NEXT STEPS FOR CONVERTING INDCS

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AGENDA

• Why convert INDCs
• Back to Paris – INDC conversion as part of the UNFCCC and GCF cycles
• What is a “converted” INDC – a concept for discussion
• Review what INDC conversion entails
• An INDC investment strategy – making the case to international financiers and funders
• Discussion
WHY CONVERT AN INDC?

- Promote Ambition
- Optimize use of resources
- Achieve synergies between mitigation and development goals
- Make proposals more attractive to funders
- Attract private sector investment
INDIC development and conversion is an ongoing domestic policy planning process that is critical to achieving global goals.

Each step of the cycle is repeated every 5 years as defined in Paris Agreement.
• The successful conversion of NDCs will deliver strong proposals to funders, including the GCF.

• Strong, programmatic proposals can accelerate financing and make the case for additional replenishments.
A converted INDC is a comprehensive national plan to achieve the INDC target. It will likely answer the following questions:

**What are the national and sectoral goals?**
- Quantified information for all relevant goals, adding up to INDC target
- Economy wide, sectoral, regional etc. targets

**How will the goals be achieved?**
- Fully specified policies, measures, mandates and incentives to achieve the goals
- Enabling frameworks to support INDC and LT goals

**How will the costs be met?**
- Government spending
- Households, businesses through policy mandates
- International public and private financing
HOW IS AN INDC CONVERTED? (1): OVERVIEW

National circumstances and political priorities

- Intended target
- SD Goals
- Financing situation

Sectoral objectives

- Qualitative goals
- Infrastructure needs

Context & priorities

Analysis of options and trade-offs

Identify options

Costs + benefits (GHG+SD)

Policy tools? Mandates?

Public finance outlays?

Converted INDC

Target
- Formally confirmed

Policies and measures
- Sector-specific
- Cross-cutting

Public finance interventions
- Fiscal outlays
- Public finance institutions

Investment strategy
- Support sought
- International private finance to be targeted

• Intended target
• SD Goals
• Financing situation

• Qualitative goals
• Infrastructure needs

• Formally confirmed

• Sector-specific
• Cross-cutting

• Fiscal outlays
• Public finance institutions

• Support sought
• International private finance to be targeted
HOW IS AN INDC CONVERTED? (2): SETTING PRIORITIES

Context & priorities
- Intended target
- SD Goals
- Financing situation

Sectoral objectives
- Qualitative goals
- Infrastructure needs

National circumstances and political priorities

Analysis of options and trade-offs

Costs + benefits (GHG+SD)

Policy tools? Mandates?

Identify options

Public finance outlays?

Converted INDC

Target
- Formally confirmed

Policies and measures
- Sector-specific
- Cross-cutting

Public finance interventions
- Fiscal outlays
- Public finance institutions

Investment strategy
- Support sought
- International private finance to be targeted
HOW IS AN INDC CONVERTED? (3): OPTIONS EVALUATION

National circumstances and political priorities

- Intended target
- SD Goals
- Financing situation

Sectoral objectives

- Qualitative goals
- Infrastructure needs

Context & priorities

Analysis of options and trade-offs

- Identify options
- Costs + benefits (GHG+SD)
- Policy tools? Mandates?
- Public finance outlays?

Converted INDC

Target
- Formally confirmed

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DOMESTIC CONTRIBUTION CAN COME FROM SEVERAL PUBLIC AND PRIVATE SOURCES

- **“Greening” budgets**: Most countries make investments in their development that can be maladjusted to climate, but can be reworked, such as redeploying fossil fuel subsidies.

- **Public mandates/incentives**: Policies which make households and firms take mitigation efforts at their own expense (with or without incentives) can be a key source of “domestic contribution”.

- **Legal and regulatory changes**: Can eliminate barriers to release pent up demand and leverage bank capital more efficiently to generate new investment.

- **Carbon taxes**: Can create an incentive to change behavior and financial flows and can be used as a source for public investment.

- **New public investment**: Specific new investments in programs and climate-friendly infrastructure will likely be needed for unilateral portions of INDCs.
HOW IS AN INDC CONVERTED? (4): THE CONVERTED INDC

National circumstances and political priorities
- Intended target
- SD Goals
- Financing situation

Context & priorities
- Qualitative goals
- Infrastructure needs

Sectoral objectives

Identify options

Costs + benefits (GHG+SD)

Analysis of options and trade-offs

Policy tools? Mandates?

Converted INDC

Target
- Formally confirmed

Policies and measures
- Sector-specific
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Public finance interventions
- Fiscal outlays
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Investment strategy
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ARE CURRENT INDCS CONVERTED “ENOUGH” TO ATTRACT FINANCE?

• Roughly half of the 39 INDCs CCAP studied estimate total investment costs to implement proposed reductions
  – One fifth provide full costs by sector and for specific measures
  – 14% present an overall financial request for international support

• They don’t fully reflect factors that will inform funding decisions
  – Incremental costs, taking into account cost savings
  – Cost of any available domestic financing and capacity of domestic financial institutions to provide finance
  – Feasibility (economic, financial)

• An INDC investment strategy can provide this information.
HOW IS AN INDC CONVERTED? (5): THE INVESTMENT STRATEGY

National circumstances and political priorities

- Intended target
- SD Goals
- Financing situation

Context & priorities

Sectoral objectives

- Qualitative goals
- Infrastructure needs

Identify options

Costs + benefits (GHG+SD)

Policy tools? Mandates?

Converted INDC

Target
- Formally confirmed

Policies and measures
- Sector-specific
- Cross-cutting

Public finance interventions
- Fiscal outlays
- Public finance institutions

Investment strategy
- Support sought
- International private finance to be targeted

Analysis of options and trade-offs

Public finance outlays?
**WHAT COULD INDC INVESTMENT STRATEGY INCLUDE?**

An INDC investment strategy is a document that will likely answer the following questions for international funders and financiers:

<table>
<thead>
<tr>
<th>Question</th>
<th>Answers</th>
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| What is the overall picture for climate investment in the country? | • Availability of financing  
• Capacity of financial sector  
• Key economy-wide barriers |
| What investment/financial intervention is needed to meet INDC goals? | • Financial flows to be transformed  
• Infrastructure needs  
• Estimation of costs  
• Program-level gaps |
| What unilateral means will the country use to mobilize financing? | • Policy and regulatory actions  
• Role of public expenditure and public finance institutions  
• How private finance will be mobilized |
| What is the strategic basis for requesting international support? | • **How will support drive increased ambition?**  
• Rationale for types of financing needed  
• Sources targeted  
• Specific program proposals to be pursued |
INDC Conversion -- general

• CCAP presented a concept for what a “converted” INDC looks like. What would you change or add?
• What areas will present the greatest difficulty as countries attempt to convert their INDC? What are the key areas in which countries will need support?

INDC Investment Strategy

• What factors will be important in looking at the use of domestic resources, and how international support can align with/complement this use?
• How can an investment strategy drive private financing?
• How can a converted INDC and its investment strategy be used to guide international finance from all sources?
THANK YOU

For more information, please visit us at www.ccap.org.