

Request Submission Form for CTCN Technical Assistance (version 1.0 - January 2014)

APPLICANT/CONTACT:

National Designated Entity: Ministry of Environment and Sustainable Development - Climate Change Division

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COUNTRY:Colombia

TITLE:Monitoring and Evaluation of national promotion policies for energy efficiency (EE) and Renewable Energy (RE) against national targets.

GEOGRAPHICAL FOCUS:

Community-based Sub-national National Multi-country

SECTOR/THEME

<i>Mitigation:</i>	<input checked="" type="checkbox"/> Energy	<input type="checkbox"/> Forestry
	<input type="checkbox"/> Transport	<input type="checkbox"/> Water Resources
	<input type="checkbox"/> Industry	<input type="checkbox"/> Coastal Zones/Oceans
	<input type="checkbox"/> Agriculture	<input type="checkbox"/> Terrestrial Ecosystems
	<input type="checkbox"/> Forestry	<input type="checkbox"/> Human Health
	<input type="checkbox"/> Waste	<input type="checkbox"/> Infrastructure/Human Settlement
	<input type="checkbox"/> Cross-sectoral	<input type="checkbox"/> Tourism
<i>Adaptation:</i>	<input type="checkbox"/> Early Warning/ Disaster Reduction	<input type="checkbox"/> Businesses
	<input type="checkbox"/> Agriculture/Fisheries	<input type="checkbox"/> Education
		<input type="checkbox"/> Cross-sectoral

OTHER RELEVANT SECTORS:

Industry and transport

PROBLEM STATEMENT (up to half a page)

Colombia's government have been working together with several stakeholders at the national level, to guide the country into sustainable ways of development. In this sense, maintaining the growth of economy while reducing greenhouse gas emissions of productive sectors is one of the objectives of environmental policies, projects and strategies that involve cross sectorial planning and regulation today.

Energy sector have a cross cutting importance because of its impacts on the entire economy, so Ministry of Mines and Energy, Mining/Energy Planning Unit (UPME) and Ministry of Environment and Sustainable Development have been progressing in the implementation of national policies to promote increased adoption of energy efficiency measures and renewable energy sources. These measures include technical regulations, fiscal incentives, institutional development and technical capacity building.

Following the previous measures, the Ministry of Mines and Energy (MME) issued the resolution 180919 of 2010, which adopts the indicative action plan 2010 -2015 to develop the Program for the Rational and Efficient Use of Energy and Non-conventional Energy Sources (PROURE), under the provisions of Law 697 2001 and its regulatory decrees. The action plan seeks to promote the rational and efficient use of energy and non-conventional energy sources by setting indicative sectorial actions and goals for 2015 and cross-cutting strategies for institutional strengthening, education and innovation, technological development, financial aspects, and market momentum; considered essential for compliance with the indicative goals for Energy Efficiency (EE) and Non-conventional energy sources (FNCE) established for each sector.

Following the previous efforts, the MME supported by the Ministry of Environment and Sustained Development (MADS) and the National Planning Department (DNP) is working in the Colombian Strategy for Low Carbon Development (ECDBC) for the energy sector in accordance to the provisions of the National Development Plan 2010 -2014 and CONPES 3700 for climate change. The strategy is an initiative that will help the fulfillment of the objectives for the development of the energy sector and drive the energy efficiency policy, helping to establish priorities for the PROURE.

The financial strategy for the PROURE is one of the most relevant aspects in strengthening the conditions for the implementation of projects and actions impacting the consumption sector, the fulfillment of goals, and the promotion for a market of goods and services. Its objectives include the procurement and follow up of international cooperation resources for project financing, promotion of new market schemes, identification and implementation of financial models and financing sources for projects, evaluation and promotion of the GHG market and the dissemination of this knowledge.

One of the achievements in this area was the issuance of Resolution 186 of 2012, which sets environmental goals base on some energy efficiency and FNCE goals agreed between the MME, and MADS based of Law 563 of 2012 which defines the procedure for the technical evaluation for the Applications that want to opt for the tax benefit. This, in the context of a policy for promotion of control and monitoring systems necessary for the compliance of regulations and environmental standards (Law No. 223 of 1995 and administrative amendments) implemented by the central government.

The uptake of this policy has been limited, to only twenty nine (29) projects to date, that have applied for tax incentives and have been technically cleared by the UPME today; in addition the incumbent ministries recognized the need , to further process of evaluation of projects and granting subsidies. Therefore, UPME and Ministry of Environment and Sustainable Development have identified the need for CTCN assessment in the use of different kinds of incentives for Energy Efficiency (EE) and Renewable Energy (RE); and to design a mechanism to Monitor and Evaluate (M&E) the benefits derived, both to the state and to applicants. The development of this methodology must include an evaluation (technical, environmental and financial) of the effects of the inclusion of other kinds of incentives as financial, tariff, VAT, environmental surcharges, inter alia. This technical assistance will allow the government to account with a

verifiable framework and methodology to the evaluation and monitoring of national incentives optimizing environmental and financial benefits for the nation and the applicants.

DEVELOPMENT OF THE REQUEST (up to half a page)

The preparation of a request to the CTCN began in November of 2013 during a scoping meeting between UPME and UNIDO, as a part of the CTCN core team. UNIDO encouraged UPME to approach the NDE and provided information of the CTCN request process. After discussions between UPME and Ministry of environmental and Sustainable Development as Colombian NDE, it was possible to identify that despite about twenty nine (29) projects have been technically cleared by UPME until today in order to make operative the existent regulatory initiative, there has been considered tax incentives as the only option to incentive EE and RE in the country. There is a high uncertainty about the impacts (for government, applicants and the sector) of include other kinds of incentives to strength alternative energy sources that diversify the national energy matrix and the adaptive capacity of the energy sector.

The importance of the well functioning of this instrument is reinforced by the conclusions of other inter-institutional efforts as Colombian Low Carbon Development Strategy (CLCDS) where the emission reductions in the industrial sector was establish as a priority area, through the Technology Need Assessment (TNAs) process, and as under development NAMAs related to urban development and transport, renewable energy in decentralized areas and energy efficiency in industry.

Additionally, it was possible for UPME and Ministry of Environment and Sustainable development to identify the lack of capacity building to develop an appropriate monitoring and evaluation methodology of national incentives for energy efficiency (EE) and Renewable Energy (RE) which joined to the importance of foster EE and RE for the country, which made decided to ask for technical assistance of CTCN.

ASSISTANCE REQUESTED (up to one page)

The support of the CTCN is sought to provide international expertise to assess the use of different kinds of incentives for EE and NCES, focused on fiscal incentives; and to design a mechanism to Monitor and Evaluate (M&E) the benefits derived, both to the state and to applicants.

The results to be derived are that the government will account with a verifiable framework and methodology to the evaluation and monitoring of national incentives, additionally it will be possible to monitor the contribution of this policy to achieving the national EE and NCES targets set.

With the assessment of CTCN it is expected to develop:

1. Technical, financial and legal propose of modification for the application of incentives for energy efficiency (EE) and Renewable Energy (RE).
 - Evaluation of the impact caused by the application of tax incentives for energy efficient and non-conventional energy sources since today.
 - Analysis of the expected impact (energy use, environmental and financial) of the application of other kinds of incentives and policy measures for Energy Efficiency (EE) and Renewable Energy (RE) and their impact in achieving the national PROURE targets
 - Identification and selection of priority lines of action for energy efficiency and FNCE, which should be promoted through tax and non-tax incentives within the existing legal framework.
 - Technical, financial and legal Proposed modification to the application of the current incentives or promotion of new policy instruments, aimed to boost the action lines of energy efficiency and FNCE identified above.
2. Design a mechanism to Monitor and Evaluate (M&E) the benefits derived, both to the state and to applicants.

- Evaluation criteria as part of the mechanism and the explanation of the variables included for this purpose.
- Variables for monitoring process and recommendations for the implementation of it.

ALIGNMENT WITH NATIONAL PRIORITIES (up to half a page)

The use of incentive to support EE in the industrial and transport sector as well the promotion of NCES is aligned to the following national priorities:

Colombian Low Carbon Development Strategy (CLCDS - 2012) has identified during 2013, some elements which are in line with this request:

- Emission reductions in the industrial sector as a priority area, through the Technology Need Assessment (TNAs) process.
- Identified NAMAs under development for urban development and transport, for renewable energy in decentralized areas and for energy efficiency in industry.

Additionally, Colombian government, through Law No. 697 from 2001 established the rational and efficient use of energy as public, social and national concern to guarantee a complete energy supply for the population, competitiveness of the national economy, the protection of consumers and to foster renewable energy options of supply. A Program for Promote the Rational and Efficient Use of Energy (PROURE) was created through the same law and the joint 2012-2015 targets for EE and NCES agreed by Ministry of Environment and Sustainable Development and Ministry of Mines and Energy were derived from the targets of the PROURE.

Action Plan (2010 – 2015) of Ministry of Mines and Energy includes as one of its main goals: to ease the implementation of mandatory policies related to any kind of incentives for the development of programs and projects of PROURE. This Action Plan was elaborated and approved by the Inter-sectoral Commission of Rational and Efficient Use of Energy, which is comprised by Ministry of Mines and Energy, Ministry of Environment and Sustainable Development, Ministry of Commerce, Industry and Tourism, Energy and Gas Regulation Commission, National Planning Department, Mining/Energy Planning Unit (UPME) so the goals included in there are a concern of all the government entities related to the energy supply, efficiency and sustainability in the country. After UPME and Ministry of Environmental and Sustainable Development, have been evaluating and granting tax incentives, there is a recognized need from this entities to develop an standardized methodology of evaluations as well as the urgency of re-evaluate the inclusion of others incentives besides tax incentives for optimizing the process not just for government finances but for applicants and sustainability of energy supply of the country.

PAST AND ONGOING EFFORTS (up to half a page)

In recent years, Colombia has made important efforts to articulate its economical growth with a cross cutting environmental policy to guide the country into sustainable ways of development. In this sense, the national fiscal policy (law No. 223 from 1995 and administrative amendments) established a mechanism to provide fiscal incentives, including VAT elimination and reduction of income tax, for equipment and element for environmental monitoring and control, focusing on noxious pollutants to the environment. The regulatory decrees of this law state that such incentives could also be given to projects or programmes which reduce energy consumption or promote energy efficiency; provided that these incentives would used to support measures required meet environmental targets set jointly by the Ministries of Environment and Sustainable Development (MESD) and of Mines and Energy (MME).

In 2012 the two Ministries have progressed in setting joint targets to be met by 2015 (joint resolution n 168 of 2012) for energy efficiency (EE) in industry and transport sector, as well as for renewable energy, the

so-called non conventional energy sources (NCES)¹ in Colombia. In both cases selected technologies have been determined established. The targets and technologies are presented in Annex 1.

The Planning unit of the Ministry of Mines and Energy (UPME) was tasked with evaluating the funding requests for projects which could benefit from the fiscal incentive. In 2012, a resolution (n 563 of 2012) was put in place to invite project developers to submit requests. During 2013 a set of initial requests have been received, and many technically cleared.

Based on the ongoing efforts (policies and plans to defined this mechanism) and the evaluation and granted of near to 29 projects until now, there has been possible to identified a need for technical support to establish a mechanism to monitor and evaluate (M&E) the national instruments for; by determining how will it help them meet the national targets set.

EXPECTED BENEFITS (up to half a page)

The development of this technical assessment will contribute to the reach of national strategies' goals since the Emission reductions in the industrial sector was identify as priority area of CLDCS, through the Technology Need Assessment (TNAs) process and there are some under development NAMAs for urban development and transport, for renewable energy in decentralized areas and for energy efficiency in industry, the assessment for the optimization of the instrument of incentives. As well it contributes to the reach of Action Plan (2010 – 2015) of Ministry of Mines and Energy and PROURE as mentioned above.

The design of a mechanism to Monitor and Evaluate (M&E) the benefits derived, both to the state and to applicants will allow the government to account with a verifiable framework and methodology to the evaluation and monitoring of national incentives optimizing environmental and financial benefits for the nation and the applicants. Additionally, it would increase transparency for solicitants through the process of evaluation and be helpful to the constant evaluation and improvement of the national instrument for incentive the use of Energy Efficiency and Renewable Energy. The incentive of Energy Efficiency (EE) and Renewable Energy (RE) is part of national efforts to guide the country to a sustainable development which includes the diversification of the national energy matrix and have an energy sector more adapted to Climate Change effects.

In this context, it is expected that the development of the CTCN assessment for the use of different kinds of incentives and policy measures for Energy Efficiency (EE) and Renewable Energy (RE) will help Colombian government in the reach of the goal of guide the country to a sustainable development, through the evaluation and possible adoption of support policies and programmes that would be better for all the parties and the sustainable development of the country.

EXPECTED TIME FRAME

The project should be completed in six (6) months.

KEY STAKEHOLDERS

Stakeholder	Role in the response
Mining/Energy Planning Unit (UPME)	This entity will be the technical focal point for the development of the CTCN assistance and additionally will provide the all the information needed (i.e. the existing evaluation process, etc.)

1 National law on rational use of energy (n 697 from 2001) established that non conventional energy sources (NCES) for Colombia are: solar, wind, biomass, small hydro power (< 10 MW), geothermal, marine and nuclear

Stakeholder	Role in the response
Ministry of Environment and Sustainable Development	National Designated Entity which guarantee the technical assistance will be developed according to National context and ongoing efforts of the country.

MONITORING AND EVALUATION

By signing this request, I affirm that processes are in place in the country to monitor and evaluate the assistance provided by the CTCN. I understand that these processes will be explicitly identified in the Response Plan in collaboration with the CTC, and that they will be used in the country to monitor the implementation of the CTCN assistance.

I understand that, after the completion of the requested assistance, I shall support CTCN efforts to measure the success and effects of the support provided, including its short, medium and long-term impacts in the country.

DATE AND SIGNATURE

<i>NDE: Ministry of Environment and Sustainable Development – Climate Change Division</i>	<i>Date: March 19th, 2014</i>
<i>Responsible Person: Rodrigo Suarez Castaño</i>	<i>Signature: Rodrigo Suarez Castaño</i>

****PLEASE LIST ANY RELEVANT BACKGROUND DOCUMENTS AND PROVIDE THEIR WEB LINKS (IF WEB LINKS ARE NOT AVAILABLE PLEASE ATTACH THEM AS PDF FILES TO THE APPLICATION)**

THE COMPLETED FORM SHALL BE SENT TO THE CTCN@UNEP.ORG

Need help? The CTCN team is available to answer questions and guide you through the process of submitting a request. The CTCN team welcomes suggestions to improve this form.

>>>Contact the CTCN team at ctcn@unep.org

Annex I: targets and work plan for EE and NCEs in Colombia

For Energy Efficiency the joint targets set by the MME and ME are:

Sector	Energy saving target to 2015 (%)	
Industrial	Electricity	3,43
	Fuels	0,25
Transport	Fuels	0,33

For Non conventional energy sources the joint targets are:

Share of NCES in the energy mix by 2015	
Sources connected to the national grid	From decentralized sources
3,5%	20%

And the work plan includes:

SECTOR	OUTPUT	ACTIVITY
EE in INDUSTRIAL sector	Optimization of electricity use for motor systems	Promote the replacement of conventional motors for high efficiency motors
	Optimization of combustion processes	Promote residual heat recovery in combustion processes
EE in TRANSPORT sector	Technology upgrading of vehicle fleet	Promote the use of electric and hybrid vehicles in mass transport systems
	Shift in transport mode	Promote universal access to train network Promote universal access to low emission transport systems
NCES	Promotion of NCES	Assess the potential of natural resources (solar, wind, geothermal, hydro, marine) to promote development of energy solutions
		Develop demonstration projects considering their technical, economic, market, social and environmental aspects

