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CCAP submission to the UNFCCC on the Ad Hoc Working Group on the Durban Platform on Enhanced Action (ADP) work-stream I: scope, design and structure of the 2015 agreement

August 2013

CCAP makes this submission in response to the invitation (paragraph 4 Draft Conclusions FCCC/ADP/2013/L2 of the Ad-Hoc Working Group on the Durban Platform for Enhanced action) for Parties and observer organizations to submit to the secretariat, by the 1st of September 2013, further views on the elements of the decision 1/CP17, (a) matters related to paragraphs 2 to 6, according to the UNFCCC/ADP/2012/3, paragraph 29.

Paragraph 29(c) calls the Parties and observers to address the matters relating to the scope, design and structure of the 2015 agreement, as defined in paragraph 28 about the work-stream I related to a protocol, another legal instrument or an agreed outcome with legal force under the Convention and applicable to all Parties.

Executive Summary

The Conference of Parties decided (1/CP.17) in Durban in 2011 to establish a subsidiary body, the Ad-Hoc working group on the Durban Platform for Enhanced Action (ADP), which "shall complete its work as early as possible but no later than 2015 in order to adopt this protocol, another legal instrument or an agreed outcome with legal force at the twenty-first session of the Conference of the Parties and for it to come into effect and be implemented from 2020 with the principal aim to deliver by 2015 a legal instrument applicable to all the Parties to be implemented from 2020"[1]. This submission contributes to these international deliberations by explaining an emerging shared vision on National Appropriate Mitigation Actions (NAMAs) and presenting some new ideas on the potential role of NAMAs in a 2015 agreement.

[1] Decision 1/CP.17, "Establishment of an Ad Hoc Working Group on the Durban Platform for Enhanced Action", para.4, http://unfccc.int/resource/docs/2011/cop17/eng/09a01.pdf#page=2

The concept of NAMAs was first created at COP13 in Bali where the Conference of Parties called on developing countries to put forward "nationally appropriate mitigation actions in the context of sustainable development, supported and enabled by technology, financing and capacity-building, in a measurable, reportable and verifiable manner"[2], through the Bali Action Plan (Decision 1/CP.13). During COP16 in Cancun, the Parties also agreed that NAMAs are "aimed at achieving a deviation in emissions relative to business as usual emissions in 2020".[3]

Since COP16, the UNFCCC has not sought to further define the NAMA concept. As a result, the term is used to refer to everything from an individual mitigation project to a comprehensive sector-wide mitigation program in a country or even a new off-setting mechanism. This lack of definition creates some uncertainty over what might qualify as a NAMA and the parameters for accessing international financial support. At the same time, this lack of definition has led some developed countries to overlook the potential value of this mechanism in driving climate mitigation in developing countries.

CCAP, together with a group of developing and developed countries, has been piloting NAMAs to understand promising design features, and to foster NAMA finance and implementation. This work, running over the past three years, has led to a common understanding or possible shared vision among our developing and developed country partners of what NAMAs are or could be and how they relate to domestic, international public, private sector and financial sector financing. In this submission we present our latest understanding of this NAMA vision and ideas for how NAMAs could support a 2015 international agreement on climate change.

Defining a shared vision of NAMAs

The term Nationally Appropriate Mitigation Actions was introduced in the UNFCCC negotiation process during the 13th Conference of the Parties at the end of 2007. The Bali Action Plan, agreed at COP13, sought to engage developing countries in a process to implement the Convention, including achievement of enhanced national/international action on mitigation of climate change, through consideration of nationally appropriate mitigation actions in the context of sustainable development, supported and enabled by technology, financing and capacity-building, in a measurable, reportable and verifiable manner. The Cancun Agreements reached in December 2010 add that NAMAs are "aimed at achieving a deviation in emissions relative to 'business as usual' emissions in 2020." Since 2010, there has been little elaboration of this basic definition of a NAMA, which has allowed for various interpretations of the concept. In fact, the term has been used to refer to everything from an individual mitigation project to a comprehensive sector-wide mitigation program in a country.

Developing countries started to develop NAMAs after the 15th Conference of the Parties, in some cases as a way to implement voluntary pledges made under the Copenhagen Accord. Over the last two years a handful of developed countries has provided climate finance to support NAMA development, which has accelerated the on-the-ground learning-by-doing process. CCAP has been active in supporting NAMA development through international dialogue and one-on-one support. CCAP has also created opportunities for developing and developed countries to create a shared vision on the potential role of

[2] Decision 1/CP.13, Bali Action Plan, http://unfccc.int/resource/docs/2007/cop13/eng/06a01.pdf, para.1(b ii)
[3] Decision 1/CP.16, "Report of the Conference of the Parties on its sixteenth session" para 48, http://unfccc.int/files/na/application/pdf/07a01-1.pdf

this mechanism in scaling up climate mitigation by unlocking public, private and financial sector finance while at the same time supporting achievement of sustainable development and poverty reduction goals.

Rather than selling emissions reductions achieved from individual mitigation projects to meet developed country compliance obligations, NAMAs present an opportunity to create a new framework for developing country participation in global climate change mitigation in which developing countries take advantage of the low cost mitigation opportunities to meet their own voluntary pledges in ways that help meet domestic development priorities. In particular, by linking international financial support with new government policies that create demand for low carbon solutions and with sustainable development outcomes, the NAMA mechanism offers a way for international financial support to achieve emissions reductions at a sector wide scale and the ability to mainstream climate into development finance.

The emerging shared vision of NAMAs embeds four fundamental elements that are needed to realize the potential for NAMAs to drive transformational change:

1. NAMAs must be host country-driven and therefore should incorporate the dual goals of greenhouse gas mitigation and sustainable development;
2. NAMAs should strive to be sector-wide programs that are national in scope, with the potential for regional or municipal elements;
3. NAMAs should include both policies and financial mechanisms targeted to address the main barriers to mitigation activities;
4. NAMAs that seek international support should use NAMA funding (in the form of grants or highly concessional finance) to mobilize additional climate finance from bilateral institutions, international and domestic development banks and financial institutions, and the private sector.

How NAMAs can lead to transformational change

Next to the concept for a shared vision, which we outlined above, CCAP believes that NAMAs can be the engine of transformational change at national, regional and/or sector levels within developing countries. Whereas a low emissions development strategy (LEDS) might involve critical planning for climate mitigation and enable countries to identify priority mitigation opportunities, NAMAs are fundamentally about implementation. In practice, NAMAs could be used to implement a developing country's LEDS, and a LEDS could establish a longer-term strategic roadmap for NAMAs. However, while LEDS are helpful where they exist, they should not be seen as prerequisite to transformational action via NAMAs.

NAMAs that couple government policies and financial mechanisms that target barriers to private sector investment in low carbon technologies and infrastructure have the potential to fundamentally transform investment decisions within a sector towards low carbon growth. Well-designed NAMAs can mobilize private sector investment and catalyse a pipeline of mitigation projects. This requires consideration of the following elements:

- **How best to maximize the interactions between new government policies and supportive financial mechanisms.** For instance, new government policies can take the form of mandates or incentives that create new demand for low-carbon technology and infrastructure solutions. Examples include renewable portfolio standards requiring power companies to purchase increasing amounts of renewable energy, new zoning requirements calling for higher density around transit stations or new landfill tipping fees that increase the cost of landfill disposal relative to beneficial reuse of waste. Financial mechanisms can be coupled with these government policies to overcome investment barriers and improve the economics of the private sector investment.

- **How best to enhance the scale and ambition of unilateral actions with international financial support.** International financial (and other) support from donor governments and institutions should seek to encourage developing country governments to adopt new policies while eliminating existing barriers to private sector investment in low carbon solutions. The goal should be to enhance the ambition of unilateral NAMAs to take advantage of a fuller set of cost-effective solutions while creating a favorable climate for the desired mitigation investments on a broad scale (e.g., across an entire sector).
- **How NAMAs can meet GHG mitigation goals while also achieving critical sustainable development, poverty reduction and health protection objectives.** Success in meeting development goals alongside GHG mitigation objectives will build host country political support and ensure that such policies are sustained after the international assistance has ended. The NAMA reflects a commitment from the government and a tangible plan that can attract private investors. The sustainable development element produces greater host country political buy-in and greater likelihood of successful implementation and replication of NAMAs. To realize the full potential of the NAMA framework donor countries and institutions should seek to support NAMAs that achieve multiple benefits including climate mitigation, sustainable development and poverty reduction, mobilize private sector investment, and lead to transformational outcomes.

The NAMA framework has the potential to leverage international climate finance to attract broader investment resources to the desired low carbon technologies and infrastructure. Rather than using the limited funds to pay the full incremental cost for one low carbon project, a well-designed NAMA will couple government policies with financial support that together target the barriers to low carbon investment and create a pipeline of commercial investment opportunities for development banks and the private sector. This combination represents a new paradigm for development assistance in that government policy changes are directly linked to financing mechanisms aimed at increasing the economic attractiveness of the investments to the private sector. The key challenge is to find a way for international financial assistance to support both elements of a NAMA, particularly as financial support is often allocated through separate public and private windows. This could mean that financial assistance directed towards a privately-operated financial mechanism should be consistent with a government's policy objectives as expressed through a nationally appropriate mitigation action and linked to a specific new policy change. (For further details, see CCAP's related submission on guidance to the operating entities of the financial mechanism of the Convention.)

The grey line between supported and un-supported NAMAs, and implications for MRV

The Cancun agreements at COP16 recognized and differentiated two types of NAMAs on the basis of the source of financing:

- **Domestically supported (unilateral) NAMAs**: Through domestically supported or unilateral NAMAs, developing countries take autonomous actions to reduce their emissions below their business-as-usual levels without outside support. These measures are typically free or low-cost and support achievement of domestic policy priorities, such as sustainable development and poverty reduction.

- **Internationally supported NAMAs**: Under internationally supported NAMAs, the developing country's mitigation action is conditioned upon external technology, financing and/or capacity building support. Such actions may be more expensive than what the developing country can support on its own, or external technical or capacity support may be needed to overcome other barriers to implementation.

Beyond highlighting these two types of NAMAs, the current state of the negotiations towards a 2015 climate agreement calls for different MRV approaches depending on whether or not the NAMA is domestically or internationally supported.

While the Cancun agreement calls out these two different types of NAMAs, in practice, the distinction is not always straightforward. A developing country may start by implementing a unilateral NAMA, but may later determine that international financial support would help to broaden the NAMA's scope, scale and/or ambition. In this case, the same NAMA would have both unilateral and supported elements. Similarly, a supported NAMA could seek to drive improvements in energy efficiency, alongside existing unilateral renewable energy policies. In this case, it would be difficult to attribute power sector emissions reductions to one policy initiative or the other.

At a minimum, to support compatibility of GHG reduction estimates across NAMAs with both unilateral and supported components, we suggest that developing countries advance consistent approaches for monitoring, reporting and verifying greenhouse gas emissions reductions under both unilateral and supported NAMAs. However, in many cases, it may be impossible to distinguish which emissions reductions are from which policies. In such instances, it would be appropriate to measure outcomes from unilateral and supported NAMAs together using MRV protocols applicable to supported NAMAs.

Further, to achieve domestic political support for NAMAs, whether unilateral, supported, or a combination of the two, developing countries should be encouraged to track metrics related to their sustainable development and poverty reduction priorities—such as electricity access, health improvements, economic growth, or others—that have the potential to build and sustain domestic support. However, the choice of whether to track metrics apart from greenhouse gases and which metrics to track should be up to each developing country; efforts by the UNFCCC to require or specify sustainable development metrics could discourage developing countries from advancing NAMAs.

NAMAs are not a re-packaged Clean Development Mechanism

For almost ten years, the Clean Development Mechanism (CDM) has been an important source for climate finance. With the current slump in offset prices, however, the CDM's role in funding climate mitigation has declined. NAMAs can fill the void created by the CDM's decline and maintain the policy momentum in developing countries while spurring greater private sector investment to dramatically scale up climate actions.

NAMAs can do this not by re-labelling CDM-like projects as NAMAs, but rather by coupling the NAMA funding from contributing countries with host-country policy changes to create a pipeline of sector-specific investment opportunities for the private sector. And whereas CDM projects are initiated by the private sector primarily to achieve low cost greenhouse gas reductions, NAMAs are initiated by the government and optimize a broader set of benefits—including sustainable development and poverty reduction—in addition to greenhouse gas mitigation. Further, whereas CDM credits are sold to developed countries to offset their emissions and help meet developed country climate commitments, NAMAs will achieve emissions reductions that are recorded in the host country. In this way, emissions reductions from NAMAs help developing countries meet their domestic and international climate mitigation pledges and goals, and these reductions therefore cannot also be sold as offsets to developed countries.

How NAMAs can enable developing country commitments or pledges in a global 2015 climate agreement

As evidenced by over 60 NAMAs under different stages of development in more than 30 countries[4] and the growing list of donor governments and institutions that have committed or are exploring NAMA finance, the NAMA framework offers a compelling approach to drive climate mitigation in developing countries.

Developing countries appreciate that NAMAs are fundamentally supportive of their sustainable development and poverty reduction priorities and the opportunity to access climate finance, while developed countries appreciate the potential for scaled up mitigation through NAMAs and the potential to significantly leverage public finance by attracting development funds and private sector investment. Therefore NAMAs offer the possibility to contribute to enhanced mitigation efforts in developing countries under a 2015 international climate agreement. For purposes of discussion, we offer some initial thoughts to open a broader conversation on how NAMAs—particularly transformational NAMAs as described previously—can aid the path to a 2015 agreement.

First, analysis being done to advance NAMAs can provide information on achievable levels of mitigation without and with international support. For the host country, transformational NAMAs provide useful information on what mitigation can be accomplished in a given sector for a particular level of effort. Specifically, the process of developing and implementing NAMAs in one or more sectors would suggest to the host country the range of emissions reductions that could be achieved through domestically supported measures and from NAMAs already receiving international financial support, and what additional emissions reductions might be possible at different levels of additional international financial support, including through full funding of proposed supported NAMAs[5]. This information can help the host country determine what level of ambition might be realistic in the affected sectors under a 2015 agreement—assuming a given amount of international financial support.

Second, if the expected mitigation ranges for all domestically supported (unilateral) and international supported NAMAs which a host country is implementing or considering for implementation are developed, it may be possible to aggregate the expected mitigation impact of these NAMAs, though care would be needed when adding up measures that are in the same sector due to possible policy interactions. If the portfolio of NAMAs covers several sectors, this begins to suggest an economy-wide aspirational target that assumes full implementation—and full funding—of the NAMAs. Depending on

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[4] See the NAMA Database at http://www.nama-database.org/index.php/Main_Page.

[5] Note that we are assuming the proposed NAMAs adhere to the transformational NAMA concepts described earlier, including the notion that such NAMAs are designed to leverage donor investments and attract larger sums of private/public finance. Accordingly, the cost of the NAMA would be less than the full incremental cost of financing project-level low carbon investments.

whether estimates of unilateral and supported NAMAs can be separated, it may also be possible to estimate an expected lower level of ambition that is more likely to be achieved (assuming the NAMAs work as planned) with international support already in hand and through unilateral actions. These mitigation estimates, developed through a bottom-up process and based on NAMAs that are being implemented or proposed, could be quite useful in informing enhanced mitigation efforts. At the same time, we stress that these ranges, if developed, should be purely informational, and would only be one (among several) important considerations in defining the approach by which developing countries are included in a 2015 agreement. It could be interesting to encourage parties to perform such bottom up mitigation assessments since it would normally or ideally result in an economy wide mitigation potential that includes a range related to the delivery of finance for international supported NAMAs.

Third, the above mentioned information on estimated emissions reductions from NAMAs should not be considered to be fixed and final. In practice, as NAMAs are implemented, developing countries would get a better sense of the level of mitigation that could be achieved, resulting in new estimates of emissions reductions. Importantly, based on the experience gained through NAMA implementation, the estimated emissions reductions could be higher or lower than the original estimates. Similarly, changes in NAMA plans over time, including additional NAMAs, modifications to NAMAs, or even elimination of NAMAs that do not work well, would also lead to new estimates of emissions reductions. To foster improvements to mitigation estimates over time, the changes in policies and measures and the availability of international support for certain NAMAS could be reported and factored into periodic updates to an implementation schedule. This approach would be similar to the "schedules model" as proposed by Australia in its submission of March 2013.

Introducing the concept of supportive governance

Finally, the approach used to define developing country commitments should be embedded in a credible governance structure that is non-punitive and respects the national sovereignty of the developing country parties. Ideally, the governance structure would be a supportive framework that seeks to assist developing countries with the design and implementation of NAMAs and facilitates the international financial support required to implement well-crafted transformational NAMAs. CCAP will submit more on this in the future as the process unfolds.

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