

Senegal's PMI Readiness Support Proposal

PMIF Global Knowledge Forum 2022

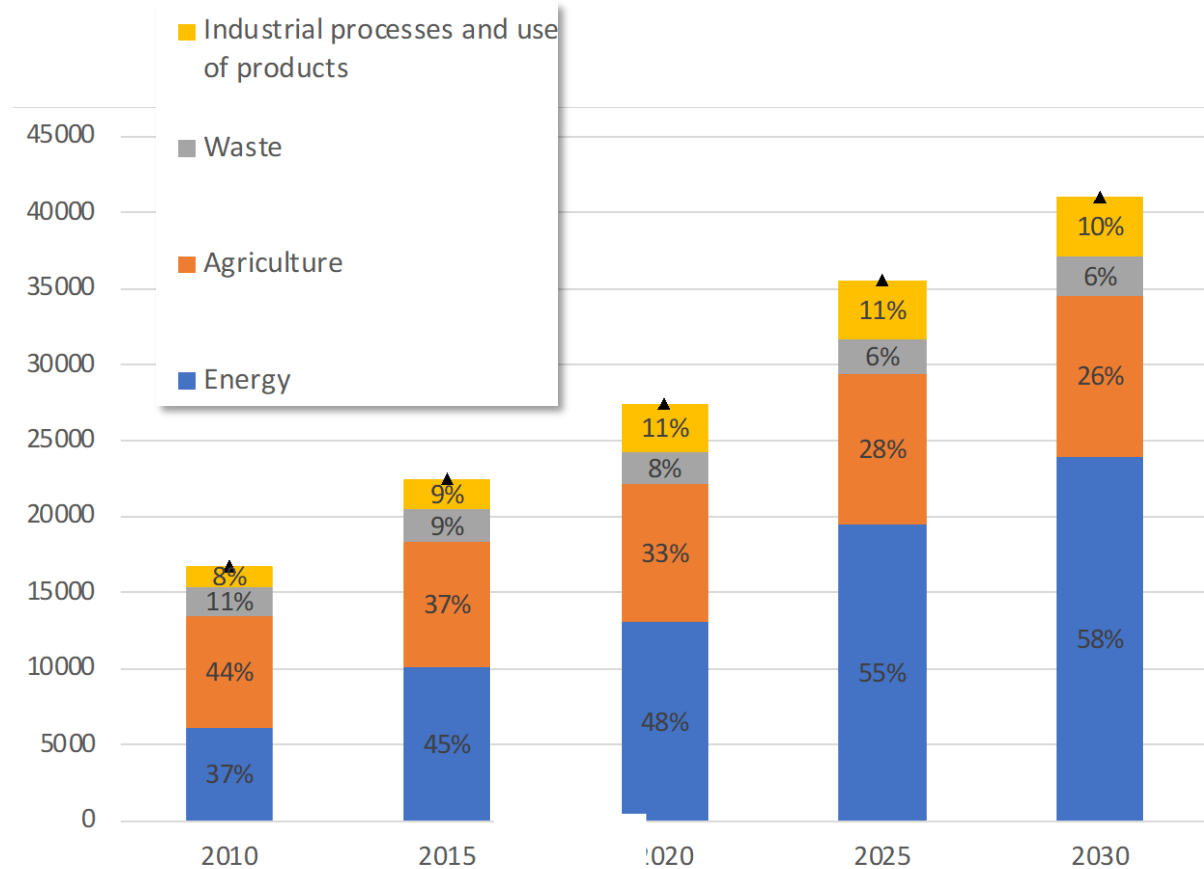
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Outline

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- Main stakes for Senegalese CPIs
- The PMI supported work program
 - Consistency with national/international commitments
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The Senegalese context

- Lower-middle income country, building on services (tourism, banking...) and exports based on natural assets (fish, phosphates, groundnuts...)
- GHG emissions (in 2010):
 - 16.8 MtCO₂e (excl. LULUCF)
 - 3,9 MtCO₂e (incl. LULUCF)
- NDC:
 - unconditional: -5% (by 2025) and -7% by 2030, compared to the baseline (business-as-usual).
 - Conditional: -23% (by 2025) and -29% by 2030, if Senegal benefits from international support through funding, facilitation of the transfer of environmentally sound technologies, and institutional and human capacity building in the area of climate change (CDN +).



Past and projected GHG emissions by 2030.

Source: Government of Senegal NDC (2020).

Main stakes for Senegalese CPIs

- Providing a tool to maintain the mitigation targets at the top of the political agenda, while not putting at risk post Covid19 crisis measures
 - The 5-year plan was adjusted in Dec20 with the target of ensuring a more endogenous and sustainable development model
 - Emphasis on developing the national industry, especially by the private sector, and agriculture
- Accompanying the current transformation of the energy sector, to achieve universal access by 2025 to quality electricity, at an affordable cost
 - Very uneven access to electricity (48%/94% in rural/urban areas)
 - Oil&gas exploitation is to provide cheaper, national source of energy and to deeply modify the electricity mix (gas to power national strategy)
 - On-going renovation of the ageing grid capacities to manage increased power capacities (2,201 MW in 2023, from 1,249 MW in 2018) and renewable energies development (target of 30% in capacities in 2030)
- Ensuring a just transition for a more geographically-balanced sustainable development

A two-legged PMI program consistent with national and international commitments

- 1) Preparing the way to the full swing implementation of a national carbon tax to help achieving NDC targets
 - Member of the Climate Vulnerable Forum, who called for “the creation of robust carbon markets, in particular through 1) “Establishment of regional or national carbon financing hubs to coordinate and access international carbon finance “ and 2) “[the exploration of] domestic and/or regional carbon pricing mechanisms”.
- 2) Strengthening the political, institutional and technical frameworks to enable participation in international carbon markets
 - 2014-2023 national development strategy (Emerging Senegal Plan - PSE): need for a low-carbon development policy and integration of sustainable development principles into national policies.
 - Revised 5-year Priority Action Plan (2019-2023) (PAP 2A) acknowledge the need to mobilize internal resources as a key issue for the financing of projects and programs
 - “Green Emerging Senegal Plan” under preparation

Activities – Design and implementation of a national carbon tax (1/2)

- Support to the development of the **carbon tax strategy** (section 2)
 - Determining the objectives of the tax in terms of emission reductions and sectors in the short and longer terms
- Support to the **design of the carbon tax** (Section 4) to complement existing studies
 - Identify scenarios that will ensure the desired emissions reductions and those which can lead to increased ambition
 - Provide a first analysis of some tax impacts (macroeconomic performance, energy consumption and price changes, emission reductions, distributional consequences, and co-benefits for health and traffic) for a limited set of scenarios
- **In-depth analysis** of carbon tax impacts and options to mitigate them (Section 4)
 - Using a dynamic modeling tool, provide a detailed evaluation of impacts on:
 - the economy and the sectors' added value including for sectors not covered by the tax
 - the various income deciles of the populations, and vulnerable groups
 - carbon leakage, WAPP grid impacts and losses in foreign markets shares
 - interplay with the existing and planned fiscal and relevant sector policies, such as the energy and industry sector policies
 - Assess measures that can mitigate the impacts of the tax:
 - use of ITMOs/national carbon credits for compliance
 - modalities of revenues recycling, tailored to the national context and local perceptions

Activities – Design and implementation of a national carbon tax (2/2)

- Ensuring the effective implementation of the carbon tax (Section 4)
 - Preparation of a roadmap for the roll-out of a carbon tax
 - Detailed consideration of all steps involved and that are required to be taken by the government and relevant stakeholders in order to implement the carbon tax
- Support to the definition of the adequate oversight and compliance framework (Section 4)
 - Evaluate the options, based on the current institutional framework, that would guarantee the most adequate and efficient oversight and compliance processes
 - Analyze the current oversight and compliance mechanisms in the sectors covered by the tax and make suggestions for:
 - i) improving the modalities of work of the existing institutional CC frameworks (e.g. expansion of the technical committee under the SCF to other sectors; enlargement of the COMNACC to vulnerable groups representatives such as consumer associations)
 - ii) establishing the policy and legal framework and procedures linked to the carbon tax, based on existing procedures for tax collection.

Activities – Fostering the use of Article 6

- Support to the finalization of the national MRV system (Section 3)
 - Ensure consistent MRV systems across sectors for both the future carbon tax and article 6 related MRV needs
 - Gap analysis of the current MRV systems; evaluation of the options offered by the Center of Excellence of the World Bank and remaining gaps.
 - Assessment and drafting of any policy/regulation needs to support both establishment of institutional framework and operationalization of MRV system.
 - Developing a roadmap for implementation of solutions to bridge the MRV gaps and strengthen the institutional framework
- Implementation of a carbon trading registry (Section 5)
 - Provide the open-access software of the Center of Excellence for MRV and Registry (COE) of the World Bank and support adaptation to the country needs
 - Ensure a dedicated training for the persons in charge of the registry.
- Support to the operationalization of the appropriate regulatory and policy/institutional framework for Article 6 implementation (Section 5)
 - Support to the establishment of the procedures and legal framework, in complement to other initiatives (such as the GGGI support program on Article 6)
- Support to increasing the ambition by using article 6 funding for pilot projects (Section 5)
 - Identify mitigation pilot projects eligible for Article 6 funding that can help increase the national ambition, especially in sectors not covered by the carbon tax.

Cross-cutting activities

- Ensuring a just transition in RSP preparation (Section 5)
 - Supporting the inclusion of just transition issues in RSP components
 - Identification of vulnerable stakeholder groups with 'protected' characteristics
 - Identification of specific activities to facilitate and support the 'just transition' process in strategy and policy developments, and capacity building
 - Assessment of capacity and resources requirements to undertake relevant actions
 - Development and inclusion of appropriate results indicators as part of the program M&E framework.
- Supporting consensus-building and commitment (Section 5)
 - Preparation and support for the implementation of the government's stakeholder engagement plan
- Reinforcing the public and private sector capacities (Section 5)
 - Provide MRV training for public sector agencies/ministries and national sectoral private experts and audit companies to create a national pool of experts.
 - Phase 1: General training on GHG mitigation policies and CPIs for: (i) public administration and decision-makers (top-level training) and (ii) private stakeholders of sectors targeted by the projected carbon tax. Such a general training is expected to increase awareness and political buy-in while the technical work around the detailed tax specifications is being made.
 - Phase 2: Specific training on how carbon pricing (both carbon tax and Art 6 use) is expected to help achieve NDC targets when the political decisions have been made regarding the specifications of the carbon tax and Article 6 use in Senegal.
 - Specific capacity building for the private sector: Develop a training program, relevant material on international carbon markets and MRV requisites; training future trainers.

Institutional arrangements

- Will build on existing institutional arrangements for carbon pricing mechanisms (CDM, Standardized Crediting Framework)
- Activities will be coordinated and managed by the Ministry of Environment
 - Through its Directory of Environment and Classified Installations (DECC) who is responsible for preventing and controlling pollution and nuisances, and elaborating environment-related legal texts; its Climate Change Division acts as the designated authority for carbon market mechanisms
 - In close coordination with the Ministry of Finances and Budget
 - Its Directorate General of Taxes and Domains is responsible for all matters relating to direct and indirect taxes.
- General coordination with stakeholders will rely on the National Committee on Climate Change (*Comité National sur les Changements Climatiques – COMNACC*) which gathers focal points from all ministries and sectoral platforms.

Implementation challenges

- Ensuring acceptability by all stakeholders
 - The evolving energy mix is expected to alleviate the energy burden for the population and companies; CPI might be considered a threat
 - Significant effort should be made to present the design options, their consequences and discuss possible mitigation options
 - COMNACC already offers a good arena for consultation; representation may be complemented based on stakeholders engagement plan (e.g. by including consumer associations)
 - Including just transition considerations
- Administrative coordination between the Ministry of Environment and Ministry of Finance to articulate the implementation of both the carbon tax and Art.6-related funding.
- Providing transparency:
 - On the decision process and timeline for the national carbon tax, to allow stakeholders (esp. the private sector) to better prepare themselves
 - On the opportunities offered by Art. 6 mechanisms in the Senegalese context (e.g. resources center)

Thank You