

## Chile

# Developing a public-private carbon management programme

Activity	Development of the national carbon management programme (Programa Nacional de Gestión del Carbono) for the estimation of GHG emissions, monitoring of carbon footprints and identification of mitigation opportunities by public and private sector entities
Country	Chile
Sector(s) involved	All
Time frame	2012–2015

**Case summary**

The Chilean national carbon management programme (PNGC, due to its name in Spanish) is a government led initiative seeking to integrate public and private efforts for the reporting of GHG emissions and local mitigation actions. It functions as a tool for public and private entities aiming to measure GHG emissions, monitor carbon footprints and identify mitigation opportunities. The initiative is led by the Climate Change Office at the Ministry of Environment and has taken a collaborative approach considering both public and private interests from the outset.

Although still in the early stages of implementation, it demonstrates a number of good practices including: (1) collaboration between strategic partners and a participative approach to involving public and private sectors; (2) linking the carbon management programme with existing public policy instruments; and (3) effective incentives for engaging participants.

The case also highlights a number of barriers and challenges including: (1) lack of stakeholder knowledge on climate issues; (2) lack of secure funding for the programme and a well-defined work plan which discourages private sector involvement; (3) the need for effective incentives to motivate participants to engage in what is a voluntary programme; (4) the need to ensure quality and traceability of the information managed by the PNGC. The mentioned barriers have been clearly identified by the authority and are being addressed.

The PNGC is a ground-breaking initiative in Chile in terms of its collaboration with the private sector, and is anticipated to build momentum for sectors to quantify GHG emissions and mitigate at the corporate level.



Combined cycle thermal generation plant in Quillota, Chile

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## Background

Chile was one of the early movers in Latin America taking advantage of the Clean Development Mechanism (CDM). Several international CDM developers and carbon trading firms were established in Santiago, Chile in the 2004–2008 period aiming to cover the South American region. The country quickly developed local capacities at the governmental and private-sector level for the formulation of emission reduction initiatives that could participate in the regulated and voluntary carbon markets.

The local Designated National Authority (DNA) developed a clear process for the approval of CDM initiatives and jointly with the Ministry of Foreign Affairs promoted Chilean mitigation opportunities, providing an enabling environment for emissions reduction investments in the country.

In this context, the Chilean government made a voluntary commitment in 2009 at the UNFCCC-COP15 in Copenhagen to cut 20% of national GHG emissions by 2020 with a business-as-usual (BAU) baseline based on 2007 estimations. Additional to that, Chile officially entered the OECD group of countries at the beginning of 2010.

In parallel with the climate mitigation efforts undertaken in the public sphere relating to the UNFCCC and other international commitments, the Chilean private sector also progressed in this area. Several firms utilised the CDM and voluntary markets to leverage their initiatives during the time when carbon markets were peaking and CER/VER prices were high enough to cover the transaction costs of offsets. Additional to carbon market participation, some important Chilean firms started measuring their carbon footprint and reporting it voluntarily, aligning their environmental and Corporate Social Responsibility (CSR) efforts with emerging global trends. This trend promoted by some national industrial sectors has been a proactive initiative driven by internal demand for sustainability assessments and reporting, and not a requirement from local authorities.

In this context, the government initiated two important climate mitigation processes during the first half of 2012, which are still on-going:

- » The MAPS Chile initiative ([www.mapschile.cl](http://www.mapschile.cl)), which aims to develop low-carbon pathways for the Chilean economy.
- » The Low Emission Capacity Building (LECB) programme – ([www.lowemissiondevelopment.org](http://www.lowemissiondevelopment.org)) which seeks to strengthen technical and institutional capacities of countries for low carbon pathways, while at the same time facilitating inclusion and coordination of the public and private sector in national initiatives addressing climate change.

In the context of the Chilean work under the LECB programme, the authorities determined in 2012 through the Climate Change Office at the Ministry of Environment that there was a need to standardise the carbon footprint estimation tools, monitoring protocols and reporting forms to enable compilation of consistent information to comply with existing voluntary commitments made by the country and potential new binding targets the country could have in a post Kyoto period.

Thus, one of the outcomes established by the Chilean LECB programme was to design and initialise a voluntary carbon management programme: the PNGC.

## Activities

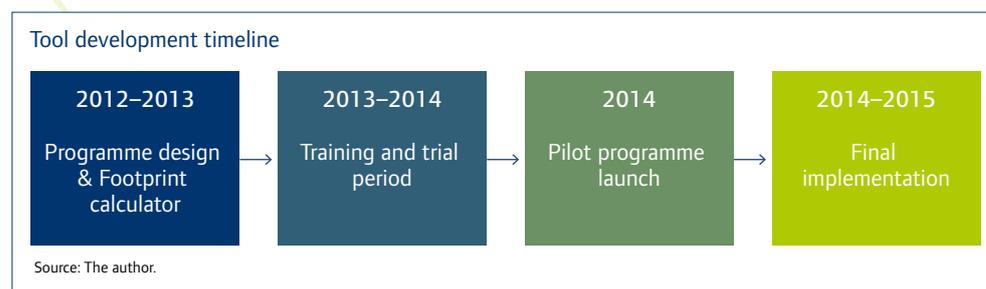
- » **Design and construction of an IT tool for the estimation and registry of GHG emissions:** Using emission factors approved by the Chilean environmental authority, compatible with international standards (ISO 14064) and in line with the national registry for emissions and transfer of pollutants operating with a one-stop service model for reporting to the authority (RETC). This was developed in parallel with the preparation of standardised reporting forms.
- » **Testing and refinement the IT tool with public and private entities:** Training and focus groups were organized to gather user feedback, which was then incorporated in refinements to the tool.

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- » **Analysis of possible incentives:** For the participation of private and public entities and the functioning options of the programme as a whole.
- » **Piloting and Implementation:** Planned phases include piloting and final implementation of the programme.

The following diagram shows the timeline of activities:



### Institutions involved

Ministry of Environment (Climate Change Office); UNDP LECB programme; various public and private sector strategic partners

### Cooperation with Finance

United Nations Development Programme (UNDP)

The UNDP-LECB program and its rapid gender capacity needs assessment is jointly funded by the European Commission; the German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB) and the Australian Government. As a component of a first phase of the Chilean LECB initiative running in the period April 2012–March 2015, the PNGC has been funded by UNDP. Meanwhile the Chilean government provides its regular climate team at the Ministry of Environment for the design and implementation of the programme.

### Impact of activities

- » **Collaboration between government and private sector:** From a policy making process perspective, the PNGC sets a precedent in the country due to the way that the government has worked collaboratively with the private sector.
- » **Capacity building:** If the initiative is successfully implemented, it shall contribute, among other factors, to the generation of momentum required to prepare the actors in the economy for the transition towards low-carbon development.
- » **Improved GHG emissions management:** The activities of the PNGC aim to support and encourage GHG quantification and management at the corporate level, in both the public and private domains, enabling the environment for the promotion of mitigation efforts and the neutralisation of emissions among the various economic actors.
- » **Basis for future national MRV system:** The initiative provides an important corner stone for developing a unified national MRV system.

### Why is it good practice

- » Its participative process with the private sector sets a precedent in policy making for sustainable development in the country. It has generated a fruitful **discussion with stakeholders**, which represents remarkably good practice in the Chilean context. The **participative approach** has had good reception among stakeholders and is seen as a positive outcome of the initiative.
- » In the same way, the **collaborative work** developed by the Ministry of Environment with **strategic partners** exploring operational arrangements for the success of the programme, at both the public and private level, is a noteworthy approach. An example of this is the development of possible institutional

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arrangements which could provide economic incentives for companies using the Chilean standardised norms. Another example along these lines is the cooperation established for the design of the IT tool with companies already involved in the monitoring, reporting and verification of GHG emissions through international initiatives such as the Carbon Disclosure Project (CDP).

- » Likewise, a wise move in the formulation of the carbon management programme was the **link and consistency of its IT tool with other schemes and instruments already existing in the country**: the international standard (ISO 14064) and the one-stop service at the national registry for emissions and transfer of pollutants (RETC).
- » Also, the authority has realised that given the voluntary nature of the PNGC programme, it is crucial for its **scalability** to provide effective incentives for participants, and hence is evaluating different options jointly with strategic partners from the public, private and academic spheres.
- » In terms of MRV, the Chilean initiative **enables the regular tracking and reporting of GHG emissions** for those entities participating in the PNGC. Similarly, the Ministry of Environment seeks to secure the quality and traceability of the information on carbon emissions estimated by the IT tool by formulating and standardising **quality assurance** modalities.

## Success factors

- » Providing a clear road-map: The need for a clear programme road-map from government to provide clear signals to programme participants.
- » Designing effective incentives: Define effective incentives for the involvement of the private and public sector, given the voluntary basis of the programme.
- » Sufficient financial resources: To ensure the continuity of the programme.
- » High-quality, traceable GHG emissions information: Based on established international (ISO) standards and approved by relevant national agencies.
- » Integrated approach from government: A holistic approach from the government of Chile, integrating perspectives from different public and private sector actions rather than just the Ministry of Environment.

Overcoming barriers/  
challenges

What were the main barriers/challenges to delivery?  
How were these barriers/challenges overcome?

## Capacity

An important barrier the programme has faced is the lack of knowledge and capacity for GHG management among many important stakeholders. Several workshops with stakeholders have been organised by the Ministry of Environment with the purpose of building the capacities required for the operation of the carbon management programme.

## Economic

The programme has also found apathy among some industries. Given the voluntary nature of the programme it is crucial to find interesting incentives for the participants. The authority has understood this barrier and is assessing different types of incentives with public and private strategic partners.

The lack of a clear long-term work plan regarding the PNGC is a barrier for the engagement of the private sector. For companies, there is little motivation to engage in a programme that requires the disclosure of strategic information without knowing what the consequences could be. The absence of a long-term plan for the PNGC is currently related to a lack of funding for the coming years. The lack of financing mechanisms limits the design of a long-term road-map. The authority is very aware of this situation and is working to address it. An external study is being developed currently to analyse diverse types of incentives and operational forms. This financial barrier is further discussed below.

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## Financial

The programme is facing a challenge in regards to its financial sustainability. As mentioned, while the PNGC is a component of the Chilean LECB programme, it has a limited duration and budget.

The Ministry of Environment is currently applying for a second round of funding with the global LECB initiative. The Ministry's plan is to validate the PNGC among the stakeholders and to demonstrate its functionality in order to receive funding from the national budget for its operation.

## Information

As mentioned previously, another challenge and key factor for the success of the programme is the quality and traceability of the information managed by the PNGC.

In order to overcome this challenge the programme is to consider a validation/verification scheme. The Ministry of Environment is aware of this necessity and is coordinating with the National Norms Institute (INN) the option of having accredited entities that verify the appropriate reporting of the programme participants.

## Institutional

The articulation and coordination with other ministries is a political challenge. There is some degree of overlap between the work being developed by the Ministry of Environment with the PNGC programme and the work on carbon footprint and MRV being done by other ministries.

The Government of Chile is seeking a more coherent and integral overview of the work being developed by its different bureaus in order to avoid replication and duplication of efforts.

## Lessons learned

- » **Effective communication:** Nationwide climate policy requires good articulation among different governmental bureaus and a coherent State policy.
  - » **Understanding the technical capacities which exist among stakeholders:** To design effective approaches and capacity building efforts.
  - » **Careful planning and engagement:** The massive engagement of participants in a carbon management programme, either voluntary or regulated, requires a carefully planned and well-articulated implementation process.
  - » **Providing a clear road-map, timeline and incentives:** Essential for private companies to estimate risks and benefits in order to engage in voluntary programmes. Also important to consider the timing of the involvement of different stakeholders.
  - » **Careful selection of strategic partners:** This is important particularly at the outset as misguided enlargement of the strategic partners group could result in misleading discussions and efforts.
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- » **Coherent climate policy:** Coherent climate change policy and good communication among different governmental agencies working to implement it.
  - » **Stakeholder capacity mapping:** Effective analysis of stakeholders' knowledge and capacities on carbon management should be undertaken.
  - » **Collaborative process:** Select and involve strategic partners in a collaborative process from the early stages and throughout.
  - » **A clear road-map for the process:** To provide clarity and certainty to the partners and other stakeholders.
  - » **Integrated into existing policy:** New climate initiatives should be linked and integrated to existing environmental public policy instruments.
  - » **Attractive incentives:** Designed to effectively engage participants in voluntary programmes.

## How to replicate this practice

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<b>Website(s)</b>	» <a href="http://www.mma.gob.cl/1304/w3-article-54745.html">www.mma.gob.cl/1304/w3-article-54745.html</a>
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<b>References</b>	<ul style="list-style-type: none"> <li>» Chilean Ministry of Environment Website. Accessed 25.02.2014</li> <li>» <a href="http://www.mma.gob.cl/1304/w3-channel.html">www.mma.gob.cl/1304/w3-channel.html</a></li> <li>» Low Emission Capacity Building Programme Website. Accessed 19.02.2014</li> <li>» <a href="http://www.lowemissiondevelopment.org/">www.lowemissiondevelopment.org/</a></li> <li>» Corporates Leaders Group Chile Website. Accessed 25.02.2014</li> <li>» <a href="http://www.clgchile.cl/">www.clgchile.cl/</a></li> </ul>



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