

Standardized Crediting Framework – Senegal Pilot

“Lessons Learned Note”: Executive Summary

October 2019

The Standardized Crediting Framework (SCF) is an initiative by the Carbon Initiative for Development (Ci-Dev) to support the transition of its project pipeline under the Clean Development Mechanism (CDM) to the new regulatory framework of the Paris Agreement, as well as to provide relevant inputs and lessons learned into the ongoing negotiations of Article 6. The SCF provides for a host country-led approach to crediting that simplifies scaling-up and replication of project activities within defined sectors of the economy – starting with energy access – as well as a potential transition to sectoral or sub-sectoral approaches to crediting emission reductions that go beyond the current CDM Programme of Activities (PoA) model.

The SCF concept includes, among other improvements, the following elements:

- **Standardized emission reductions** – more of the parameters for both baseline and project emissions are standardized, to reduce the MRV costs and align the monitoring requirements with the typical business activities. For example, program proponents are mainly required to monitor activity levels (e.g. new connections and consumption), while the conversion of this activity to emission reductions is largely standardized and includes country-specific default factors.
- **Simplified project cycle** – The boundary of the program is determined by tracking all units rather than “including” new components (i.e. as in the CDM PoA process), which eliminates this step in the project cycle. In addition, the SCF builds on earlier proposals for streamlining the project cycle by eliminating the validation step, and rather combining verification of the project design and project performance into a single ex-post third party audit of program performance and compliance with eligibility criteria.
- **Streamlined approaches** – The SCF uses a positive list approach to additionality for various energy access technologies, supported by transparent and objective eligibility criteria. Templates and clear guidance for “listing” (i.e. similar to registration), monitoring and verification reduce the time and costs associated with these steps in the project cycle.
- **National governance** – As a host-country led approach, the SCF has a national “Governing Board” –led by the key climate change ministry – supported by a Technical Committee (i.e. to provide technical advice on the rules) and an Administrator (i.e. for day-to-day implementation of the rules). In implementing the national governance and administrative functions, the SCF pilot established efficient structures to minimize the administrative and financial burdens on national governments, while ensuring transparent decision-making. This was done by building on existing national structures experienced with climate change projects and policies.

To demonstrate proof of the concept, Ci-Dev initiated a *pilot* of this concept in Senegal, that is focused on the national electrification program under the Senegalese Rural Electrification Agency (Agence Sénégalaise d’Électrification Rurale - ASER). This Lessons Learned Note reviews the experience of the pilot and draws a comparison between the CDM and the SCF, highlighting the difference in procedures for each step of the pilot phase. This comparison is

limited by the fact that the Senegalese rural electrification program had already been developed as a CDM PoA, so much of the program development work was complete, and because the CDM first monitoring and verification phases are still ongoing. Nevertheless, and time and cost investment so far in the early stages of the project cycle, as well the process of setting up this “country-led” crediting approach, provide important lessons and highlight opportunities.

The SCF pilot has demonstrated the substantial cost and time savings that can be achieved through simplification and streamlining, even just considering the program preparation, validation and registration/listing phase of the project cycle. The CDM process took years longer than the SCF, and even for new programs under the SCF it would be very unlikely the program preparation would take more than six months. In these three phases, the cost savings of USD 180,000 for one program were more than the entire set-up cost of the SCF (i.e. USD 102,000). Even if additional programs require some support for project development, the savings are substantial compared to the CDM. Because the CDM PoA has not started verification yet, it is difficult to compare the monitoring and verification phases of the two schemes. The question for other countries – and even for expansions of the SCF into other sectors in Senegal – would be who pays for this set-up cost. This could potentially be linked to international initiatives support countries in NDC implementation and MRV.

The pilot phase of the SCF in Senegal is closing in November 2019, at which point the Senegalese government can decide the future scope of the framework within Senegal. In addition, Ci-Dev can decide whether and how to expand piloting SCF activities in other countries and sectors. With this in mind, there are cross-cutting lessons from the Senegal pilot that can inform the design and implementation of similar schemes in other countries. While the host country responsibility is much greater for a scheme such as the SCF, so is the engagement of local stakeholders and the potential for country ownership. Greater use of domestic expertise, such as local auditors, can then further reduce costs and build capacity for climate change mitigation in developing countries. Perhaps most importantly, the experience of these early pilot activities can inform the negotiations on the rules for Article 6 from a practical, developing country-focused perspective. Disseminations of the results and lesson from the pilot should therefore be a priority. At the same time, the SCF pilot is only the starting point. The Senegal experience highlights the additional capacity building and stakeholder engagement that will need support for new crediting mechanisms to be successful in the long run. Building institutions and expertise is a long-term process and one that needs dedicated financial support – national and international – for skills development, technical capacity and administration. Not only can the expansion of the SCF within Senegal contribute to building essential capacity for mitigation, but additional pilots – covering other countries, sectors, and technologies – can support the evolution of the global carbon market and the functioning of the Paris Agreement