

COLLABORATIVE INSTRUMENTS FOR AMBITIOUS CLIMATE ACTION (CiACA) PANAMA

About initiative:

“To Assist Parties in the development of carbon pricing approaches for implementing their Nationally Determined Contribution (NDC) under the Paris Agreement and foster cooperation”

Geographic location

The project will be developed in the Republic of Panama, specifically in the facilities of the Ministry of Environment “MiAmbiente”.

Background

Panama, through Law No. 10 of April 12, 1995, ratifies the United Nations Framework Convention on Climate Change and became a Party, with the Ministry of the Environment as the focal point for the aforementioned convention. Three years later, through Law 88 of November 30, 1998, it adopts the Kyoto Protocol.

The legal framework of the country in environmental matters is defined by the General Environmental Law (Law No. 41 of July 1, 1998) and by Law No. 8 of March 25, 2015, created by the Ministry of Environment. In addition, Executive Decree No. 163 of August 22, 2006, created the Climate Change Unit, responsible for facilitating and promoting the application of the Convention in the country.

In the framework of the Law 88 of 1998, Panama promoted different projects, to benefit from the Clean Development Mechanism, instituted in the Kyoto Protocol, and as a result, currently has 21 projects registered in the UNFCCC, 11 in the process of validation and 10 in process.

Within the framework of the Paris Agreement, the Ministry of Environment has identified two main priority sectors under the Nationally Determined Contributions (NDCs), those are the "energy" sector and the "land use, use change" sectors. of land and forestry. The NDC aims to achieve significant emission reductions that must be recorded and reported.

On the other hand, within the framework of its climate change policies, the country has developed a portfolio of Nationally Appropriate Mitigation Actions (NAMAs). As of today, Panama has produced 13 proposals, almost all at the level of general ideas or project cards, with the exception of the mobility NAMA urban and the NAMA of Energy Efficiency that are in the design phase and the bovine and rice NAMAs in preparation of their conceptual note. All these initiatives will also have a positive impact on the country's mitigation actions, and like any project involving emissions trading, these reductions should be included in a centralized registry, which helps improve transparency and avoid double counting.

In addition to the Clean Development Mechanism (CDM) projects and the progress of NAMAs in the country, there are other private initiatives that are marketing carbon operating in a non-regulated market, without a centralized registry generating information reported manually in the GHG national inventory. Due

to the low level of sophistication of this process, MiAmbiente expressed the need to generate a GHG registry that will enable the country to avoid potential double counting.

Panama is in an advanced process of national preparation to implement a national strategy to reduce emissions from deforestation and forest degradation (REDD+). Currently, it is in the final phase of construction of the four pillars of REDD+ which includes: a) construction of forest reference levels, b) construction of the national forest monitoring system, c) construction of the national system of safeguards; and d) preparation of the national REDD+ strategy. In addition to the above, it has established a public-private alliance with the objective of reforesting one million hectares in 20 years, instituting for this purpose a law of forest incentives (fiscal and non-fiscal). In this framework, the aforementioned REDD+ strategy together with the Alliance for the Million Hectares, will represent an important carbon offset option, not only in the domestic market (once this is built), but also in a future voluntary commitment (depending of the national approach) of the reduction of the emissions of national companies of aviation and maritime transport, considering that Panama has the flag of the largest merchant fleet in the world.

Related to the above, Panama signed a letter of understanding with the California cap-and-trade program (California) that serves as a platform to promote, facilitate and negotiate the development of a carbon market with California. Further, the Panama Canal Authority has proposed an initiative called "Green Route through the Canal" developing a project that, among other objectives, is to reduce emissions and commercialize carbon from established forests with farmers and ranchers of the basin of the Panama Canal.

For the above, and considering the initiatives implemented and budding processes such as: CDM projects, NAMA, REDD +, NDC, Alliance for the Million Hectares, Green Route through the Canal, the approaches between Panama and California to evaluate options and feasibility of establishing a carbon market and the incipient trade of carbon from forest plantations and agroforestry systems, imposes the need to establish a registry on carbon trade, as well as mitigation, which allows adequate control, transparency and access to this information.

Objective:

To develop a pilot phase of a national registry to serve a portal to hold information on national emissions, as well as the mitigation actions taking place in Panama, **it will help to put an adequate price on carbon and will lay the foundations for Panama to implement measures for the commercialization of emissions or create a carbon tax.** The Registry will increase transparency and avoid double counting in emissions transactions carried out nationally or internationally and will comply with other requirements according to the principles and standards set out in the Paris Agreement and, in particular, Article 6. The visual description of the registry is as follow:

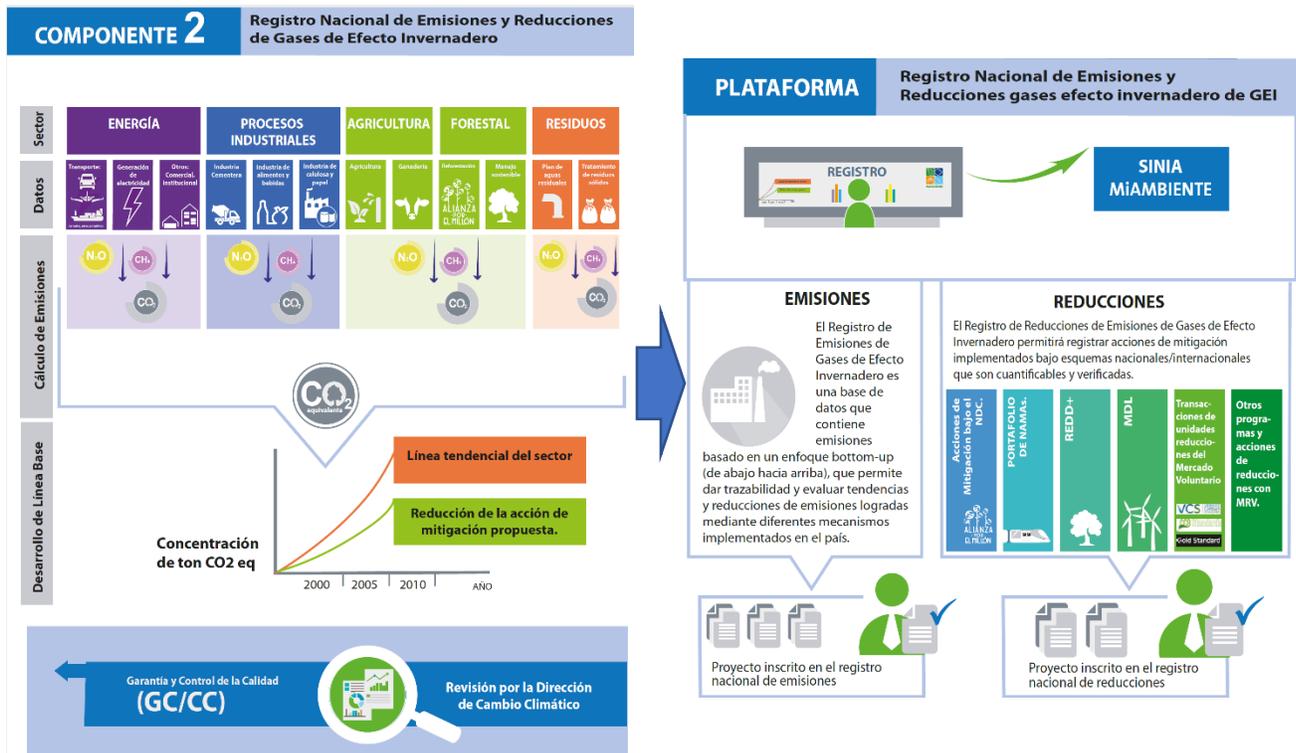


Image 1: sectors and GHG to be covered by the national registry.

About the National Registry of GHG emissions and mitigation actions

The National Emissions Registry will be a public policy instrument that will compile the necessary information on the emission of GHG of the different productive sectors of the country to provide traceability, evaluate trends, establish national emission reduction strategies, put a price on carbon and implement an emission trading system. Keeping an emissions registry will allow companies and industries to identify their emission sources to reduce their carbon footprint, generate business opportunities and be more competitive.

The registry has the following two objectives:

1. Collect information about:

- a) Direct emissions derived from the combustion of fixed and mobile sources;
- b) Emissions derived from reactions in industrial processes;
- c) Indirect emissions derived from the consumption of purchased electrical or thermal energy.

2. **Integrate the registry of information** on reductions and mitigation projects of implemented in national territory promoted by individuals, corporations and government.

Main implementation barriers:



Table 1: identified barriers for the implementation of a national registry linked to a national emission trading system, carbon tax and/or other carbon pricing instruments.

Specific Activities:

Activity 1: Analysis of the existing institutional, political, legal, technological framework including current environmental management instruments, focused on the development of a national registry of GHG emissions and reductions of CO₂e and that can facilitate to put a price on carbon.

Activity 2: Capacity building workshop, involving private and public sectors to be covered by the national registry.

- National registries operation including: types of GHG sources, accounting, estimation and reporting methods, etc.
- Mitigation actions to be reported (CDM, NAMAs, VCS, REDD+)

Activity 3: Development of the national registry framework (proposal)

- Definition of the involved sectors, methods and rules for reporting GHG emissions and mitigation actions;
- Design reporting requirements;

Description of the proposed activities:

Activity 1: Analysis of the existing institutional, political, legal, technological framework

The objective of the consultancy is "to analyze the economic sectors, institutional, political, legal and technological framework relevant for the development of a national GHG emissions registry and CO₂-eq mitigation activities."

The scope of the consultancy includes an analysis of the national context, the legal and technological framework for the implementation of an emissions registry and CO₂-eq mitigation actions. Equally, national objectives and priorities and relevant national policies (current or planned) must be mapped. The inventoried greenhouse gases and the mitigation mechanisms considered, the priority sectors that emit GHGs, the different instruments of management of compliance with environmental regulations, the main governmental actors in the matter and compile their points of view and describe the national decision-making process.

Activity 2 Capacity building workshop, involving private and public sectors to be covered by the national registry

This workshop will aim to enhance capacity in organizations to facilitate the preparation of their own verifiable gas emissions inventories of greenhouse effect by applying the following concepts:

1. UNDERSTAND: understand the concepts and methodological principles.
2. QUANTIFY: apply the methodological principles.
3. MANAGE: document the functions of the inventory manager and procedures to control errors in the process of preparing an inventory.
4. REPORTING: GHG emissions and mitigation actions.

The workshop will also serve as consultation with public and private stakeholders.

Activity 3: Development of the national registry framework (proposal)

This will be a document containing a proposal to be presented as an input to support the design and implementation of the National Emissions Registry, the below content will be document based on the distinctive elements of international leading registers:

Introduction and Legal Framework

What are Greenhouse Gas Compounds and Gases (GHGs) and who generates them?

Data on the generation of GHGs in Panama and the World

National mitigation goal

The NDC as a legal basis for the Registry

Component I GHG emissions registry

The GHG emissions registry is intended for the registration of emission sources and their GHG quantities of sectors subject to reporting. Inventories provide annual emissions data and are a valuable tool to understand the level of GHG emissions and determine trends, compare performance of sources and

sectors, identify opportunities for emission reductions, etc. the following elements should be defined and documented:

- Identification of the sectors considered as the major emitters of GHGs
- The types of GHG emission
- The sources of emission
- Methodologies and procedures necessary for reporting GHGs
- Alternative methodologies for estimating emissions
- Examples for calculating CO2 equivalent emissions
- Structure of the Report

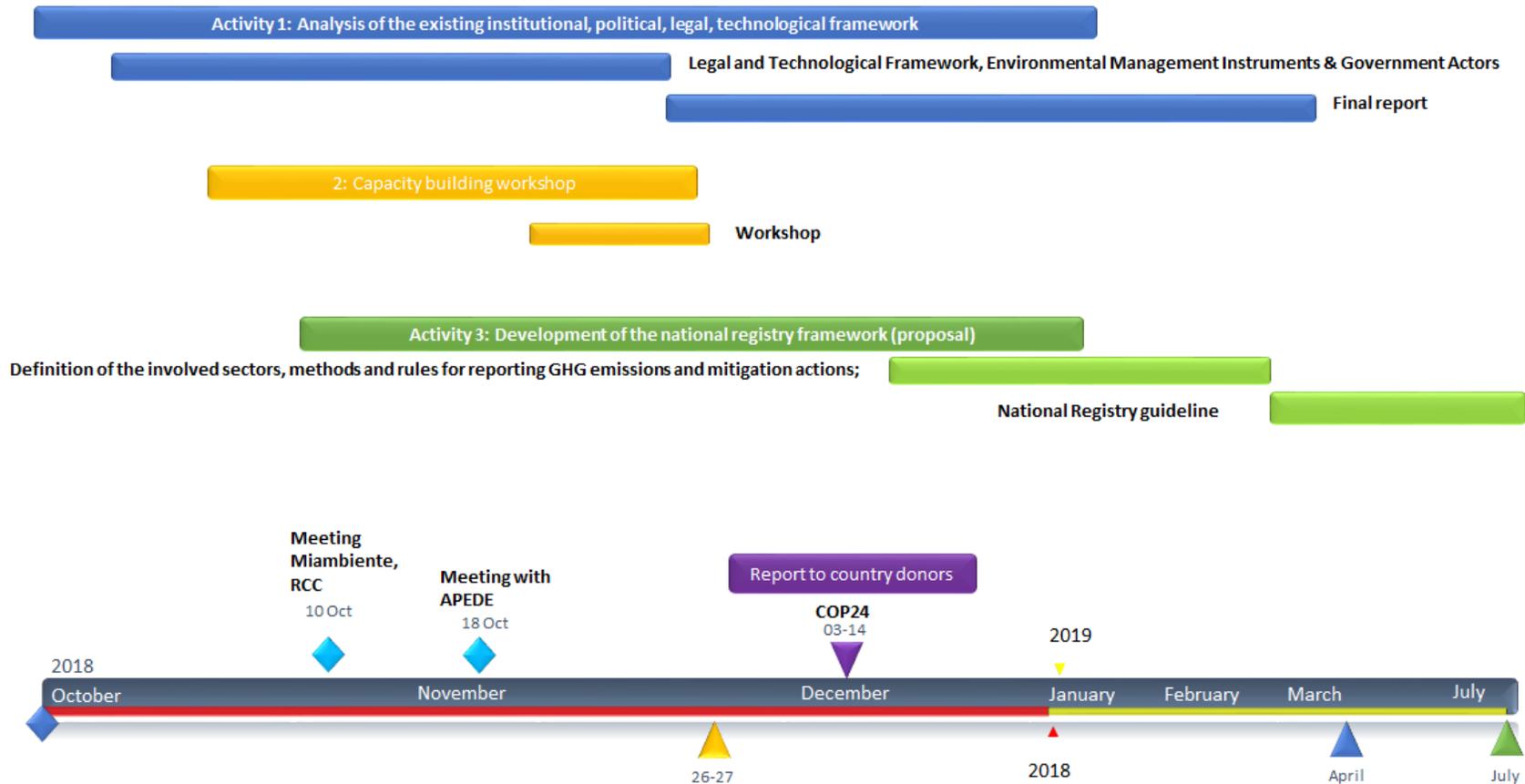
Component II: Mitigation action registry

The mitigation action registry component allows registering actions to reduce emissions that are quantifiable and verified. This component includes different categories of registration: 1) emission and offset reduction projects, 2) NAMA registrations, 3) Transaction records of verified emission reduction units (VERs), 4) REDD + and other programs and actions to reduce emissions.

: reporting of emission reduction projects certified by international organizations and commercialization of emission reduction certificates should be defined and documented.

Timeline

Program Plan



Annexes

Annex 1:

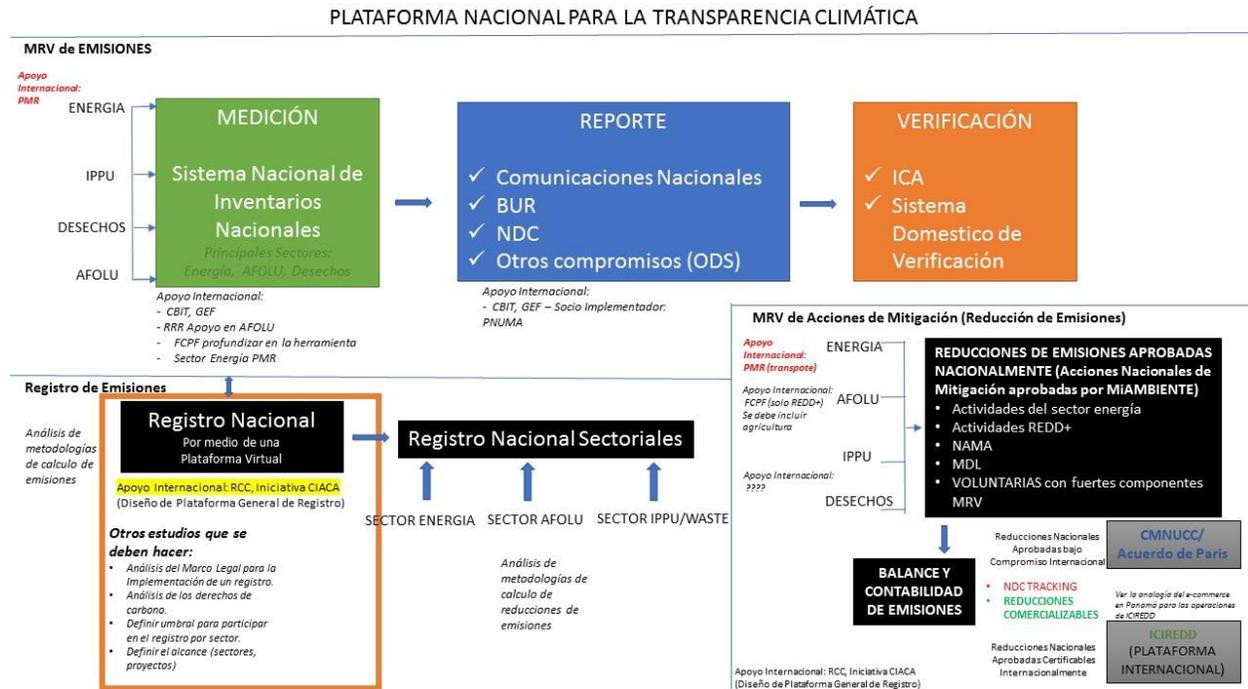


Image 2: Development of the National MRV system including involved actors (CIACA, PMR, CBIT, GCF, etc.) required to explore carbon pricing instruments: