
Crediting-related activities under the PMR: status and support for implementation

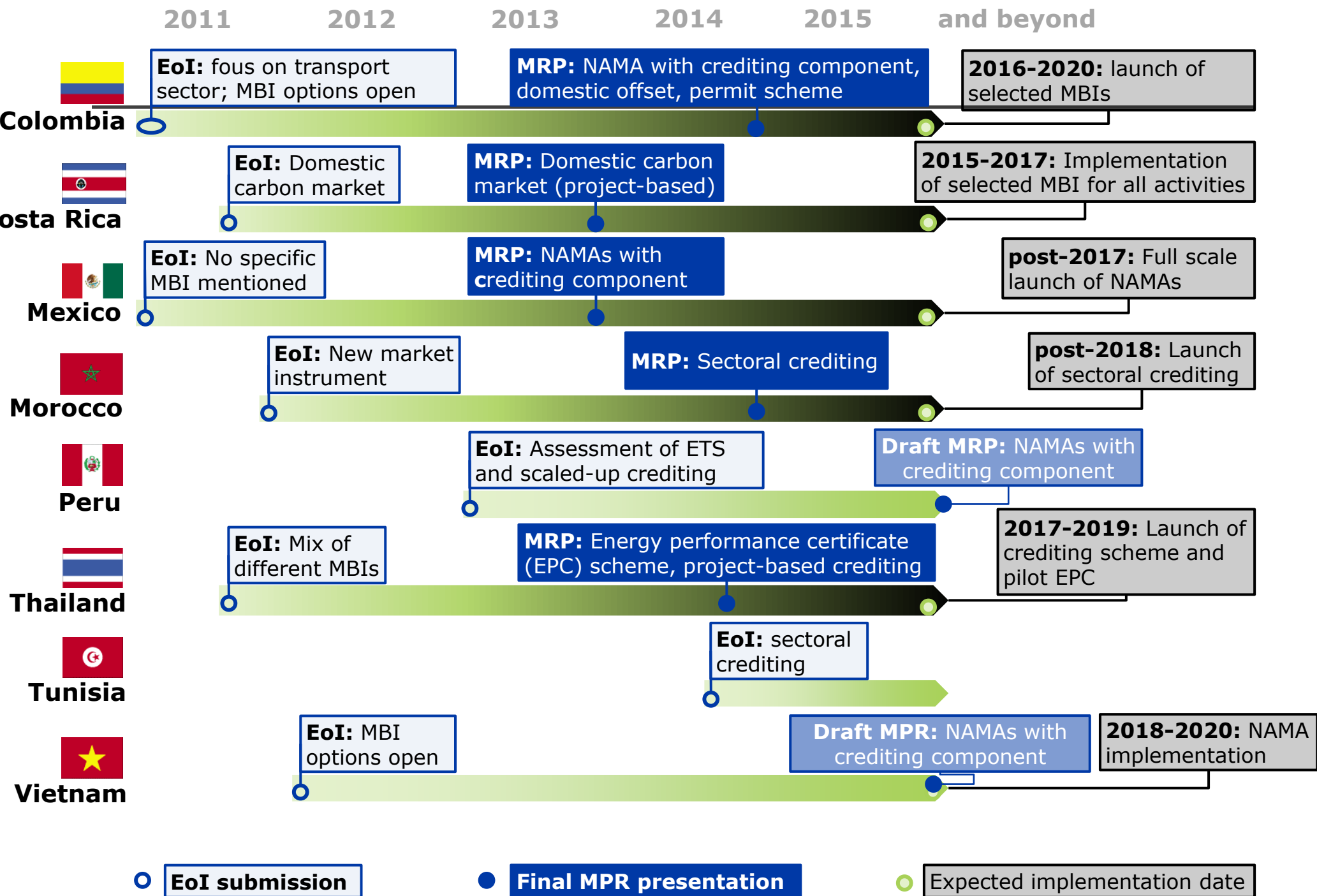
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PMR Partnership Assembly
November 3-4, 2014

Background

- ◆ PMR Secretariat has contracted SEI and Ecofys to examine current and potential future crediting-related activities in 8 PMR implementing countries
- ◆ When moving toward MRP implementation and piloting, it is important to consider how crediting related readiness efforts might best prepare for, stimulate, and/or catalyze scaled-up mitigation and low-carbon investment beyond crediting
- ◆ Presentation today provides an overview of work in progress and an opportunity for PA input and feedback

Objectives of the study

- ◆ Take stock of the 8 MRPs that focus on crediting-related activities in the context of evolving internal and external environments
- ◆ Identify additional opportunities for the PMR to support, through implementation of crediting-related MRPs:
 - piloting or implementation of crediting programs
 - maximizing the potential to foster and catalyze low-carbon investment under multiple policy frameworks



Outline of the study

1. Context

- The role, evolution, and outlook for crediting instruments
- Role of PMR to date

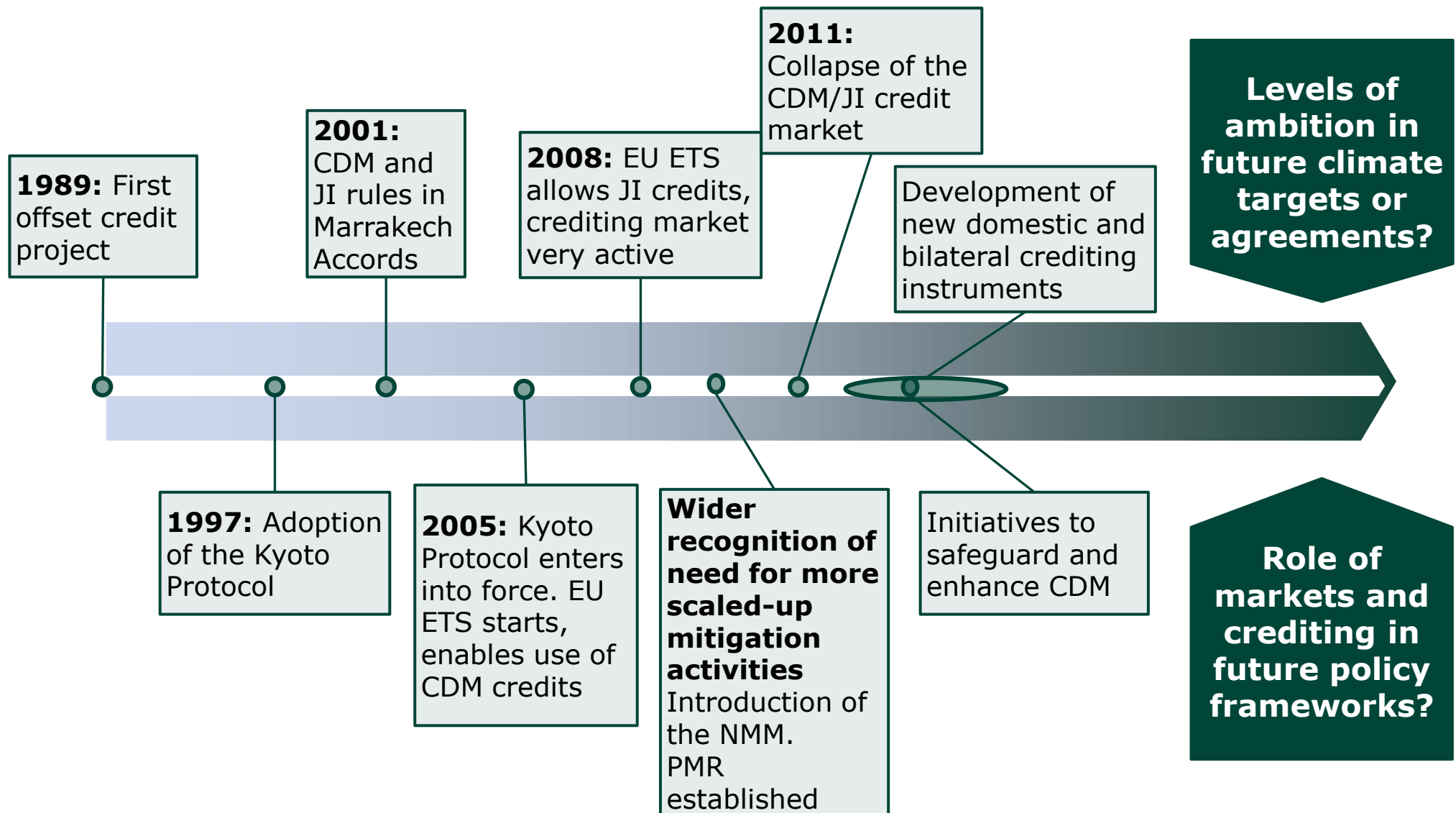
2. Common and country-specific features of crediting-related activities in 8 PMR countries

- Commonalities and divergences

3. Options to enhance readiness for scaled up mitigation

- Comparison of activities in terms of preparing for crediting and other market and non-market policy frameworks, including both piloting and implementation
- Conclusions and recommendations

Role, evolution, and outlook for crediting instruments



Key terms used in this study

◆ Crediting instrument:

- An existing or new program or mechanism that a country develops (e.g., sectoral crediting in the cement sector) or participates in (e.g., CDM or NMM) that is capable of issuing credits

◆ Crediting-related activity:

- specific element of a work plan undertaken in preparation for piloting, implementing, and/or participating in a given instrument (e.g. developing an MRV system for a cement sector crediting program)

2. Common and country-specific features of crediting-related activities in 8 PMR countries

Instruments under consideration and development in 8 MRPs

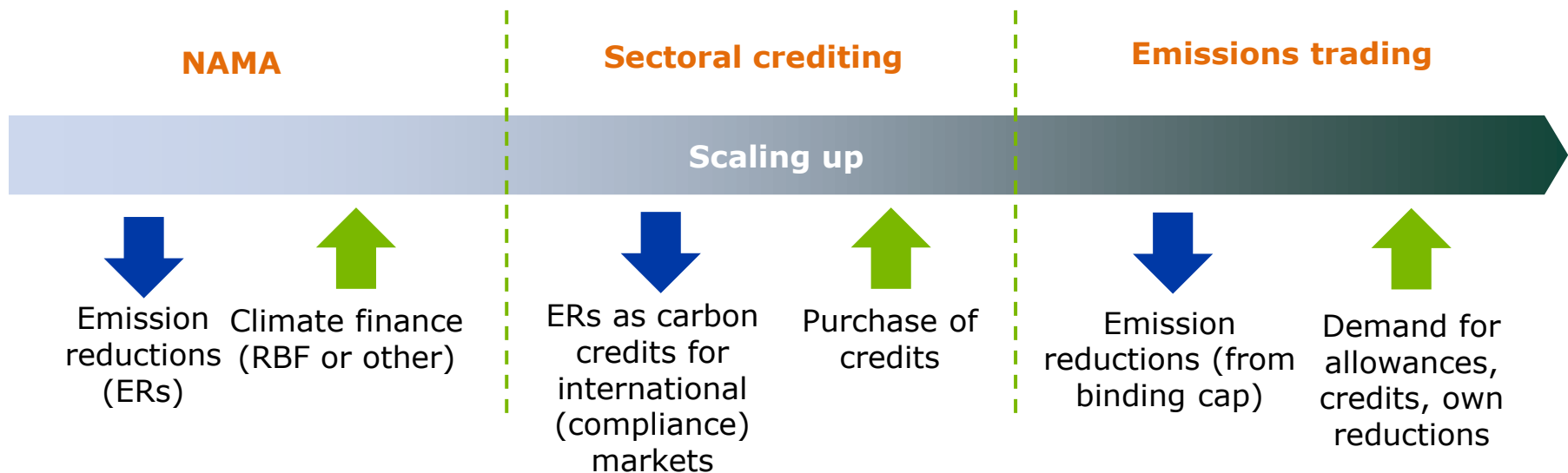
Country	Type of instrument(s)	Sectors covered	Sources of credit demand
Colombia	NAMAs with a crediting component Domestic offset scheme. Possible permit scheme for vehicle importers)	Urban transport	Domestic (for domestic offsets through fuel carbon levy; vehicle importer/producer standard) International (NAMAs with crediting component)
Costa Rica	Domestic carbon market based on project-based crediting instruments for multiple sectors	1 st Phase: power generation, agriculture, solid waste, transport, and sustainable construction	Domestic (entities committing to carbon neutrality); Some activities may be supported via (crediting) NAMAs
Mexico	NAMAs with a crediting component	Urban communities; urban transport; refrigeration	International Domestic (compliance with tax or ETS?)
Morocco	Sectoral crediting	Electricity; Cement; phosphates	International
Peru	NAMAs with a crediting component	Provisional scope: Energy supply, housing, industry, waste and transport	International and possibly Domestic (under consideration)
Thailand	Voluntary energy performance certificate scheme (no carbon credits) Project-based crediting	Energy production, industry and large commercial buildings Municipalities and communities	Domestic (pooled funds; voluntary market)
Tunisia	Sectoral crediting	Electricity; cement	International
Vietnam	NAMA with a crediting component	Steel; Solid waste	International

Summary of commonalities and divergences

- ◆ Choice of instrument:
 - no common blueprint for the choice and design
- ◆ Choice of sectors:
 - reflects national priorities
- ◆ Role of crediting instruments:
 - support for domestic climate actions, policies, and/or markets
- ◆ Sources of demand:
 - various approaches to mitigate risks of uncertain int. demand
- ◆ Roadmaps to implementation:
 - many common elements, tailored to each country context

Role of crediting instruments: support to the evolution of domestic climate policy

This possible pathway serves to illustrate how crediting-based activities might be considered by a country to build readiness for future policy instruments

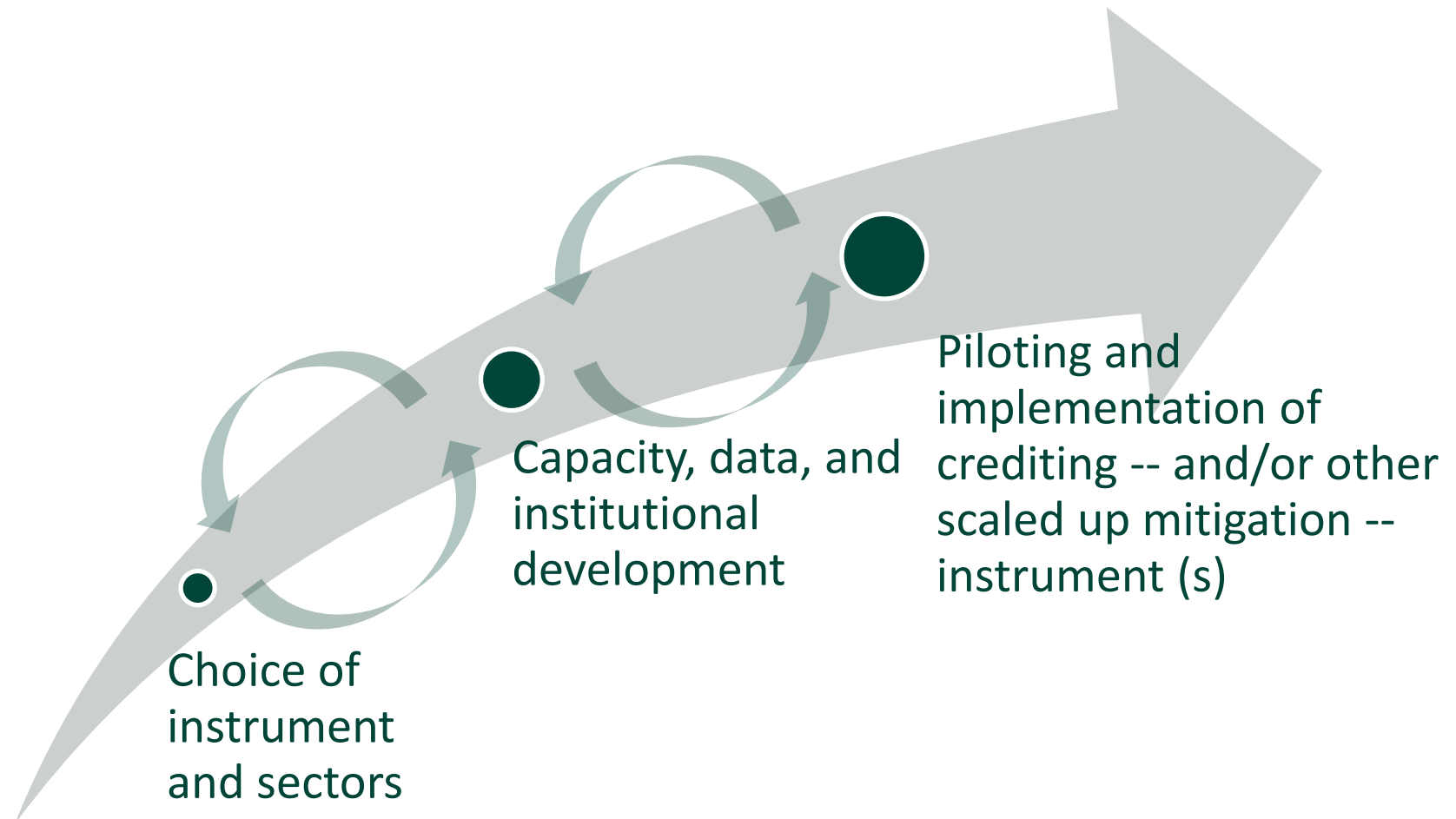


Roadmaps to implementation envisaged in MRPs

- ◆ Common activities found in all eight PMR countries
 - Policy analysis to assess instruments and coherence
 - Enabling institutional and regulatory frameworks
 - MRV capacity and systems
 - GHG data management systems and/or registry
- ◆ And other activities found in several, e.g.:
 - Setting baselines and quantifying mitigation potential (Mexico, Morocco, Peru, Thailand, Tunisia and Vietnam).
 - Instrument design (e.g. sectoral crediting in Morocco and Tunisia, NAMA crediting components in Peru and Vietnam)
 - Piloting market-based instruments (Costa Rica, Colombia, Tunisia, Morocco, Thailand , Mexico and Vietnam)
 - Developing domestic market infrastructure (Costa Rica, Thailand)
 - Stakeholder participation, coordination of activities, strengthening the financial infrastructure, wider readiness capacity building activities....

3. Options to enhance readiness for scaled up mitigation

Eight MRPs cover a spectrum of crediting-related activities



Lessons learned from international readiness efforts suggest the importance of continuous learning with overlapping phases of instrument developing, testing and piloting activities

Synthesis of the crediting-related activities supported in 8 MRPs

1. Analysis of policy options
2. Instrument design
3. Mitigation potential assessment
4. Data collection
5. Data management
6. MRV
7. Regulatory and Institutional frameworks and coordination
8. Quantification approaches (including baseline setting)
9. Crediting methodologies or protocols
10. Approaches to achieve net emission reductions
11. Registries for crediting projects and units
12. Creation or strengthening of domestic demand
13. Finance vehicles
14. Capacity building, engagement, and stakeholder participation
15. Piloting activities
16. Implementation activities

How might crediting-related activities catalyze scaled-up mitigation?

◆ Creates readiness

- Facilitates frameworks for investment in scaled-up mitigation
- Enables greater access to climate finance
- Assists in the implementation of various mitigation-related policies from market to non-market instruments (see e.g., next slide)

◆ Maximizes potential benefits

- Increases institutional or political momentum for low-carbon investment
- Strengthens stakeholder engagement in mitigation opportunities
- Promotes synergies among mitigation-related activities

◆ Minimizes potential “regrets”

- Avoids risks of missed opportunities, e.g. by considering a wide range of potential future policy frameworks
- Is adaptable to changing circumstances, enables learning-by-doing
- Creates realistic expectations; avoids over-investing in activities highly dependent on uncertain market rules

Climate policy frameworks under which crediting-related activities could catalyze scaled-up mitigation (1)

Various policy frameworks may include potential market and non-market mechanisms that countries may pursue to “scale up” mitigation action

Market-based mechanisms

- Domestic ETS
- Carbon tax
- Crediting instruments
 - Internationally-recognized crediting (e.g. via NMM or FVA)
 - Domestic voluntary crediting program
 - Domestic crediting program for domestic ETS/tax compliance

Non-market mechanisms and finance options

- Direct GHG regulation (e.g. performance standard)
- Finance options or vehicles
 - Results based finance
 - NAMA, climate finance
 - Other traditional finance options

Climate policy frameworks under which crediting-related activities could catalyze scaled-up mitigation (2)

Partial illustrative findings can be presented in a matrix

	Options for crediting-related activities	Sectoral crediting	Other crediting	Strengthened CDM	ETS	Carbon tax	RBF
1	Policy analysis						
2	Instrument design						
3	Mitigation potential						
4	Data collection	Required	Important	Important	Required	Important	Important
5	Data management						
6	MRV	Required	Required	Important	Required	Required	Required
7	Reg. & Inst. framework						
8	Quantification (+baseline)	Required	Required	Required	Required	Helpful	Important
9	Crediting methodology						
10	Net ER approach						
11	Registries	Required	Required		Required		Helpful
12	Domestic demand						
13	Finance vehicles						
14	Capacity building						

The paper will explain the scores, and what they mean with regard to readiness that each activity might enable. This assessment will help to inform which activities might have the most relevance across a broad array of instruments that could be pursued.

Climate policy frameworks under which crediting-related activities could catalyze scaled-up mitigation (3)

Partial illustrative findings can be presented in a matrix

	Options for crediting-related activities	Sectoral crediting	Other crediting	Strengthened CDM	ETS	Carbon tax	RBF
1	Policy analysis						
2	Instrument design						
3	Mitigation potential						
4	Data collection	Required	Important	Important	Required	Important	Important
5	Data management						
6	MRV	Required	Required	Important	Required	Required	Required
7	<p><i>For example, while MRV capabilities would be required for most instruments but the extensiveness and stringency might vary. Capabilities for more rigorous, comprehensive, facility-level MRV are needed for both sectoral crediting and ETS, while RBF would require much simpler systems. A carbon tax in contrast might require rigorous MRV but limited to fuel providers only, if the tax is levied only on fuels. And in the case of CDM, MRV capabilities may already exist, however the greater use of standardized baselines could increase both data needs and MRV requirements.</i></p>						
14	Capacity building						

Next steps

- ◆ Collect feedback from PA
- ◆ Interviews with other actors and facilities involved in readiness activities
- ◆ Assess and suggest opportunities for
 - Enhancing support for implementation of crediting-related MRPs (including “testing on the ground”)
 - Maximizing benefits under multiple policy frameworks
 - Supporting prioritization in response to evolving circumstances
 - Stimulating knowledge exchange among countries

Questions for the PA

- ◆ Are the scope and ambition of this study appropriate and helpful? What aspects may be missing?
- ◆ How should PMR support countries in prioritizing efforts within MRPs in response to evolving internal and international circumstances ?
- ◆ How much effort should be placed on “testing on the ground” to enhance support for implementation of MRPs?
- ◆ Are there particular opportunities to catalyze scaled-up mitigation through crediting-related activities that have been under-supported?
- ◆ How much can be generalized across (groups of) countries vs. needs to be country-specific?

◆ For further information and input, contact:

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