

Policy Dinner on the Green Climate Fund

February 17, 2014 - Bali, Indonesia

Moderator: Ned Helme (President, CCAP)

Overview

The Center for Clean Air Policy (CCAP) – in coordination with GCF board members Mr. Arnaud Buisse (France), Mr. Irfa Ampri (Indonesia), Mr. Per Callesen (Denmark), and Mr. David Kaluba (Zambia) – hosted a policy dinner on the margins of the sixth board meeting of the Green Climate Fund (GCF) in Bali, Indonesia. The dinner brought together GCF board members, alternates, advisors, and other participants to discuss the criteria that the GCF could use to select proposals for support through the mitigation window. The discussion also focused on the relationship between the Private Sector Facility (PSF) and the mitigation window and how this could be structured to encourage greater country ownership and consistency with national policies.

Main Conclusions

The following key points emerged during the dialogue:

- There was broad agreement among participants on the value of using real-world case studies to make discussions on the GCF more concrete. CCAP presented Colombia's Transit Oriented Development (TOD) and Solid Waste NAMAs – as examples that would result in financing for both public- and private-sector projects – in order to inform the policy dinner conversation.
- Board members acknowledged the usefulness of the Germany/UK NAMA Facility in encouraging transformational NAMAs and in providing lessons for the design of the GCF.
- Participants expressed wide support for the six core criteria that CCAP proposed (informed by the example of Colombia's TOD NAMA):
 1. Supported and endorsed by host-country government, including commitment to provide financial support;
 2. Has potential to achieve significant greenhouse gas (GHG) reductions;
 3. Contributes to sustainable development goals;
 4. Catalyzes emissions reductions across sector or nationally;
 5. Includes policy actions and financial mechanisms to address barriers to low-carbon development; and
 6. Utilizes GCF funding to catalyze private investment and mobilize additional finance.

- Participants felt strongly that, in order to reach the paradigm shift called for in the Governing Instrument, the GCF must move beyond individual, one-off projects toward broader policies and programs.
- There was agreement that the “no-objection” procedure was insufficient in showing country ownership. Sustainable development and other considerations are integral in increasing country ownership, as well as in ensuring the success of funded proposals.
- Participants saw private-sector involvement and investment as key to the success of the GCF. They felt that public funds should be used to create enabling environments for the private sector to move toward low-carbon technology and development strategies.
- On the relationship between the PSF and the mitigation window, there seemed to be general agreement on the need for flexibility, as opposed to a bright line between the two. This conversation considered the example of Colombia’s Solid Waste NAMA and CCAP’s question of which window it would approach for funding (given its use of an equity fund as a financial mechanism to catalyze private-sector involvement in new climate-friendly technology).
- Participants agreed that more clarity and guidance for developing countries is needed on the relationship between the windows. One suggested that indicative allocation targets for the windows is useful as long as they can be revised later.
- Board members expressed support for the notion that higher priority should be given to proposals that catalyze private-sector investment, contain broader policy elements (versus project-level), and/or are consistent with national policies.

Case Studies and Discussion

Discussion at the policy dinner was informed by two NAMA case studies that CCAP helped design in Colombia. Participants appreciated visual schematics of these NAMAs, which helped make discussions more concrete. The first example, Colombia’s TOD NAMA, seeks to transform urban development in Colombia, resulting in significant private investment, sustainable-development benefits, and GHG reductions. This NAMA was selected for implementation support from the Germany/UK NAMA Facility and is representative of the core criteria CCAP is proposing for the GCF. In discussion, participants considered how to best include sustainable-development metrics in the GCF without further burdening developing countries. One suggested that there could still be strong country ownership even in the case of a proposal idea originating in the GCF or another country (replicating success stories). Participants felt that country ownership and GCF criteria that promote the implementation of broader policies and programs were critical to achieving a paradigm shift.

The second case study, Colombia’s Solid Waste NAMA, will help the Colombian government eliminate the carbon footprint of its solid waste sector through the promotion of mechanical and biological treatment (MBT) facilities that turn mixed waste into recyclables, compost, and refuse-derived fuel. The NAMA was used as a model for combining policy change (waste tariff regulations) with a financial mechanism (an equity fund to help overcome private investors’ reluctance to invest in unfamiliar technology). The example illustrated the type of transformational programs that should be funded by the GCF, as well as the inappropriateness of drawing a bright line between the PSF and the mitigation

window. In discussion, one participant suggested defining paradigm shift across all of the Fund’s windows. A developing-country board member noted that there is “no need for the GCF to participate in plain vanilla projects.” Participants seemed to support the suggestion that, beyond the “no-objection” procedure, proposals that have a policy component, engage the private sector, and are consistent with existing national policies should be prioritized when allocating GCF funding.

Next Steps

CCAP will continue to engage with the GCF Secretariat and board members in the coming months in order to provide specific recommendations on the GCF documents relating to the investment framework (criteria), the results management framework, and the design of the PSF. CCAP plans to host another policy dialogue on the margins of the next GCF board meeting in May 2014 in Songdo, Korea.

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