

Defining the Carbon Pricing Instrument Road Map in the Dominican Republic | UNFCCC

The Ci-ACA initiative was announced during COP22 in Marrakesh and was initially established for 2 years. However, considering the demand from member countries, it was renewed in 2019 until December 2021. The initiative is purely on a voluntary basis and is jointly managed by the UNFCCC secretariat and its Regional Collaboration Centres. Under this project one of the countries supported by RCC St. George' s is the Dominican Republic. The project was launched in December 2017, when RCC St. George' s, together with The National Council for Climate Change and the Clean Development Mechanism (CNCCMDL) conducted a national consultation on the topic of carbon pricing instruments in Santo Domingo. The tools evaluated in the framework of the Ci-ACA 2.0 Dominican Republic project include the potential implementation of:

- **Carbon Tax** to incentivize reducing emissions through a price signal;
- **Emission Trading Scheme** with the establishment of a limit on direct GHG emissions to the identified sectors; and
- The implementation of a market for **Clean Energy Certificates**, linked to the objectives of renewable energy in the Dominican Republic and their respective involvement in reducing emissions.

Those are aligning and will support the achievement of the objectives defined in the National Development Strategy and in the Nationally Determined Contribution (NDC).

On 12 August 2020, the Strategic Steering Committee for Ci-ACA 2020 presented the preliminary results from the work done interviewing key stakeholders on many aspects to define the Carbon Pricing Instrument Road Map in the Dominican Republic; 22 persons participated in the Steering Committee meeting. Introducing the session, Mr. Federico Grullón, head of Mitigation Department, from the CNCCMDL, explained the meeting objectives, expressed his gratitude for the participation of representatives of different organizations and mentioned the importance that economic instruments have for the Climate Change Mitigation Strategy Mexico2020 (the company leading the technical work in close collaboration with national consultants). He also provided an overview of the project activities and achievements, which included some preliminary results which indicate there are several positive conditions for the implementation of a carbon pricing implementation instrument in the Dominican Republic.

The project team conducted more than 32 interviews with key stakeholders on policy implementation against climate change. Most of the stakeholders consulted expressed their preference for the use of revenues of carbon pricing application (carbon tax or selling carbon emission permits) in mitigation and adaptation actions and poverty alleviation. They wanted to have more clarity on conditions of a carbon market's operations and transactions, specifically under Dominican Republic national conditions. There were some concerns raised on legislation, specifically about the use of existing legal and regulatory framework on securities versus making a new framework and governance model that included private and public entities. Also, the stakeholders highlighted synergies with the national MRV (Measurement, Reporting, and Verification) System, especially in collecting data and establishing information protection standards, as well as interoperability with other national systems and the need for impact studies to ensure driving the results. Further key areas were highlighted for the roadmap to introduce a carbon pricing scheme, these include:

- Maintain a dialogue with stakeholders;
- Development of impact studies on fiscal and macroeconomic indicators;
- Assess tax burden by sectors in an economic reactivation scenario;
- Capacity-building and institutional strengthening;
- Comprehensive communication and awareness strategy; and
- Share governance space to ensure the equal weighting to public-private participation.

Conscious that the current economic landscape is complex and different scenarios at the macro level are foreseen, governments and private sectors are now discussing the pathway to choose incentives to build into their economic recovery policies and to adapt to the new trends with creativity and speed. The encounter of the steering committee signalled their intent to continue considering carbon pricing as a policy tool to enrich its climate policy mix and incorporate it into their economic recovery plans and strategy.

Government and Regulatory Stakeholders

Based on the initial research, the following government and regulatory bodies are key stakeholders in the Dominican Republic's carbon market:

- **The National Council for Climate Change and the Clean Development Mechanism (CNCCMDL):** This is a central government entity responsible for coordinating climate change policies and initiatives, including those related to carbon pricing instruments. They were instrumental in conducting national consultations and defining the Carbon Pricing Instrument Road Map. Their role

involves policy development, strategic steering, and collaboration with national and international consultants.

- **Ministry of Environment and Natural Resources:** While not explicitly detailed in the initial search, this ministry would inherently play a crucial role in regulating and overseeing environmental policies, including those related to emissions reductions and carbon market mechanisms. Further research is needed to define their specific involvement.
- **Other Government Agencies (e.g., Ministry of Finance, Ministry of Energy and Mines):** The implementation of carbon pricing instruments, such as carbon taxes or clean energy certificates, would involve various government agencies. The Ministry of Finance would be relevant for fiscal and macroeconomic impact studies, while the Ministry of Energy and Mines would be involved in policies related to renewable energy and the energy sector's emissions. The initial UNFCCC document highlighted the need for impact studies on fiscal and macroeconomic indicators, suggesting the involvement of financial authorities.
- **Legislative Bodies:** The establishment of a robust carbon market framework would require appropriate legislation. Concerns were raised in stakeholder consultations regarding the use of existing legal and regulatory frameworks versus creating new ones, indicating the importance of legislative bodies in shaping the carbon market.
- **National MRV (Measurement, Reporting, and Verification) System:** This system is crucial for collecting data and establishing information protection standards related to emissions. Its interoperability with other national systems is highlighted as important for the effective functioning of a carbon pricing scheme.

Relevance: These government and regulatory stakeholders are critical for establishing the legal and institutional framework for the carbon market, developing and implementing policies, ensuring compliance, and fostering an enabling environment for carbon trading. Their involvement is essential for the credibility, transparency, and effectiveness of any carbon pricing mechanism in the Dominican Republic.

Private Sector and Business Stakeholders

The private sector plays a crucial role in the development and operation of a carbon market, both as emitters who would be subject to carbon pricing mechanisms and as

potential participants in carbon trading and offset projects. Based on the research, the following private sector and business stakeholders are relevant:

- **Industrial and Enterprise Representatives:** The carbon market simulation training involved

industry and enterprise representatives, indicating their direct involvement and interest in understanding carbon market operations. These would include companies from various sectors that are significant emitters of greenhouse gases.

- **Energy Sector Companies:** Given the focus on

Accelerating Coal Transition (ACT) and the mention of Clean Energy Certificates, companies in the energy sector, particularly those involved in coal-fired power generation and renewable energy development, are crucial stakeholders. These companies would be directly impacted by carbon pricing mechanisms and would also be key players in developing and trading clean energy certificates.

- **Financial Institutions:** The concept of innovative financing and carbon transaction mechanisms suggests the involvement of financial institutions. These could include banks, investment funds, and other financial entities that would facilitate carbon trading, provide financing for emission reduction projects, and potentially develop new financial products related to carbon markets.
- **Consulting Firms and Technical Experts:** Companies like MexiCO₂, which led the technical work in collaboration with national consultants, are important private sector stakeholders. They provide expertise in carbon market development, policy analysis, and technical implementation of carbon pricing instruments.
- **Project Developers:** Entities involved in developing projects that generate carbon credits or clean energy certificates, such as renewable energy projects or forestry projects (e.g., the Blue Carbon Exchange for mangroves), are key private sector players.

Relevance: The private sector is vital for the practical implementation and functioning of the carbon market. They are the primary actors in reducing emissions, investing in cleaner technologies, and participating in carbon trading. Their engagement is crucial for the market's liquidity, innovation, and overall effectiveness. Their concerns regarding legislation and the need for impact studies highlight their direct interest in a clear and stable regulatory environment.

International Organizations and NGOs

International organizations and non-governmental organizations (NGOs) play a significant role in supporting the development and implementation of carbon market mechanisms in the Dominican Republic through technical assistance, capacity building, and financial support. Key stakeholders include:

- **UNFCCC Secretariat and Regional Collaboration Centres (RCCs):** The UNFCCC, through its RCCs (like RCC St. George's), has been actively involved in supporting the Dominican Republic in defining its carbon pricing instrument roadmap. They provide guidance, facilitate consultations, and offer technical expertise on carbon market operations and transactions.
- **Climate Investment Funds (CIF):** The CIF has endorsed a significant investment plan for the Dominican Republic, aimed at accelerating coal transition and transforming the energy system. This indicates their role in providing concessional funding and mobilizing co-financing for climate-related initiatives, including those that would generate carbon credits.
- **Inter-American Development Bank (IDB) and IDB Invest:** These multilateral development banks collaborate with the Dominican Republic in developing and implementing climate-related investment plans, such as the Accelerating Coal Transition Investment Plan. They provide financial and technical support, and facilitate public-private partnerships.
- **World Bank Group (including IFC):** The World Bank Group is another key financial institution supporting the Dominican Republic's climate efforts, including the carbon market. They are involved in providing payments for carbon credits and supporting the development of investment plans. The International Finance Corporation (IFC), as part of the World Bank Group, specifically supports the private sector's engagement in these initiatives.
- **CI-Atabey Foundation:** This foundation is developing the Dominican Republic's first Blue Carbon Exchange mechanism, focusing on conserving and restoring mangrove forests. This highlights the role of local NGOs in implementing specific carbon offset projects and promoting nature-based solutions.
- **Other International Organizations (e.g., OLADE, UNCTAD):** The mention of the International Carbon Forum being held in the Dominican Republic with organizers like the Latin American Energy Organization (OLADE) and the United Nations Conference on Trade and Development (UNCTAD) suggests their interest and potential involvement in fostering carbon market development and knowledge sharing.

Relevance: These organizations provide crucial financial, technical, and strategic support, enabling the Dominican Republic to build its capacity, develop appropriate policies, and implement projects that contribute to emissions reductions and the functioning of the carbon market. They also play a role in connecting the Dominican Republic to global carbon market initiatives and best practices.

Analysis of Stakeholder Relevance and Relationships

The carbon market in the Dominican Republic is a complex ecosystem involving a diverse range of stakeholders, each with distinct roles, interests, and levels of influence. Understanding their relevance and the relationships between them is crucial for effective policy-making, project development, and market functionality.

Government and Regulatory Bodies (e.g., CNCCMDL, Ministry of Environment, Ministry of Energy and Mines, Legislative Bodies, National MRV System):

- **Relevance:** These entities form the foundational layer of the carbon market. They are responsible for establishing the legal and regulatory framework, setting national climate targets (NDCs), developing carbon pricing policies (e.g., carbon tax, ETS, clean energy certificates), and ensuring compliance. Their decisions directly shape the market's structure, scope, and operational rules. The CNCCMDL, in particular, acts as a central coordinating body for climate change initiatives.
- **Relationships:** They interact with all other stakeholder groups. They consult with the private sector to understand their needs and concerns, engage with international organizations for technical and financial support, and collaborate with NGOs on specific projects and awareness campaigns. The relationship is primarily top-down in terms of policy setting, but also involves significant feedback loops through consultations and partnerships. The need for a clear legal framework and governance model that includes both public and private entities highlights the importance of strong, collaborative relationships between government and the private sector.

Private Sector and Business Stakeholders (e.g., Industrial and Enterprise Representatives, Energy Sector Companies, Financial Institutions, Consulting Firms, Project Developers):

- **Relevance:** The private sector is the engine of the carbon market. They are the primary emitters of greenhouse gases and, therefore, the target of carbon pricing mechanisms. Simultaneously, they are also the innovators and implementers of emission reduction projects, and potential buyers and sellers of carbon credits. Their investment in cleaner technologies, participation in trading schemes, and development of carbon offset projects are essential for achieving national climate

goals. Financial institutions provide the necessary capital and market infrastructure.

- **Relationships:** Their relationship with government bodies is one of compliance and collaboration. They are subject to regulations but also seek to influence policy to ensure a favorable business environment. They engage with consulting firms for technical expertise and project development. Their interaction with international organizations often involves seeking financing, technical assistance, and market access. The emphasis on public-private participation in governance spaces underscores the need for a strong, cooperative relationship between these two sectors.

International Organizations and NGOs (e.g., UNFCCC, CIF, IDB, World Bank Group, CI-Atabey Foundation):

- **Relevance:** These entities act as facilitators, funders, and technical advisors. They provide crucial financial resources, technical expertise, and capacity-building support to the Dominican Republic. They also help connect the national carbon market to global initiatives and best practices, ensuring alignment with international standards (e.g., Article 6.4 readiness). NGOs often focus on specific environmental projects, such as blue carbon initiatives, demonstrating practical applications of carbon market mechanisms.
- **Relationships:** They primarily interact with government bodies, offering support and guidance in policy development and implementation. They also collaborate with the private sector by providing financing for climate-friendly projects and facilitating market access. Their role is often one of partnership and support, aiming to strengthen the Dominican Republic's capacity to engage effectively in the global carbon market. The involvement of multiple international financial institutions (CIF, IDB, World Bank) indicates a coordinated effort to support the country's energy transition and climate goals.

Interdependencies and Dynamics:

The success of the carbon market in the Dominican Republic hinges on the effective interplay between these stakeholder groups. Government bodies need the private sector to implement emission reductions and drive innovation, and they rely on international organizations for financial and technical support. The private sector needs a clear and stable regulatory environment from the government, and access to financing and expertise from international partners. International organizations and NGOs, in turn, need strong national commitment and private sector engagement to achieve their climate objectives.

Challenges and opportunities arise from these relationships. Concerns about legislation and the need for impact studies highlight the importance of transparent and inclusive dialogue between government and the private sector. The focus on capacity-building and communication strategies indicates a recognition of the need to empower all stakeholders with the knowledge and tools to participate effectively. The development of mechanisms like the Blue Carbon Exchange demonstrates how local NGOs can drive innovative projects with broader environmental and economic benefits, often with support from international partners.

In summary, the Dominican Republic's carbon market is evolving through a collaborative effort involving national government, local businesses, and global climate finance and expertise. The ongoing dialogue and partnerships among these stakeholders will be critical in shaping a robust and effective carbon pricing framework that contributes to the country's sustainable development and climate goals.