MARKET READINESS PROPOSAL (MRP) OF VIET NAM
SUMMARY OF EXPERT GROUP FEEDBACK

Cologne, Germany
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PMR Expert: Dian Phylipsen
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 Feedback Process

<table>
<thead>
<tr>
<th>PMR Expert Group</th>
<th>Feedback Process</th>
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<tbody>
<tr>
<td>Randall Spalding-Fecher</td>
<td>Draft MRP provided to PMR Secretariat, Expert Group – Mar 28</td>
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<td>Vinay Deodhar*</td>
<td>PMR, Expert group conference call – Apr 14</td>
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<tr>
<td>Dian Phylipsen*</td>
<td>Draft feedback provided – Apr 17</td>
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<td>2 day in-country meeting to discuss feedback and strategies to advance the MRP - Apr 23-24</td>
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<td>- Plus 1-day donor coordination meeting</td>
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<td>Revised MRP provided to PMR Secretariat &amp; Expert Group - May 8</td>
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* 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?
MBIs to overcome implementation barriers?

- 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
Some specific barriers, gaps, needs in Viet Nam

◆ 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.
NAMA selection in Vietnamese MRP process

◆ 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
Steel sector NAMA development

◆ 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
Waste sector NAMA feasibility

- **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)
What makes a NAMA work under PMR?

- 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
Key challenges going forward - preparation

◆ 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
Key challenges going forward - implementation

- 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
FOR MORE INFORMATION ON THE PARTNERSHIP FOR MARKET READINESS (PMR),
PLEASE CONTACT:

PMR SECRETARIAT

PMRSECRETARIAT@WORLDBANK.ORG

WWW.THEPMR.ORG