



MARKET READINESS PROPOSAL (MRP) OF VIET NAM

SUMMARY OF EXPERT GROUP FEEDBACK

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Cologne, Germany
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- ◆ PMR Expert Feedback Process in Viet Nam
- ◆ Experiences during MRP development process in Viet Nam and broader lessons learned
 - Importance of government ownership
 - Coordination with other internationally funded activities
 - Carbon pricing as a way to overcome barriers
 - Carbon pricing in relation to energy pricing policies
 - Suitability of NAMA activities within PMR mandate
- ◆ Key challenges going forward for Viet Nam
 - To achieve market readiness under PMR
 - To operate MBIs (post-PMR support)

PMR Expert Group

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Feedback Process

- ◆ Draft MRP provided to PMR Secretariat, Expert Group – Mar 28
- ◆ PMR, Expert group conference call – Apr 14
- ◆ Draft feedback provided – Apr 17
- ◆ 2 day in-country meeting to discuss feedback and strategies to advance the MRP - Apr 23-24
 - Plus 1-day donor coordination meeting
- ◆ Revised MRP provided to PMR Secretariat & Expert Group - May 8

* Participated in in-country meeting

- ◆ Various (emission and energy) intensity targets and ambitious and advanced policies exist, at the national and sectoral level
- ◆ But barriers exist that limit implementation and impact
- ◆ Very active (multi-/bilateral) donor community in Viet Nam
- ◆ Strong interest in/many activities on NAMAs
- ◆ More insight needed into barriers/gaps/needs and how these relate to the feasibility of MBIs in Viet Nam

- ◆ Strong increase in government ownership with new team coming on board, leading to major progress

- ◆ What barriers exist for reductions that are not sufficiently addressed in current national policies and practices?
- ◆ Can MBIs/carbon pricing instruments help remove/reduce these barriers?
- ◆ How is the potential effectiveness of MBIs/carbon pricing influenced by implementing countries' other energy pricing policies and priorities?
- ◆ How can other (national or internationally funded) activities help support effective design & implementation of MBIs (and vice versa)?
- ◆ For NAMAs: which can work within PMR, which requirements need to be met?

- ◆ For the first time in Vietnam, in-country visit started with a ‘donor coordination meeting’ organised by PMR
- ◆ Aim to gain better insight into various activities funded by other international donors that could be relevant for PMR activities
- ◆ Very useful initiative and much information gained in Viet Nam, but areas for further enhancing added value exists:
 - Timing, scope, level of detail of information shared
- ◆ Can PMR activities play a coordination role in this?

- ◆ Technical activities (baseline scenarios, MRVA, registries) very important for market readiness (and other purposes)
 - Understanding trends, formulating policies & targets, monitoring progress to targets
- ◆ Justifiably these play a strong role in PMR activities as no-regret options
- ◆ But not sufficient to ensure achieving policy objectives, reductions!
 - MRV system measures progress, does not ensure progress
- ◆ Also a carbon price alone may not be sufficient to overcome implementation barriers
 - C price level too low, other barriers not addressed

- ◆ While starting with technical market readiness activities makes a lot of sense, it is important to consider early on whether/how MBIs could actually help overcome implementation barriers and reduce emissions

◆ Energy price policies in Viet Nam

- **Liberalisation of energy market is work in progress** Framework law from 2004, but electricity price caps, subsidies for electricity, coal, oil & gas users exist
- Such price controls will distort the carbon price incentive of MBIs, limiting potential effectiveness
- Proposed activities in MRP:
 - Carbon pricing study for the power sector, Fossil fuel pricing structure study

◆ Tracking emissions/reductions (MRV, registry)

- **Many initiatives are ongoing, but fragmented.** Focus of many donor activities, with different aim (emissions, energy), sectors, ministries
- Stronger coordination would take advantage of synergies and avoid duplication of efforts with government, sector participants
- Proposed activities in MRP:
 - Strengthening institutional capacity and coordination for MRV
 - Development of Vietnamese accreditation standards
 - Assessment of options to develop/acquire a registry system

- ◆ Strong interest in NAMAs, but when suitable as MBIs/carbon pricing instruments under the PMR?
- ◆ Relevant in sector/target area selection
 - Starting with high ambitions in terms of number of sectors and types of MBIs
 - Some tension between political priorities and technical feasibility of MBI development and implementation
 - Increased understanding of technical feasibility (baseline data availability, feasibility of accurate MRV, response to price incentives, etc) led to different ambition levels across sectors and evolving approaches
 - Steel: Crediting NAMA, potentially cap-and-trade
 - Waste: Feasibility study, potentially crediting NAMA
 - Buildings (& transport): Excluded from MRP

- ◆ Sector is relatively well-positioned for MBI development
 - **Relatively good data position**
 - **Concentrated sector**
 - **Basis in existing policies** (including reporting requirements), corporate systems
- ◆ Facility-level, evolving from crediting NAMA to cap-and-trade
- ◆ Proposed activities:
 - Establish data management and reporting system
 - Pilot facility-level reporting/NAMA implementation
 - Assessment of options for cap-and-trade based on credited NAMA experience
 - Capacity building on MRV/NAMA implementation
- ◆ Point of attention: MBI design should take into consideration current barriers to implementation of reduction measures
 - E.g. upfront availability of capital

- ◆ **Suitability of sector for MBIs is still to be conformed:**
 - Lack of reliable data, large uncertainty in projections
 - High costs, uncertainty about price signal
 - But political priority, and some experience with CDM
- ◆ Aim is to develop a crediting NAMA for the solid waste sector
- ◆ Proposed activities:
 - Establish data management and reporting system
 - Feasibility assessment of using MBIs in the waste sector
 - Development of crediting NAMA pilot for controlled landfill sites in selected cities
 - Capacity building on MRV/NAMA implementation
- ◆ Point of attention: make use of synergies/avoid overlap with other donor activities in this area

◆ Buildings and transport sectors were also assessed during the MRP development

- Increasing insights into difficulties of developing/ implementing MBIs in these sectors in Viet Nam during process
- No activities were proposed for these sectors under the MRP
- Limiting factors were similar to barriers experienced in these sectors under other market mechanisms (CDM, ETS), e.g.:
 - Very limited data availability and quality, large uncertainties
 - Many dispersed entities making monitoring, compliance more difficult
 - Limited price sensitivity (and for buildings split incentive)

- ◆ Crediting NAMAs are considered to be an MBI/carbon pricing instrument, i.e. would fit within the scope of PMR support

- ◆ Most suitable for crediting NAMAs are activities:
 - of which the impact on emissions can be readily quantified (defining output rather than input)
 - For which baselines can be set robustly
 - For which MRV can be done with sufficient accuracy to attract international buyers, while avoiding excessive costs
 - For which a good price responsiveness can be expected

- ◆ In practice, this often means:
 - (Sub-) sectors with sufficiently homogeneous activities/target groups and selected actors, e.g.
 - Controlled landfills instead of the entire waste sector
 - Instrument such as different types of performance standards, emission caps
 - Steel sector specific energy consumption target

- ◆ Designing MBIs in such a way that barriers to current policy objectives do not limit MBI effectiveness
 - E.g. can carbon pricing be leveraged to stimulate financial institutions to provide upfront capital?
- ◆ Establishing institutional set-up avoiding complexity while involving relevant stakeholders
- ◆ Ensuring (and maintaining) sufficient capacity among government entities
- ◆ Incentivising different government entities and donors to work from a 'system-optimal' perspective, rather than maximise efforts for own initiatives
- ◆ Harmonising requirements across policy areas, avoiding duplication of efforts for both government and sector participants
 - Targets, MRV requirements, other obligations

- ◆ Ensuring a consistent policy environment, allowing an effective carbon price formation and response
- ◆ Ensuring sufficient time is available for an orderly evolution of MBIs, incorporating lessons learned from early experiences
- ◆ Integrating PMR pilot activities with other related donor activities when up-scaling from pilot to larger scale
 - E.g. 3 pilot cities under PMR and other donor NAMA activities in waste sector
 - E.g. dealing with CDM/JCM or other crediting programmes in the sector
- ◆ Providing sufficient incentives for sectoral entities to participate in the MBIs to be developed
- ◆ Ensuring sufficient capacity is in place to allow monitoring and enforcement of compliance

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