

# Rating Environmental Integrity and Mitigation Value of Carbon Assets: The case of NAMAs

GLOBALLY-NETWORKED CARBON MARKETS

1<sup>st</sup> Working Group Meeting

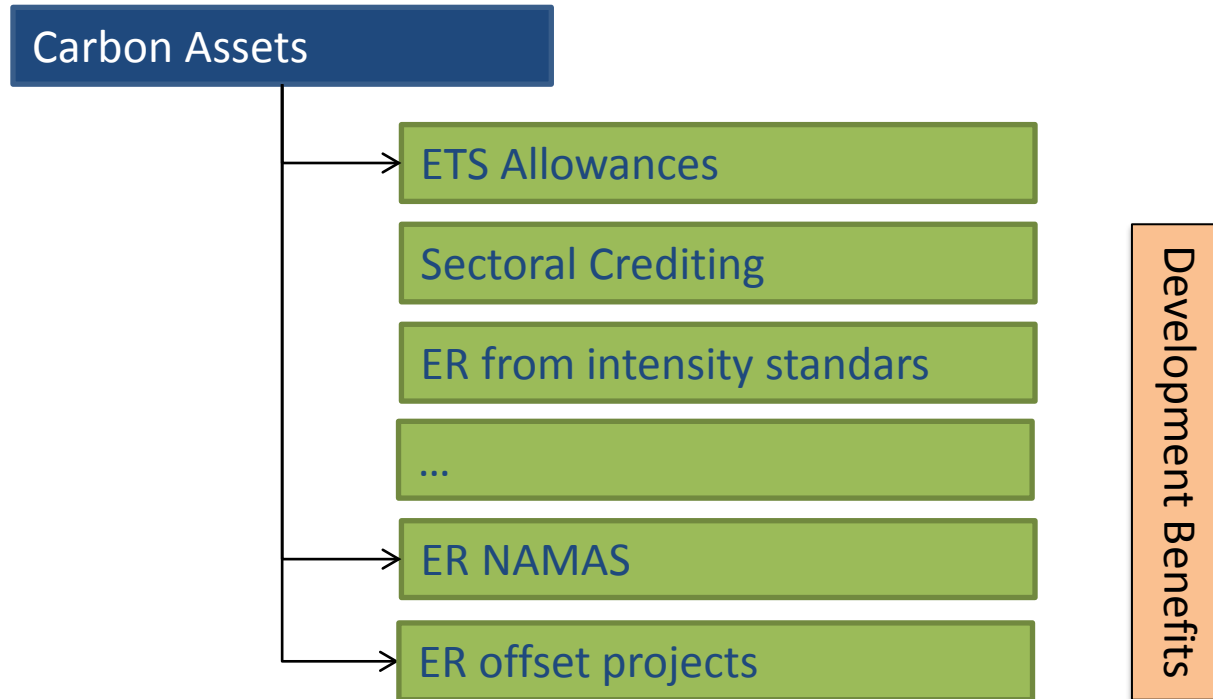
Paris, 9-10 September 2013

Miguel Rescalvo, DNV  
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# Objectives

- To provide confidence to investors on the **viability and level of risk** of different carbon assets ensuring environmental integrity.
- Mechanism to **compare** different assets and their **mitigation value**
- Framework to evaluate **exchangeability** of different carbon assets.
- Facilitate **benchmark** and **improvement**

# Carbon Assets

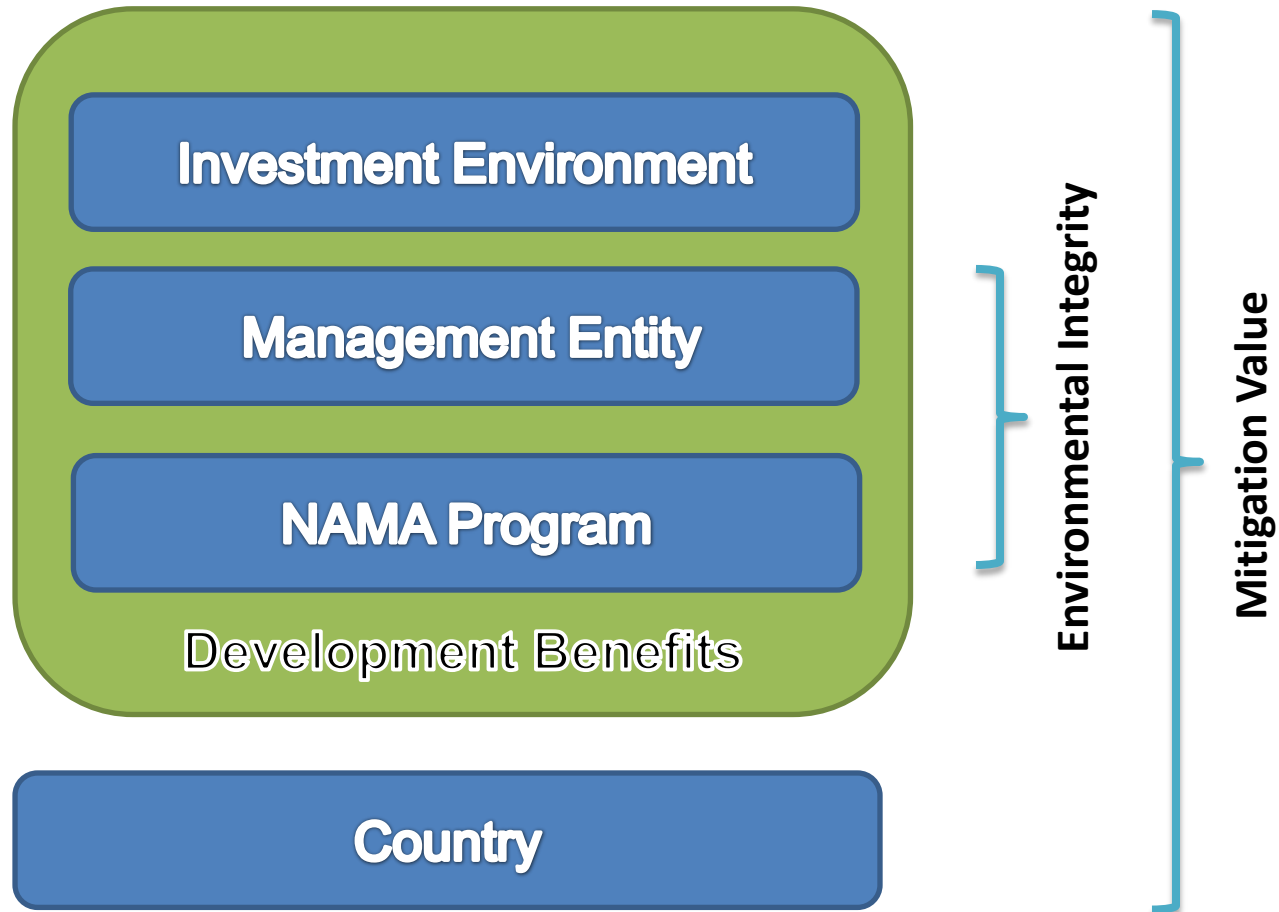


- NAMAs involve mitigation activities within an enabling policy framework at the sectoral or national level.
- Attempting to develop rating protocols for NAMAs will provide insights to the challenges of rating of both, projects and policy frameworks

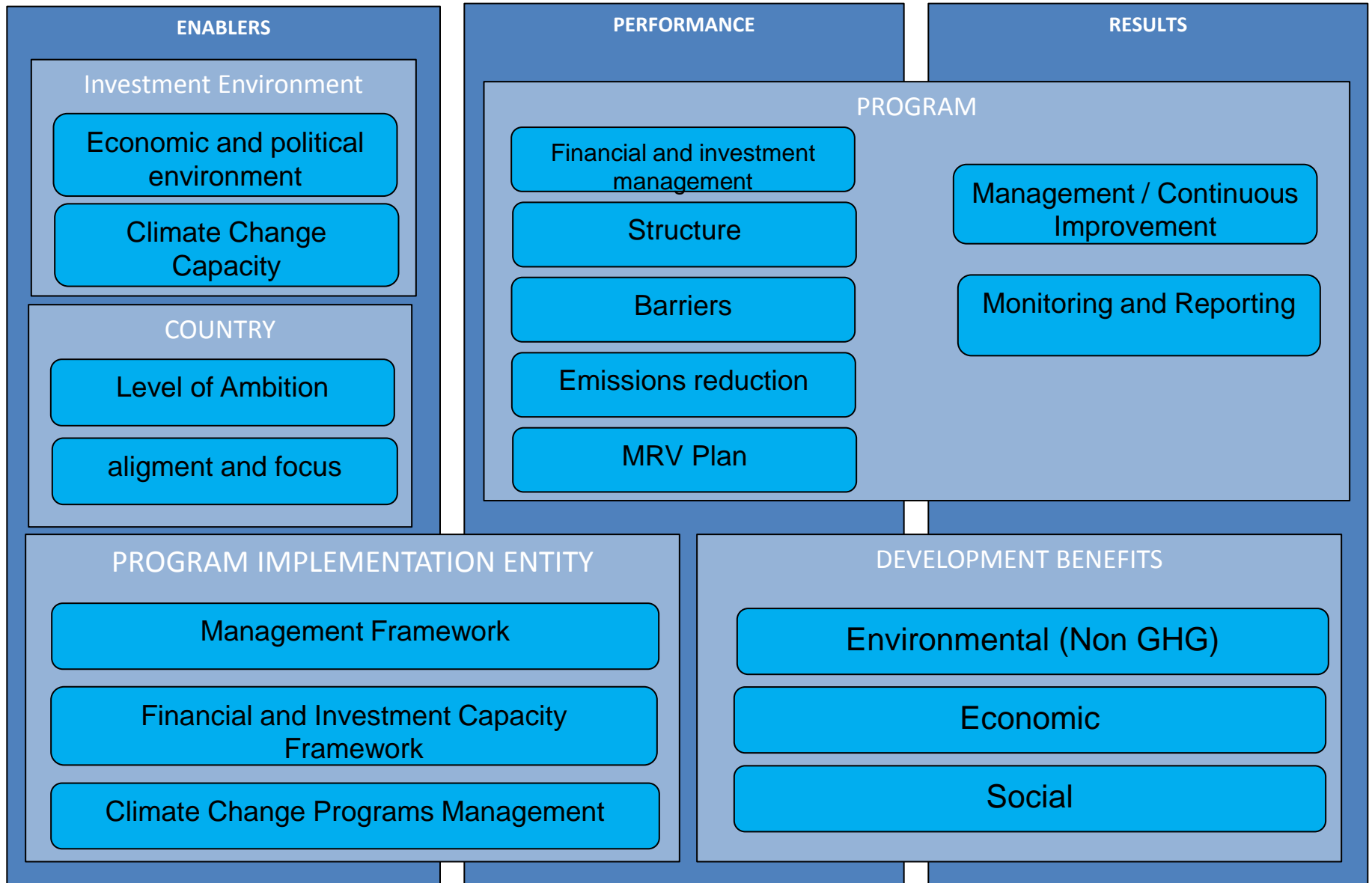
# Key Considerations

- risk categories.
- Probabilistic approach.
- Rating at different stages of development.
- rating leads to a range of outputs reflecting a level of risk for a group of rating attributes.
- Market participants to assign a value to each carbon asset, based on performance against key indicators.

# Structure of the rating system: 5 modules or risk categories



# Rating Model



# Value Creation

- confidence
- Definition of criteria
- comparability and ultimately exchangeability
- Benchmarking
- Identification of improvement & support areas
- International access- internalizes country's level of ambition

# Key Indicators- Investment Environment

| Area   | Key Indicator   |
|--|---|
| <b>Module: Investment Environment</b>          |   |
| <b>International recognized country rating</b> | Sustainability-Adjusted Global Competitiveness Index (GCI)  |
|  | Corruption Perception Index   |
|  | Country Economic index  |
|  | Human development Index   |
| <b>Climate Change Capacity</b>                 | Institutional coordination, information sharing and consultation to interested parties            |
|  | Climate change authorities and their responsibilities   |
|  | NAMA definition and priorities  |
|  | Country level MRV system  |
|  | registry and double county  |
|  | Past experience in the management and implementation of internationally financed climate programs |
|  | ....  |



# Key Indicators- NAMA Management Entity

## Module: NAMA Management Entity

|                             |  |
|-----------------------------|--|
| <b>Management framework</b> | Past experience in the implementation of similar programs                            |
|                             | Technical capability   |
|                             | Management structure and capacity  |
|                             | Responsibilities and authorities are defined and implementing                        |
| <b>Financial framework</b>  | methodologies to reporting and transparency of financial flows received              |
|                             | experience in the management and implementation of internationally financed programs |

# Key Indicators-NAMA Program

## Module: Program Activity

|   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• <b>Structure of the program</b></li> </ul> | <ul style="list-style-type: none"> <li>- Objectives and goals of the NAMA</li> <li>- Alignment with National priorities</li> <li>- Scope of the Program.</li> <li>- Definition of responsibilities and authorities.</li> <li>- Planning.</li> <li>- Financial structure.</li> <li>- QA/QC plan</li> </ul> |
| <ul style="list-style-type: none"> <li>• <b>Emissions reduction</b></li> </ul>      | <ul style="list-style-type: none"> <li>- Technology related indicators</li> <li>- Boundaries</li> <li>- Baseline</li> <li>- Estimation of ER. Methodology</li> <li>- MRV plan</li> </ul>  |
| <b>At the mitigation program's periodic evaluation stage</b>                        |   |
| <ul style="list-style-type: none"> <li>• <b>Structure of the program</b></li> </ul> | <ul style="list-style-type: none"> <li>- Performance with respect to objectives and goals</li> <li>- Continuous improvement</li> <li>- Management performance</li> <li>- Internal audit process</li> </ul>  |
| <ul style="list-style-type: none"> <li>• <b>Emissions reduction</b></li> </ul>      | <ul style="list-style-type: none"> <li>- Monitoring and reporting</li> <li>- Calibration and accuracy</li> <li>- Emissions reductions achieved</li> </ul>   |

# Key Indicators: Development Benefits

## Module: Development Benefits

|   |  |
|---|--|
| <b>Structure of the development benefits program</b>      | <ul style="list-style-type: none"><li>- Objectives and goals for sustainable development</li><li>- Identification of Direct and Indirect benefits</li><li>- Planning</li><li>- Definition of responsibilities and authorities.</li><li>- Financial structure for development benefit actions</li><li>- Sustainable development indicators</li><li>- Participatory mechanisms established</li></ul> |
| <b>Non negative impacts</b>                               | <ul style="list-style-type: none"><li>- (pass/no pass criteria)</li></ul>  |
| <b>Development benefits implementation and monitoring</b> | <ul style="list-style-type: none"><li>- Boundaries</li><li>- Baseline</li><li>- Estimation of benefits</li><li>- MRV plan (qualitative/quantitative)</li></ul>   |

# Key Indicators (International Market access)

## Country

| Area                       | Key Indicator   |
|----------------------------|---|
| <b>Module: Country</b>     |   |
| <b>Level of ambition</b>   | National pledges and mitigation targets identification                  |
|                            | Real targets with respect of past climate action and National Inventory |
|                            | Past performance of agreed targets                                      |
|                            | Legal framework for implementation                                      |
|                            | ...   |
| <b>Alignment and focus</b> | Analysis and planning of interventions                                  |
|                            | National inventory  |
|                            | Coverage of emitting sectors  |
|                            | Evaluation and corrections  |
|                            | ...   |

# Thanks

Comments and suggestions:

[Miguel.Rescalvo@dnv.com](mailto:Miguel.Rescalvo@dnv.com)

[mcastrorodriguez@worldbank.org](mailto:mcastrorodriguez@worldbank.org)