

TUNISIA: PMR PROJECT IMPLEMENTATION STATUS REPORT (ISR)–March 2020

1. SUMMARY INFORMATION

Implementing Country/Technical Partner:	<i>Tunisia/National Agency for Energy Conservation (ANME)</i>
Reporting Period:	<i>October 2018 -March 2020 (cumulative reporting period)</i>
Report Date:	<i>March 2020</i>
Implementing Agency:	<i>United Nations Development Programme</i>
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Grant Executed By:	<i>United Nations Development Programme</i>
Grant Effectiveness and Closing Dates:	<i>December 31, 2020</i>
Grant Amount (USD):	<i>3 100 000 US\$</i>
Funding Mobilized (USD):	<i>3 100 000 US\$</i>
Funding Committed (USD): this is what has been contracted to date (75%)	<i>NA</i>

2. OVERVIEW

In June 2018, the Partnership Assembly has approved the Tunisian Market Readiness Proposal (MRP) and granted the country with 3.1M\$ to design, manage and implement carbon pricing instruments.

The Tunisian MRP aims to support the Tunisian Government to enhance stakeholder capacities in order to foster the emergence of carbon pricing instruments and strengthen mitigation and decarbonization policies of the Tunisian economy.

Within the second phase of this initiative (2019-2020), the PMR project will focus on the implementation of fifteen activities/components, structured in an integrated, coherent and complementary way, to facilitate the understanding and the implementation of the concept of carbon pricing.

The project activities will enhance the achievement of the NDC implementation vision through energy transition. Furthermore, at the Climate Action Summit 2019, Tunisia announced its intention to enhance its NDC ambition by 2020. The project activities will provide a significant opportunity to support the Tunisian government to update its NDC before COP 26, taking into account the need to increase clarity, transparency and understanding.

These activities, developed in a participatory approach, are based on the following:

- Maximize the coverage of the NDC's objectives and the alignment with the sectorial strategies and priorities related to carbon mitigation efforts, including the 2030 energy strategy;
- Support the existing financial instruments that will play a crucial role in the development of carbon pricing, particularly the Energy Transition Fund;
- The design of various instruments adapted to the targeted sectors (Energy, cement and electricity) and to the Tunisian context specificities (carbon tax, results-based payments, Article 6 of Paris agreement, etc.);
- Cross-cutting support to identify carbon pricing instruments (update of mitigation scenarios and impact assessment, MRV system, capacity building, communication, etc.).

3. IMPLEMENTATION REPORT BY COMPONENT

Differences between the Objectives/Activities in the Market Readiness Proposal and the Grant Agreement

N/A

Implementation Progress by Component

<p>A. Component: <i>Impact assessments of energy subsidies removal on socio-economic development</i></p>	
<p>Status:</p>	<p>The consortium "OFCE – CIRED/SMASH - ALCOR" has been selected to carry out this activity. The contract was signed on December 17, 2018. To date of this report the following activities have been carried out: The following deliverables have been finalized and adopted:</p> <ul style="list-style-type: none"> • The methodological note/ (first deliverable); • The second deliverable related to “International experiences on energy subsidies removal and carbon tax implementation”; • The deliverable 3 "Analysis of the evolution of energy subsidies (2010-2018), the analysis of the energy pricing policy and the evolution of the energy price structure in Tunisia (2000-2018)"; • The deliverable 4 related to the capacity building program; <p>The following deliverables have been submitted but not yet adopted:</p> <ul style="list-style-type: none"> • The deliverable 5 "Development and transfer of the macroeconomic model & construction of scenarios related to energy subsidies"; • The deliverable 6 "Assessment of macroeconomic impacts of the removal of energy subsidies". <p>So far, this component is progressing well 80% of the results were achieved since the launch of the activity. The analysis of the subsidies’ evolution over the last decade and the international benchmark were finalized. Both provided valuable information to support the energy subsidies removal scenario which considers the national context related to social and communication aspects. Indeed, the ThreeME-Tunisia Macroeconomic model was developed and adapted to the Tunisian context to assess the macroeconomic impacts of the energy transition and mitigation policy, in particular the consequences of energy subsidies removal on the Tunisian economy.</p> <p>Two scenarios of energy subsidies removal respectively in 2022 and 2025 are proposed. They take into consideration the impact of the lifting of subsidies on the disadvantaged population (consumption of LPG).</p> <p>Also, national stakeholders are benefiting from a capacity building program that accompany the study implementation and national consultations. In this context, four training sessions were conducted by the experts to more than 60 beneficiaries mainly from public and finance sectors, such as key Ministries (the Ministry of Finance, the Ministry of Development, Investment and International Cooperation, the Ministry of Energy, Mines and Energy Transition...), public organizations (ANME, STEG, INS, ONE, STIR, ITSEQ...), NGO (ATME), The</p>

Tunisian Professional Association of Banks and Financial Institutions, the Central Bank, universities (école Polytechnique), etc.

The capacity building training sessions were focused on the methodological aspects of energy subsidies, energy taxation, pricing and subsidies and macroeconomic modeling using ThreeME.

Meetings & workshops:

- February 22, 2019: the kick-off meeting.
- June 11, 2019: Bilateral meeting between the consortium and the main stakeholders (Tunisian Electricity and Gas Company, Ministry of Finance, Ministry of Development, investment and International Cooperation, Ministry in charge of the Energy) to present the methodology and validate the planning and work process;
- June 12, 2019: Capacity Building Workshop on the methodological aspects of energy subsidies;
- June 13, 2019: Official national kick off workshop with stakeholders to present the methodology and the first two deliverables related to the international experiences on energy subsidies.
- November 29, 2019: Training workshop on energy taxation, pricing and subsidies performed by the experts of the consultancy bureau to present the methodological aspects of the introduction of the carbon tax considering the social context in Tunisia.
- December 9, 2019: A mission was conducted by representatives from ANME and PMU-UNDP (back to the participation to COP25) to Paris to follow on the study on Impact assessments of energy subsidies removal on socio-economic development progress with the consultancy bureau OFCE and discuss 2020 planning to ensure results will be achieved as per the deadlines of the project.
- January 15 & 16, 2020: First training session on the macroeconomic modeling using ThreeME-Tunisia (specificities, database, sectoral disaggregation and hybridization of economic and energy data);
- January 17, 2020: Meeting between OFCE / ANME / PMU-UNDP to discuss the activity progress alongside the training performed to national stakeholders;
- March 2 and 3, 2020:
 - Second training session on ThreeME-Tunisia modelling (calibration of the model and adaptation to the Tunisian context, development of the reduced version and the manipulation of ThreeME);
 - Training on the construction of the energy subsidies lifting scenario;
- March 4, 2020: Meeting between OFCE / ANME / PMU-UNDP to discuss the activity progress and planning for 2020 alongside the second training session for national partners.

Comments:	<p>In order to accelerate the MRP implementation it was agreed with the ANME to launch under the same tender the Component A and the Component G. Indeed, the two studies are closely linked and removing energy subsidy represents the preliminary step before introducing a carbon tax. In addition, the same macroeconomic model that will be used in component A and G will be used to assess the macroeconomic impact of lifting the energy subsidies and introducing the carbon tax.</p> <p>This process will ensure a better monitoring of the activity as well as the best value for money.</p>
B. Component: <i>Impact assessments of carbon-pricing on socio-economic development</i>	
Status:	<p>The consortium "GET2C– APEX- Perspective Climate Group" has been selected to carry out this activity. The contract was signed on November 15, 2019. The kick-off meeting was held on November 22, 2019. The following deliverables have been finalized and adopted:</p> <ul style="list-style-type: none"> • The methodological note/ (first deliverable) (November 2019); • The deliverable 2 "International experiences on carbon pricing" (February 2020). <p>This component is at 25% of progress. International experiences have focused on the advantages and disadvantages of carbon pricing instruments used at the international level: ETS, carbon tax, etc. The international benchmark provided valuable information on how to use these instruments in the cement sector.</p> <p>Meetings & workshops: February 21, 2020: organization of a workshop to present international experiences on carbon pricing including best practices and lessons learned to support Tunisia experience.</p>
Comments:	<p>The component B is grouped with the component I under the same tender to ensure more efficiency in terms of time and money.</p>
C. Component: <i>Updating of the mitigation target in the energy sector</i>	
Status:	<p>The company of consultancy services "Enerdata" has been selected to carry out this activity. The contract was signed on October 21, 2019. The following deliverables have been submitted and finalized:</p> <ul style="list-style-type: none"> • The methodological note/ (first deliverable) (November 2019); • The deliverable 2 related to "verification & scenarios consistency" (December 2019); • The deliverable 3" Transfer of the new techno-economic model version adopted to the Tunisian context for the simulation of GHG emissions in the energy sector" (March 2020);

	<ul style="list-style-type: none"> The deliverable 4 "First results of GHG emissions simulation in the energy sector by 2030 & 2050" (March 2020) has been submitted but not yet approved. <p>So far, this component is progressing well. 65% of the results were achieved. At the end of March, the new version of the techno-economic MEDPRO model has been developed and used for GHG emissions simulation in the energy sector both for BAU and low carbon scenarios.</p> <p>For the low carbon scenario, the primary energy intensity should decrease by 65% in 2050 compared to 2015 and the carbon intensity should decrease by 86% in 2050 compared to 2015.</p> <p>The simulation results will be further presented for approval to decision makers and then used to update the NDC target for 2030 and to prepare the low carbon development strategy target for 2050.</p> <p>Meetings & workshops:</p> <ul style="list-style-type: none"> October 31, 2019: The kick-off meeting; November 28, 2019: kick off workshop with stakeholders and presentation of the activity methodology; November 27, 2019: Training workshop on the methodology of the construction of energy scenarios; December 10, 2019: A mission was conducted by representatives from ANME and PMU-UNDP (back to the participation to COP25) to Paris to discuss the activities progress and the technical aspects related to the GHG emissions simulation in the energy sector by 2030 & 2050 with Enerdata; February 2 & 3, 2020: Meeting in Grenoble/ France between Enerdata / ANME / PMU-UNDP to review the alignment of energy consumption by sector for the BAU scenario and the low carbon scenario and to discuss the first results of primary and final energy consumptions in 2030 and 2050. March 25, 2020: A Skype meeting was organized with a small team from ANME /UNDP to discuss the results of the simulation results of GHG emissions in the energy sector for 2030 and 2050 with the consultancy bureau. This skype meeting was conducted to continue activity implementation as an alternative to the consultancy workshop with stakeholders cancelled due to Covid 19 pandemic.
Comments:	N/A
D. Component: <i>Updating of the mitigation target in the electricity sector</i>	
Status:	<p>The company of consultancy services "ALCOR" has been selected to carry out this activity.</p> <p>The contract was signed on December 18, 2019.</p> <p>The following deliverables have been finalized:</p> <ul style="list-style-type: none"> The methodological note/first deliverable (December 2019); The deliverable 2 "International experiences with ambitious mitigation target,

	<p>analysis of the national context of the evolution of the power sector and the capacity building program" (March 2020);</p> <ul style="list-style-type: none"> • The deliverable 3 "Projection of the electrical system by 2050" has been submitted but not yet adopted (March 2020). <p>So far, this component is at 40% of progress. The results achieved mainly consist of the simulation of two scenarios of renewable electricity production and the impacts of these scenarios on GHG emissions reduction by 2030 & 2050:</p> <p>-1st scenario: 30% and 50% of renewable electricity production respectively in 2030 and 2050</p> <p>-2nd scenario: 36% and 80% of renewable electricity production respectively in 2030 and 2050.</p> <p>These results will be presented for approval to decision makers.</p> <p>Then, the results of the target "80% of renewable electricity production" will be used while updating the Tunisian NDC and preparing the low carbon development strategy, to be submitted to the UNFCCC by 2020.</p> <p>Meetings & workshops:</p> <ul style="list-style-type: none"> • The kick-off meeting was held on December 18, 2019. • A Skype meeting was organized on March 24, 2020: with a small team from ANME /UNDP to discuss the results of the renewable electricity production scenarios forecasting with the consultancy bureau. This skype meeting was conducted to continue activity implementation as an alternative to the consultancy workshop with stakeholders cancelled due to Covid 19 pandemic. Two scenarios were presented: 50% and 80% of renewable electricity production in 2050.
Comments:	<p>-The Components D, H and F are closely linked so they were grouped and launched under the same tender in order to accelerate the MRP implementation.</p> <p>This process will ensure a better monitoring of the activity as well as the best value for money.</p>
<p>E. Component: <i>Improvement of Ener-info database</i></p>	
Status:	<p>To be launched in April.</p> <p>The bureau of consultancy has been selected and the signature of the contract is planned in April 2020. In accordance with the COP 24 decision (Rulebook), this activity aims to set up a strengthened transparency framework to facilitate clarity and accounting of GHG emissions in the energy sector.</p> <p>A delay may occur in this activity because of the pandemic crisis.</p>
Comments:	N/A

F. Component: <i>Design and implementation of an electricity generation MRV system</i>	
Status:	<p>The company of consultancy services "ALCOR" has been selected to carry out this activity. The contract was signed on December 18, 2019. The kick-off meeting was held on December 18, 2019. The methodological note/first deliverable was submitted and adopted in December 2019.</p> <p>This activity is at 20% of progress (planned to start in June 2020). It depends on the finalization of other project activities related to setting an ambitious objective of renewable electricity (component D) and developing a carbon pricing instrument for the electricity sector (component H).</p>
Comments:	N/A
G. Component: <i>Introduction of a carbon tax to support the Energy Transition Fund (ETF)</i>	
Status:	<p>The consortium "OFCE– CIRED/SMASH - ALCOR " has been selected to carry out this activity. The contract was signed on December 17, 2018;</p> <p>The following deliverables have been submitted and adopted:</p> <ul style="list-style-type: none"> • The methodological note/ first deliverable; • The second deliverable related to "International experiences on energy subsidies removal and carbon tax implementation"; • The deliverable 3 related to the "Assessment of the main results of the ETF since 2005, update of the sizing of the ETF and calculation of the carbon tax per energy product"; • The deliverable 4 related to the capacity building program; <p>The following deliverables have been submitted but not yet adopted:</p> <ul style="list-style-type: none"> • The deliverable 5 "Development and transfer of the macroeconomic model, construction of scenarios related to the introduction of the carbon tax on energy products to supply the ETF resources" (March 2020); • The deliverable 6 "Assessment of the macroeconomic impacts of the introduction of the carbon tax " (March 2020) was submitted but not yet adopted. <p>So far, this component is progressing well. 80% of the results were achieved since the launch of this activity. The analysis of the international benchmark of the subsidies' removal and carbon tax introduction, the ETF evolution and the carbon tax calculation were finalized.</p>

Indeed, the ThreeME-Tunisia Macroeconomic model was developed and adapted to the Tunisian context to assess the macroeconomic impacts of the energy transition and mitigation policy, in particular the consequences of the introduction the carbon tax on the Tunisian economy.

The carbon tax scenario was carried out to fill the gap between resources and uses of the ETF over the period 2021- 2030.

Also, national stakeholders are benefiting from a capacity building program. About 60 participants from the key sectors concerned by the carbon tax reforms participated in the training sessions that accompanied the study implementation, such as key Ministries (the Ministry of Finance, the Ministry of Development, Investment and International Cooperation, the Ministry of Energy, Mines and Energy Transition...), public organizations (ANME, STEG, INS, ONE, STIR, ITSEQ...), NGO (ATME), the Tunisian Professional Association of Banks and Financial Institutions, universities (école polytechnique), etc.

Meetings & workshops:

- February 22, 2019: The kick-off meeting;
- June 11, 2019: Bilateral meeting between the consortium and the main stakeholders (Tunisian Electricity and Gas Company, Ministry of Finance, Ministry of Development, investment and International Cooperation, Ministry in charge of the Energy) to present the methodology and validate the planning and work process;
- June 13, 2019: kick off workshop with stakeholders with the presentation of the methodology and the first two deliverables related to the international experiences on energy subsidies.
- December 2 & 13 ,2020: Meetings with key department's representatives from the ANME to discuss the deliverable 3 results.
- December 9, 2019: A meeting between representatives from ANME /PMU/ OFCE was held in Paris to discuss the activities progress and the 2020 planning.
- January 15 & 16, 2020: First training session on the Tunisian macroeconomic model "ThreeME" (specificities of the model, database, sectoral disaggregation and hybridization of economic and energy data);
- January 17, 2020: Meeting between OFCE / ANME / UNDP to discuss the activity progress;
- March 2 and 3, 2020:
 - Second training session on ThreeME Tunisian model (calibration of the model and adaptation to the Tunisian context, development of the reduced version and the manipulation of the model.);
 - Training on the construction of the scenario of the carbon tax to supply the ETF;
- March 4, 2020: Meeting between OFCE / ANME / UNDP to discuss the activity progress and planning for 2020.

Comments:	Same comment as for the component A.
H. Component: <i>Introduction of a results-based payments system to support development of renewable electricity</i>	
Status:	<p>The company of consultancy services “ALCOR” has been selected to carry out this activity.</p> <p>The contract was signed on December 18, 2019.</p> <p>The kick-off meeting was held on December 18, 2019.</p> <p>The methodological note/first deliverable was submitted and adopted in December 2019.</p> <p>This activity is at 20% of progress. A delay may affect this activity’s progress because of the pandemic crisis.</p> <p>Developing a carbon pricing instrument for the electricity sector depends on setting an ambitious objective of renewable electricity, which is undergoing (component D).</p> <p>The carbon instrument is planned to be developed in May 2020.</p>
Comments:	N/A
I. Component: <i>Experimentation and training on how to use an emission trading system under the voluntary agreement framework of the cement sector</i>	
Status:	<p>The consortium "GET2C– APEX- Perspective Climate Group" has been selected to carry out this activity.</p> <p>The contract was signed on November 15, 2019.</p> <p>The following deliverables have been finalized:</p> <ul style="list-style-type: none"> • The methodological note/ first deliverable (November 2019); • The deliverable 2 “International experiences in the development of carbon pricing instruments in the cement sector” (March 2020); • The deliverable 3 “Setting a long-term mitigation goal and assessing the impacts of the low carbon transition in the cement sector in Tunisia” (March 2020) is finalized but not yet approved by the cement sector representatives and decision makers; • The deliverable 4 “Development of the carbon pricing instrument (s) in the cement sector (March 2020) is finalized but not yet approved by the cement sector representatives and decision makers. <p>So far, this component is progressing well. 65% of the results were achieved since the launch of the projection of cement production in 2050, setting a mitigation objective in 2050 and developing a carbon pricing instrument in the cement sector for all the mitigation options (renewable energies, energy efficiency, the clinker rate reduction and the use of alternative energies).</p>

	<p>The results to be achieved in terms of the mitigation objective and the development of a carbon pricing instrument (s) in the cement sector will be considered while updating the NDC and preparing the SNBC, which both will be submitted by Tunisia to the UNFCCC in 2020.</p> <p>Meetings & workshops:</p> <ul style="list-style-type: none"> • The kick-off meeting was held on November 22, 2019. • February 21, 2020: Workshop to present international experiences in the development of carbon pricing instruments in the cement sector; • March 19, 2020: Meeting by Skype Apex / ANME / UNDP to discuss the choice of carbon pricing instruments in the Tunisian cement sector; • March 20: A Skype meeting was organized with a small team from ANME /UNDP/APEX to discuss the results of setting the mitigation objective and impacts by 2050 and the choice of the carbon pricing instrument (s) in the cement sector with the consultancy bureau. This skype meeting was conducted to continue activity implementation as an alternative to the consultancy workshop with stakeholders cancelled due to Covid 19 pandemic.
Comments:	<p>The component I is grouped with the component B under the same tender to ensure more efficiency in terms of time and money.</p>
<p>J. Component: <i>Establishment of a Project Management Unit (PMU)</i></p>	
Status:	<p>The PMU was set up and the following recruitments has been established:</p> <ul style="list-style-type: none"> • A technical coordinator; • Two experts in carbon pricing and MRV and Foresight; • A project associate; • A logistics assistant. <p>Meanwhile, UNDP is providing support to the project through its Climate, environment, energy and disaster risk reduction program and its operational services. The PMU office was established and all facilities including IT equipment and furniture were provided.</p>
Comments:	N/A
<p>K. Component: <i>Introduction of new assessment criteria standards by financial organizations, based on climate impacts</i></p>	
Status:	<p>Under preparation.</p> <p>The bureau of consultancy has been selected to carry out this activity. The start of the study is scheduled for April 2020. This activity aims at integrating climate finance and particularly carbon pricing in the Tunisian financial institutions' strategies</p>

	<p>and building capacities of finance sector as key actor for energy transition and NDC implementation.</p> <p>A delay may affect this activity progress because of the pandemic crisis.</p>
Comments:	Na
<p>L. Component: <i>Capacity building to support the implementation of the activities outlined in the MRP</i></p>	
Status:	<p>The company of consultancy services “Carbone 4” has been selected to carry out this activity.</p> <p>The contract was signed on December 16, 2019.</p> <p>The kick-off meeting was held on December 16, 2019.</p> <p>The submission of the following deliverables:</p> <p>The methodological note/first deliverable was adopted (December 2019);</p> <p>The deliverable 2 "The capacity building program" is not yet adopted (March</p> <p>This activity is at 40% of progress. The capacity building is an important component of this project which includes the following tasks:</p> <ul style="list-style-type: none"> - Development of a capacity building program; -Organization of a training session on carbon pricing; -Organization of a training session and support for Tunisia in positioning on Article 6 of the Paris Agreement; -Programming and organization of two exchange visits on carbon pricing.
Comments:	<p>Two new activities related to the capacity building component have been approved by the project steering committee to be conducted in 2020 (The ten-year Tunisian Plan for Energy & Climate and a study on the analysis of the factors of GHG emissions evolution).</p>
<p>M Component: <i>Communication, advocacy and involvement of the stakeholders</i></p>	
Status:	<p>The company of consultancy services “Carbone 4” has been selected to carry out this activity.</p> <p>The contract was signed on December 16, 2019.</p> <p>The kick-off meeting was held on December 16, 2019.</p> <p>The submission of the following deliverables:</p> <ul style="list-style-type: none"> • The methodological note/ first deliverable (December 2019) was adopted; • The deliverable 2 "Report on the communication plan" is not yet adopted (March 2020). <p>This activity is at 40% of progress.</p> <p>Given the diversity of the project activities and the importance of its expected</p>

	<p>results, communication is also considered as a main component of the project including the following tasks:</p> <ul style="list-style-type: none"> -Development of a communication plan on the emergence of carbon pricing instruments in Tunisia; -Organization of a side event on the occasion of the COP26; -Organization of a high-level workshop on carbon pricing modeling; -Participation of Tunisian actors in international events on carbon pricing. <p>Moreover, to promote the project results, the PMU plans to design and develop several communication materials such as:</p> <ul style="list-style-type: none"> -A brochure of the project has been developed in February 2020; -The Energy Transition Fund: 2005-2019 achievements and 2030 perspectives; -The Macroeconomic model ThreeME-Tunisia and the impacts of energy subsidies removal and the introduction of a carbon tax; -The simulation of GHG emissions in the energy sector; - The carbon pricing instruments in Tunisia (Energy, Electricity and Cement); -The impact of an ambitious renewable electricity target on the Tunisian economy; -A communication guide on carbon pricing in Tunisia (to be developed by the consultancy bureau Carbone 4); - The inventory of GHG emissions from the energy sector over the period 2000-2019; -Energy / Climate key figures; <p>These communication materials will be available as soon as the related activities will be finalized.</p>
Comments:	<p>Considering similarities between the components L&M, it was agreed to group them under the same tender.</p>

4. PROGRESS, CHALLENGES, AND LESSONS LEARNED

<p>Important policy or regulatory developments related to the Grant’s objectives and activities:</p>
<p>Progress:</p> <p>The Tunisian government has adopted important decisions:</p> <ul style="list-style-type: none"> • The establishment of the new Tunisian government in February 2020 constitutes an opportunity for the project as the government set a new ministry of energy, mines and energy transition, which demonstrates political commitment towards energy transition enhancement. The new government represents also a challenge for the project as the new institutional change means more advocacy and awareness raising on carbon pricing subject to support stakeholders ownership of the results at high level of decision making.

- The introduction of energy tax to support the energy transition fund in the budget law of 2019.
- The announcement, on February 26, 2020, of the revision of the Article 9 of the Law No12-2015 by publishing a new decree that allows the creation of companies for the self-production of electricity from renewable energies, its sale to large consumers as well as its transfer through the national network. It also allows the sale of the surplus up to a maximum percentage for the Tunisian electricity and gas company (STEG). This decree will have an impact on the development of self-production of renewable electricity mainly in the industrial and building sectors in Tunisia.
- The announcement of Tunisia intention to enhance its NDC ambition by 2020 at the Climate Action Summit- September 2019. The PMR project will contribute to update the NDC target for 2030 (mainly through the component C “*Updating of the mitigation target in the energy sector*”). Furthermore, the carbon pricing instruments to be developed in the three key sectors (energy, cement and electricity) will be considered as levers to enhance Tunisia’s NDC ambition to be submitted by 2020.

Challenges:

Due to the COVID-19 pandemic the events and bilateral meetings planned by the project with the public authorities and key ministries should be delayed. Which will cause a delay regarding the results approval and the deadlines fixed by the project.

With the implementation of the new government, the project will do more advocacy and awareness raising on carbon pricing considering its role to support the energy transition and the low carbon development strategy.

For this reason, UNDP and ANME are keen to work on raising awareness of all key stakeholders about the opportunities that present the project and to mitigate the risk of the institutional change occurred in March 2020.

In this context, bilateral meetings are planned to be organized especially with the two new relevant ministries: the Ministry of Energy, Mines and Energy Transition and the Ministry of Environment.

The project is keen to build on i) the successful involvement of the stakeholders and the strong steering committee of the project and ii) the promotion of social communication on the recycling of carbon tax revenues for the benefits of the households as this will enhance national ownership.

Lessons learned:

Carbon tax instruments should be used as a public political lever to raise the NDC’s objectives and to contribute to the Tunisia’s economic growth.

MRP activities is carried out in close coordination with other initiatives supporting the NDC update and the implementation of the low carbon development strategy, which will be submitted in 2020. These key initiatives are under elaboration with UNDP support as following:

- The elaboration of the low emission development strategy by 2050 for the energy sector. Indeed, the first phase of the strategy elaboration focused on the socioeconomic and energy

<p>scenarios by 2050; and the second phase related to the strategy objectives has been launched in December 2019.</p> <ul style="list-style-type: none"> - The review of the Tunisian climate ambition in the energy sector in 2030 in the framework of the UNDP NDC Support Program and NDC Partnership initiative. This activity is planned to be launched shortly and will be coordinated with the relevant PMR components. - The update of the NDC (mitigation and adaptation) under implementation with the ministry of environment and for which energy sector is one of the key priorities in the update of the mitigation objective.
<p>Important changes in the technical design or approach related to the Grant's activities:</p>
<p>Developments: N/A, <i>no technical changes were made for the project design.</i></p> <p>Challenges: N/A</p> <p>Lessons learned: N/A</p>
<p>Key capacity issues (implementation, technical, financial management, procurement) related to the Grant's activities:</p>
<p>Challenges:</p> <ul style="list-style-type: none"> - Stakeholders mobilization is key for the project success. But at the same time the project is quite innovative, and the carbon pricing is new thematic area for national partners, which means few stakeholders master the subject and can contribute to the ownership of the project's results. In addition, the priority sectors that the project is tackling are quite specific and stakeholders intervening in those sectors are solicited to contribute to each of the project's activities which is quite challenging for the project and the stakeholders themselves to always be available for multiple meetings and workshops. This may lead to a delay in approving activities deliverables. - The social aspect of the carbon tax and its acceptance. - Disparity of knowledge in the field of carbon pricing and scarcity of stakeholders that master this thematic area. - Complementarity between macroeconomic evaluation model and techno-economic model for GHG emissions projections. - Lack of international standardized methodology of an MRV system. - Integration of carbon pricing policy in line with the strategic objectives of the Tunisian socio-economic development plan (2021-2025) and the next finance law. - Integration of climate finance and particularly carbon pricing in the Tunisian financial institutions' strategies. <p>Lessons learned:</p> <p>After the stakeholders consultation, the results to be achieved by the project (especially those related to the subsidies removal, the carbon tax introduction, etc.) should support the government in the preparation of its 2021-2025 development plan and the next finance law, particularly in terms of energy transition and low carbon development policy.</p> <p>The involvement of the stakeholders throughout the project implementation (capacity building and</p>

training sessions on the ThreeME model, construction of energy scenarios, lifting of subsidies, etc) facilitated the appropriation of the project activities by the public actors (Ministry of Finance, Ministry of Development, Investment and International Cooperation, etc.).

On the other hand, the project must make a special effort to raise awareness among new decision-makers (government and parliament). A communication plan will be developed to ensure the advocacy of the new actors.

To face the issues of limited time for the implementation and the lack of specific expertise, the project adopted an approach that group the activities/components that are interrelated: components A&G; components D, F&H; components L&M.

Furthermore, some specific technical aspects are determinants to reach the project objectives in conformity with the Paris Agreement's goal notably through the implementation of a centralized and transparent MRV system for the energy sector. The latter must be harmonized with the MRV system of carbon pricing instruments and avoiding double counting in conformity with the COP 24 rulebook recommendations.

Coordination with other carbon pricing initiatives, including those funded by other donors:

Developments:

The project is intervening in a very fluctuant but also in a multi-initiative and multiparty context. Coordination between all the initiatives is highly crucial so that we avoid duplication. The example of lifting the subsidies is important and UNDP and ANME are coordinating the study with the presidency of the government as there is another study conducted on the subsidies in energy sector with the support of world bank.

Complementarity is ensured with this study thanks to the coordination of ANME with the presidency of the government. Another ongoing initiative between UNDP and ANME, which is relevant to the current project is the operationalization of the Energy Transition Fund including its new design and sizing. This initiative will facilitate later the work on integrating the carbon tax into this fund.

Stakeholder engagement related to the Grant's activities:

Developments:

The ANME, is the body responsible for implementing the state energy conservation policy and coordinating works on climate change in the energy sector. It has the necessary capacities to technically pilot the project and mobilize the various stakeholders.

Challenges:

In the framework of the current political context, with the recent elections and the change of the government after this process, ANME is the key player for national ownership. However, it needs more political support and capacity building for the implementation of this complex project. The role of the project is crucial in this process of high-level political mobilization to guarantee the sustainability of the results. (In this context, two studies on the ANME and the ETF restructuring supporting the Tunisian energy transition policy are being carried out outside the project).

Lessons learned:

Large consultation with decision maker, technical staff from all stakeholders is crucial in order to keep

up the continuous commitment around the PMR project priorities. Indeed, bilateral meetings with key actors/institutions are useful to strength the project appropriation (Ministry of Energy, Mines and Energy Transition, Government Presidency, Ministry of Finance, Ministry of Investment Development and International Cooperation, Ministry of Environment , STEG, representatives of civil society and professional associations such as the Professional Association of Banks and Financial Institutions (APBEF) etc.

Other issues related to the Grant's activities

Taking into account the 2019–20 COVID-19 pandemic, a number of relevant planned project events, having a close relation with developing carbon pricing instruments, have been canceled:

- 24 March: National workshop: to approve and present the results of GHG emissions simulation in the energy sector by 2030 & 2050" (Component C);
- 27 March; National workshop to present and approve the objective and the cement sector instrument (Component I);
- Bilateral concertation meetings with the key project actors (ministry of Finance, ministry of energy, Tunisian Central Bank...) concerned by building scenarios related to:
 - the lifting of subsidies
 - the introduction of carbon tax
- 15 & 16 April, a consultation workshop to discuss the use of Three Me-Tunisia model to simulate the macroeconomic impacts of the lifting of subsidies and the introduction of carbon tax.
- April 17: National workshop to approve and present the results of the macroeconomic assessment of the subsidies removal and the introduction of carbon tax.

Lessons learned:

These events will be postponed after the crisis, with no visibility on the new dates. Meanwhile The project team is organizing skype meetings between experts / ANME and UNDP (without stakeholder participation) to move forward with technical discussions that do not need consultation. However, all the activities will not be finalized unless the stakeholders consultations will take place.

5. ADDITIONAL INFORMATION

- The project document has been developed as per the UNDP template and procedures and was signed with ANME on November 28th, 2019.
- The 2019 progress report has been developed
- The first steering committee was held on October 11, 2019.
- The second steering committee was organized on January 30, 2020 where the annual work plan 2020 was approved.
- The 2020 annual work plan has been finalized and signed
- Before the pandemic crisis, all the project activities related to carbon pricing instruments and GHG mitigation objectives in the key sectors (energy/ETF, electricity and cement) are planned to be finalized by the end of April 2020. Therefore, the crisis will cause a delay regarding these activities achievements and approval that would require consultation with the public authorities.
- An international workshop on “Climate vision and energy transition: the role of carbon pricing” will be organized in September, 2020.
- The project steering committee has approved two new activities related to the project to be realized in 2020 (The ten-year Tunisian Plan for Energy & Climate and a study on the analysis of the factors of GHG emissions).
- The third steering committee meeting is planned in June 2020.

6. BUDGET OVERVIEW

The project "Supporting Carbon Pricing for the implementation of the NDC and the low-carbon transition in Tunisia" received funding from the World Bank under the Partnership for Market Readiness initiative. The total amount of the donor's contribution is \$3 100 000.

In consultation with the donor, the allocation of expenses was set as follows:

- Implementation of activities, capacity building and management unit: \$2 777 778.
- GMS "General Management Services": \$222 222.
- DPC "Direct Project Cost": \$100 000 (\$50 000 per year 2019 and 2020)

As of March 31, 2020, the project has spent **\$ 1 222 739** which represents **39,4%** of its total budget.

Total Budget	Total Expenses 2019 & Q1-2020	Balance to be spent in 2020
\$ 3 100 000	\$ 1 222 739	\$ 1 877 261

The **total amount of contracts** signed and under signature is **\$ 2 026 777,97** which represents **65%** of the total project budget and is divided as follows:

- Contracts signed and paid in 2019 and Q1-2020: **\$ 879 898,50**
- Commitments (contracts signed) to be paid in Q2,3,4-2020: **\$ 610 517,46**
- Commitments (contracts under signature) to be paid in Q2,3,4-2020: **\$ 536 362**

In 2019, the project spent a total of **\$ 691 071** which represents **22%** of the total budget. These expenses are divided as follows:

Activities (Contracts, workshops & conferences, communication)	\$478 900
Management Unit	\$110 980
General Management Services	\$51 190
Direct Project Cost	\$50 000
Total Expenses 2019	\$ 691 071

In the first quarter of 2020, the project spent a total of **\$ 531 668** which represent **17%** of the total budget. In the quarters 2&3&4 the project will spend **\$ 1 877 261**.

These expenses/commitments are divided as follows:

	Quarter 1-2020	Quarter 2&3&4- 2020	Total 2020
Activities (Contracts, workshops & conferences, communication)	433 446	1 487 054	1 920 500
Management Unit	58 839	201 150	259 989
General Management Services	39 382	139 057	178 439
Direct Project Cost	-	50 000	50 000
Total Expenses	\$ 531 668	\$ 1 877 261	\$ 2 408 928