



FEASIBILITY AND OPPORTUNITY STUDY ON CARBON PRICING IN THE UEMOA ZONE

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AGENDA

- Context and objectives of the study
- Objective and Scope
- Methodological approach
- Expected outcomes
- Timetable and next steps

CONTEXT and OBJECTIVES (1)

The Paris Agreement (PA):

- Key turning point in international climate policy;
- First international agreement on climate policy where all countries contribute to mitigation
- Overall objective of keeping global warming 'well below' 2°C.
- Nationally Determined Contributions (NDCs):
 - the underlying policy instruments,
- the level of ambition will be progressively increased through a 'process of continuous increase'
- The analysts noted that the current NDCs are not compatible with the PA's
- Therefore, the issue of introducing and strengthening national mitigation policy instruments over time is relevant.

CONTEXT and OBJECTIVES (2)

- Carbon pricing through emissions taxes, emissions trading schemes or systems based on baselines and carbon credits is the cornerstone of mitigation policies, as it is the most economically efficient way to reduce GHG emissions.
- There is growing experience with these policy instruments around the world in countries with very different characteristics.
- Some countries such as Finland, Sweden, Norway and Denmark have now been pricing carbon for more than 25 years.
- A number of emerging economies, including China, Colombia and Mexico, South Africa have recently introduced carbon pricing and several others are in the process of developing such instruments (e.g. Kenya, Sri Lanka).

CONTEXT and OBJECTIVES (3)

- Overall, the design of carbon pricing instruments varies greatly in terms of:
 - Sectoral coverage,
 - Price level,
 - Availability of offsets,
 - Design of measurement, reporting and verification (MRV) systems and
 - The long-term stability of the instruments
- It also depends heavily on the overall approach to mitigation policy, e.g. regulation and fiscal instruments to promote mitigation. For example, in the EU, the emissions trading scheme has been significantly influenced by subsidies supporting the deployment of renewable energies;
- In ECOWAS some countries are exploring the implementation of carbon taxes with or without offset (Senegal, Cote d'Ivoire, Nigeria, Ghana)

Global CONTEXT



OBJECTIVE and SCOPE of the Study

- Assess the current state of carbon pricing,
- Identify the options in terms of the most appropriate instruments for the sub-region, as well as their advantages and disadvantages,
- Recommendation on the most appropriate carbon pricing instrument for achieving the objectives of reducing GHG emissions within the WAEMU
- The other instruments assessed will be ranked according to priority and feasibility in the regional context, taking inclusive account of the legal, regulatory, institutional, social and economic framework in the countries of the Union.
- Recommendations on how WAEMU countries can participate in market mechanisms under Article 6 of the Paris Agreement (PA), building on the experiences gained under the CDM
- Recommendations for building the capacity of public and private stakeholders to ensure that they understand how the proposed carbon pricing instrument(s) will work
- Finally, the study will make recommendations for the implementation and set-up of Measurement, Reporting and Verification (MRV) systems.

Methodological approach (1)

A. Analysis of the regional context:

- **Step 1: Literature review and data collection**
 - Comprehensive review of existing literature on carbon pricing, climate change mitigation policies and carbon market mechanisms in the WAEMU and internationally;
 - Interviews and consultations
- **Step 2: Mapping the landscape of 'carbon pricing instruments**
 - Identification of national initiatives Assessment of other price-based mechanisms
 - Review of fiscal measures and strategies Assessment of MRV (Measurement, Reporting and Verification) efforts
 - Inventory of carbon credit systems :
- **Step 3: Identification of regional interest**
 - advantages and disadvantages of carbon pricing at national and regional level
 - Assessment of the prerequisites for implementing carbon pricing, such as institutional capacity and MRV infrastructure.
- **Step 4: Opportunity analysis**
 - Finally, a regional opportunity analysis will be carried out to identify priority sectors and economic opportunities for carbon pricing at the WAEMU level.

Methodological approach (2)

B. Identification of different forms of cooperation on carbon pricing, fiscal measures and price-based policies

- Analysis of opportunities for alignment and integration of carbon pricing policies between WAEMU countries.
- Assessment of existing and potential forms of cooperation, including joint policies and shared financing mechanisms
- Examples of forms of cooperation on pricing will be identified from around the world and forms of cooperation applicable to the region assessment of how regional carbon pricing and taxation measures can facilitate technology penetration in the WAEMU
- Analysis of the obstacles and factors hindering their penetration.

Methodological approach (3)

c. Choice of instruments based on a multi-criteria analysis

- Prioritization based on evaluation of criteria and indicators.
- Choice of criteria and indicators based on the main national and regional policy documents and addressing economic, social and environmental issues.
- Criteria and indicators applied in the context of the UN Sustainable Development Goals that can be used as a starting point.
- The scales used for the indicators and the weighting should be decided in a multi-stakeholder consultation coordinated by the RCC WA.

Methodological approach (4)

D. Recommendations based on international best practices

- Carbon pricing instruments can be designed and implemented with different levels of ambition and sectoral coverage.
- Identify feasible carbon pricing schemes in the WAEMU context that strike a balance between mitigation ambition and economic cost/burden for emitters.
- Best available policy instrument designs that have been applied for many years.
- Existing and well-established carbon pricing instruments will be assessed to identify those that are most promising, taking into account the particularities of the regional context.

Methodological approach (5)

E. consultation and cooperation with regional and national stakeholders

- The need for an appropriate legislative and regulatory framework to ensure effective implementation and monitoring with a view to regular reporting to the UNFCCC.
- Successful implementation will require broad consultation with all stakeholders and consideration of their concerns in order to create a favourable environment.
- National sectoral consultations to raise awareness and inform stakeholders about existing economic instruments, and to discuss their relevance to the national context and sub-regional integration.
- Two phases of stakeholder consultations will be envisaged:
 - During the analysis of the legislative and regulatory framework in the sectors concerned by the NDCs;
 - During the selection and validation of the most appropriate economic instruments, including carbon pricing, with a view to gathering their opinions and comments on both the proposed measures and the environment required for their implementation.

Expected outcomes

A. Initial report

B. Preliminary report

- Analysis of the regional framework
- Scenario development

C. Summary of the consultation process

- Regional consultation processes
- Summary of key suggestions and contributions.

D. Second version of the report with executive summary

- Revision of the report Analysis of opportunities for engagement with Article 6

E. Validation workshop

- Facilitation of a regional validation workshop
- Consideration of relevant opinions and suggestions
- Validation of recommendations

F. Final report

Timetable and next steps

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Thank you very much