and is developing REDD+ strategy and plans.
- ◆ Partnership with US in low carbon development, focused on agriculture. Partnership with WRI on MRV and certification.
- ◆ Other important studies carried out with UNDP, UNEP.

6. Organization of work and estimated timeline (1/2)

6.1 Overview of organization of work/tasks envisioned for Preparation Phase to conduct the scoping of market readiness activities

- ◆ Create working groups under DCC for the four sectors identified: energy, transport, waste management and sustainable housing.
- ◆ Working groups will include relevant ministries, government agencies, private sector organizations, NGO's and would be provided with technical support.
- ◆ Groups leaders should be chosen, tasks defined and needs assessed in terms of human and financial resources. Groups should define alternative formulation for potential NAMAAS, including costs and MRV issues.
- ◆ Working groups would have one year to carry out their work, with a mid-term report and work plans during first trimester.

7. Other relevant information

- ◆ Costa Rica is presently dealing with important market design issues. For example, the new interconnected grid for Central America represents an important opportunity for regional market in electricity and carbon.
- ◆ Costa Rica has created a state-supported forest carbon market and now wants to involve voluntary efforts of private sector and include other types of projects: energy, transport, housing, waste.
- ◆ Certification is an important issue presently under consideration and a course is planned with WRI. Also a carbon registry is under design and this is a critical component to have transparency and avoid double-counting.

8. Conclusions – Summary of market readiness priority areas for PMR support

- ◆ PMR support focused on four priority areas: energy, transport, waste management and sustainable housing.
- ◆ Support is complementary to other ongoing efforts like FCPF, other bilateral , no duplication. Considerable political support in relevant ministries and government agencies, for example ICE, which has shown interest to lead work on energy and efficiency.
- ◆ Internal carbon market offers important short-term opportunities, but Costa Rica also looking at international markets and partnerships at regional or hemispheric levels.
- ◆ Costa Rica has participated in CDM but expectations have not been fulfilled, continue to look for alternatives.