Criteria for the Green Climate Fund

Overview and Key Takeaways

The Center for Clean Air Policy (CCAP) brought together 42 advisors to the Green Climate Fund (GCF) Board, senior UNFCCC negotiators, and representatives of other organizations to discuss criteria for allocating GCF funds to mitigation programs in developing countries. The off-the-record discussion also addressed possibilities for connecting the Private Sector Facility to the mitigation window of the GCF beyond the “no objections” clause. Discussions drew on the experience of the Germany/UK NAMA Facility, concrete case studies of NAMAs that CCAP has helped develop in Latin America, and key principles of an evolving shared vision on NAMAs. The following key points emerged during the dialogue:

- The Germany/UK NAMA Facility’s ambition criteria (transformational change, mitigation potential, sustainable development benefits, and financial leveraging) for selecting NAMAs for support can inform upcoming GCF decisions on criteria for allocating resources. Operationalization of the GCF is making steady progress and is looking to incorporate mitigation ambition criteria.
- There was good support from participants on six proposed criteria that are in line with the NAMA Facility’s criteria: 1) demonstration of political support from the host country, 2) achievement of significant emission reductions in the near- and long-term, 3) promotion of sustainable development, 4) inclusion of sectoral or national emissions reductions, 5) coupling of policies and financial instruments to reduce barriers to low-carbon development, and 6) catalyzing of additional investments in mitigation actions (including private investment).
- Climate resilience/adaptation should be considered in the GCF’s funding criteria. Adaptation is a priority for most developing countries, and encouraging climate-resilient investments is a cost-effective way to address both mitigation and adaptation as part of broader development plans.
- GCF criteria should consider the diversity of NAMAs and take into account reductions relative to a country’s emissions (not absolute). Criteria should take into account the varied and dynamic contexts of mitigation actions and accept varying definitions of “transformational.”
- The Private Sector Facility should give priority to proposals that are consistent with existing country policies and NAMAs. Participants expressed that the Private Sector Facility
must be carefully designed to encourage private investments that are in line with developing countries’ national priorities and existing policies (without being overly prescriptive in a way that dampens private-sector innovation).

- A regional approach to mitigation actions could offer opportunities for scaling up and replicating sectoral or national actions. This is important for smaller countries, such as in the Caribbean, that collectively can offer significant emissions reductions.

Presentations and Respondents

Germany and the UK recently selected five NAMAs to receive support through their NAMA Facility. Miriam Ott (Germany) gave an overview of the four ambition criteria (enumerated above) used by the NAMA Facility to select NAMAs (each ranked on a point system with transformation weighted most heavily). She mentioned that, while transformation is hard to measure, it relates to the overall medium to long-term impact, innovation, scalability, and the extent to which actions are embedded in national strategies. The NAMA Facility also emphasizes the ability of NAMAs to attract additional financing, including private investment. Germany and the UK will publish lessons learned from the first call for proposals, and expect to revise the process and application based on initial experiences. The next call is expected to be held in mid-2014 and could fund up to 3-4 NAMAs. Ms. Ott stressed the Facility’s desire to increase NAMA development in Asia and Africa in particular.

Noting that the GCF is explicitly intended to cause a “paradigm shift,” Ned Helme (President of CCAP) suggested the GCF allocate resources according to a set of six initial criteria (enumerated above) that encourage ambitious, transformational NAMAs. Using a NAMA CCAP developed in collaboration with the government of Colombia in the waste sector, he provided a concrete example of a NAMA that meets each of the proposed criteria and removes policy and financial barriers to private-sector participation in the waste sector. By changing the tariff structure to incentivize alternative waste treatment and creating an equity fund that encourages private financing, the NAMA will promote sustainable development and enable ambitious emissions reductions that will take the sector to carbon neutrality.

As a respondent, Alexis Bonnel (French Development Agency - AFD) emphasized the importance of increasing the impact of commitments and warned that overly specific criteria could stifle innovation. He suggested additions to the proposed criteria, including a call for periodic review to ensure necessary contextualization of changing circumstances. Mr. Bonnel also highlighted AFD’s target of directing 50% of development financing to projects with climate co-benefits. John Warburton (European Investment Bank – EIB), a second respondent, was optimistic about the progress of the GCF, and emphasized the EIB’s interest in supporting bankable investments that arise from the NAMA process. Mr. Warburton noted that the Bank is considering supporting upstream development of NAMAs, and that NAMAs reflect the enabling environment and country ownership EIB looks for in allocating funds.
Roundtable Discussion

As noted above, there was general agreement during discussion on an initial list of criteria proposed by CCAP for the GCF board’s consideration, as well as on the usefulness of building on early Germany/UK NAMA Facility experiences. Several participants asserted that GCF criteria should consider adaptation and felt that there may be an opportunity for building regional mitigation efforts into the GCF. There was also broad agreement that GCF criteria should consider the diversity of NAMAs and emissions reductions that are relative to a country’s total emissions. One participant also felt that the GCF should inherently engage in risk-taking, as other funding sources are less likely to do so.

Several participants agreed that the Private Sector Facility must be carefully designed to give priority to proposals that align private investments with existing country policies and NAMAs. In order to streamline financing decisions and transaction costs under the Private Sector Facility, some participants felt it would be useful for smaller projects within and across countries to submit funding requests as a group. In general, participants agreed that the Private Sector Facility should be well integrated with the GCF’s mitigation window and that the GCF should promote country ownership while reducing barriers to private-sector engagement.

Participants noted the difficulty of defining “transformational” actions and the importance of prioritizing actions that achieve emissions reductions quickly. A developed-country participant expressed the need for transformational change to include indicators that measure policies and regulations, which are often easier to report. However, she clarified the importance of these not coming across as conditionalities. One participant felt that, the more transformational the action, the more difficult to quantify its impacts. A developing-country participant noted that some countries are still hesitant to use the NAMA terminology, and that specific guidance would help facilitate NAMA development.

Next Steps

CCAP will be hosting similar “policy lunches” during the UNFCCC negotiations in 2014, as well as a “policy dinner” in the margins of the next GCF board meeting in Bali, Indonesia in February. CCAP will host MAIN regional dialogues in Latin America and Asia in 2014, as well as a potential global dialogue later in the year.