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Climate Change

Nationally Appropriate Mitigation Actions Get Spur From British, German Agreement



By Marcus Hoy

COPENHAGEN—Nationally appropriate mitigation actions (NAMA) to reduce greenhouse gas emissions will “be given a real spur” now that the United Kingdom and Germany have agreed on structures for their implementation, the president of the U.S.-based think tank Center for Clean Air Policy (CCAP) told BNA May 16.

Speaking at CCAP's Global NAMA Financing Summit in Copenhagen, CCAP chief Ned Helme said the actions of Britain and Germany in Copenhagen mean that “applications can now be made and NAMAs can start being rolled out.”

The financing summit, which matched up potential NAMA products with potential investor nations, saw NAMAs proposed by more than a dozen Latin American and Asian countries, CCAP said in a May 16 statement.

Developed under the United Nations Framework Convention on Climate Change, NAMAs are voluntary partnerships designed to channel grants and concessional loans—which have more favorable repayment terms and lower interest rates than market loans—from industrialized countries to developing nations to further greenhouse gas emission reduction measures in a particular sector. At the same time, industrialized nations provide seed funding to incentivize private investments—both local and foreign—in the projects. Over time, the equity investments are supposed to be repaid. Typically, about \$10 million to \$15 million in “catalytic funds” would be earmarked for a particular NAMA, Helme said.

No NAMAs Implemented Yet

Since their conception in 2007, however, no NAMAs have been implemented, due in part to an ongoing debate over their structure and definition. However, the process appeared to move a step forward in Copenhagen after the United Kingdom and Germany tabled a document laying out financing criteria and a structure that could also be used as a template by other countries.

The document set out project eligibility requirements and what types of financing would be made available. It specified a need to clearly identify a national implementing agency for each project and carry out a detailed breakdown of costs. According to the CCAP statement, the United Kingdom and Germany intend to distribute the equivalent of \$100 million to developing nations starting this fall for NAMA-related projects.

“What makes these things exciting to the governments of developing countries is that you are doing things that they can sell at home politically,” Helme told BNA. “It's not a lot of money, but these are catalytic funds that allow you to reduce some of the barriers so that the private sector can make money.”

Credits Remain in Country of Origin

Unlike other arrangements such as the Clean Development Mechanism, Helme pointed out, NAMAs allow emission reduction credits to remain in their country of origin. Private sector investment is not restricted to companies in the countries where NAMA are implemented, Helme said, and investments would be welcomed from foreign countries and multinational companies.

In U.N. climate talks, NAMAs are a popular concept but they have been a difficult part of the negotiations since they require defining what are “nationally appropriate” actions in a process that often sputters whenever emission reduction targets are discussed.

NAMAs are “where progress must come,” Christiana Figueres, the United Nations' top climate change official, told BNA during a recent set of negotiations in Bonn. “Before the [2015 global climate change] agreement can be finalized, there obviously has to be a standard for determining each country's commitment. This is an area of focus in the coming months.”

Some Projects Could Attract Private Investors

John Morton, chief of staff at the Overseas Private Investment Corporation (OPIC), the U.S. government's development finance institution, told BNA at the summit that a number of NAMAs presented at the meeting

could offer value to private investors. These included proposed projects in Pakistan, Colombia, Chile, and Vietnam, he said.

While acknowledging that investments in NAMAs did not guarantee a return, Morton said the U.K.-German agreement, as well as the consistency provided by government commitments, could make the products attractive to the private sector.

"What investors want is certainty," he said. "What the NAMAs offer is government commitments to a plan. That, in some ways, is the most important thing that comes out of these products—a tangible plan and commitment from governments that investors can align around."

For More Information

The U.K.-German document is available at <http://tinyurl.com/c8o45vb>.

Contact us at <http://www.bna.com/contact/index.html> or call 1-800-372-1033

ISSN 1522-4090

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