GLOBAL NAMA FINANCING SUMMIT: SETTING THE STAGE FOR OUR DISCUSSIONS

Copenhagen, Denmark

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May 15, 2013
This summit is the culmination of more than two years of effort to develop transformational climate policy actions (NAMAs) principally through CCAP’s Mitigation Action Implementation Network (MAIN).

MAIN has brought together diverse teams from 15 developing countries in Latin America and Asia to understand and create NAMAs.

The governments of Germany, Canada, and Denmark have funded MAIN, supporting our work to design NAMAs with our developing country partners on the ground, and through regional dialogues and video conferences.
MAIN has also brought potential NAMA-supporting countries to those dialogues in an effort to define what shape NAMA implementation support efforts should take.

We at CCAP have learned that an effective NAMA needs a strong national champion. We have invited those champions to Copenhagen today to present their NAMA proposals.

These early NAMAs will help define the NAMA concept, help shape bilateral NAMA financing programs and the UN’s Green Climate Fund, and contribute to the design of the broader international climate policy structure.
– These NAMAs strive to be transformative, bankable, address social equity, achieve major GHG reductions, engage the private sector, and enhance economic development
GOALS FOR THE SUMMIT

- Advance ~13 promising NAMAs toward implementation by providing feedback to senior developing-country policymakers

- Profile contributing-country, multilateral agencies, and private-sector climate assistance/investment efforts and provide feedback on program design

- NAMA proponents and potential contributors learn from the perspectives of developed and developing countries, private-sector investors, and multilateral and national development banks

- Based on these early NAMAs and contributors’ investment programs, develop a shared vision of what NAMAs can be and of what and how NAMA finance can deliver
GOALS FOR THE SUMMIT (CONT’D)

Input from:

- Developing Countries
- Contributing Countries
- Multilateral & National Development Banks
- Private Sector

Shared Vision on NAMAs & Finance

Transformational NAMA

Transformational NAMA

Transformational NAMA
GOALS FOR THE SUMMIT (CONT’D)

- Make connections between NAMA designers/implementers and potential contributors to lay the groundwork for specific NAMA partnerships

- Explore how to maximize private-sector participation in specific NAMAs and NAMA financing programs

- Understand both the practical aspects of short-term NAMA implementation and the critical link between strong policy change in a sector and financial mechanisms that remove barriers and create incentives for private-sector investment
KEY POINTS/LESSONS ON NAMAS (LEARNED FROM DIALOGUES AND ON-THE-GROUND WORK)

1) NAMAs are policy actions that transform sectors (not just individual projects)

CDM:
- Individual project-based
- GHGs enshrined
- Offsetting

NAMAs:
- Sector-wide policies that transform sectors
- Context of sustainable development
- Beyond offsetting (help meet Cancun pledges)
- More flexible $ and access to larger private investment
- New sectors (transport, etc.)

Dual challenge: demonstrating tangible short-term progress AND long-term transformational change
2) **Sustainable development benefits are key (not just GHGs)**

- Optimization of sustainable-development and poverty-reduction benefits of NAMAs is crucial in attracting developing-country public and political support.
- Highlighting and measuring development, poverty reduction, health and quality of life benefits of NAMAs can insure long-term sustainability and political support of the policy actions, after contributing-country support has ended.
3) NAMAs should incorporate policy actions AND financial mechanisms

- Careful integration will provide for dynamic outcomes, encouraging private investment in NAMAs, and leading to long-term transformational change.
- Both must be carefully crafted to the unique circumstances of each country (remove barriers)
  - E.g., specific terms of a feed-in-tariff in one country may not work in another
  - E.g., partial credit guarantee may catalyze local bank financing for renewable energy projects in one country but have little impact in another
- NAMAs you’ll see here have incorporated a variety of financial mechanisms that are coordinated with policy changes.
4) NAMAs should leverage public funds to enable private investment

Host $ → Int’l $ → Private-Sector Investment (full return on investment) → NAMA

Catalyzing private investment → self-sustainability & long-term transformational change
5) **NAMAs should be built from bottom up but be part of national strategy**

- NAMAs need strong host country political and financial support to be successful (embedding in national development strategy ensures this)
- NAMAs need to be replicable
- Host countries that effectively mobilize ministries to design and lead NAMAs in their sectors are leading NAMA development
- Most of the NAMAs you’ll see here arose from bottom-up efforts, not top-down approach
6) Stakeholder engagement is key to NAMA development

- Effective NAMAs need strong national champions
- Implementing countries must build institutional capability to attract NAMA finance, transform national policies, engage successfully with the private sector, and deliver promised results
- NAMA design should involve a wide range of stakeholders to insure sustainability
- Political support from key sectors and participation by sub-national policy-makers and private sector improves design, funding and implementation
- Successful financing design requires early involvement of banks, lenders and developers
7) “Evaluation” of NAMAs is preferable to “MRV”

- Broader approach to measure what decision-makers care most about (social and economic benefits in additions to GHGs)
- Important to assess implementation progress
- NAMA evaluation should be seen as an opportunity rather than a burden (allows country experts to measure progress and assess how to enhance policy performance)
PROCESS OF NAMA DEVELOPMENT

1. Define development and climate priorities
2. Identify policy and technical options
3. Conduct economic, technical, and policy research
4. Define potential NAMA
5. Conduct feasibility study
6. Develop financing options and structure
7. Develop NAMA Proposal

Stakeholder input and buy-in
More international public funding is flowing
  • Germany/UK NAMA Facility is ground-breaking
  • European Commission, France’s AFD, etc. are earmarking percentage of development funds for climate efforts (including NAMAs)

Contributing countries will be looking for transformational policies, national buy-in, replicability, wide range of benefits

International public funding for NAMAs ideally is the most flexible. It can be used as the “glue” to put a program together.
NAMA Finance (Cont’d)

- NAMA $ can mobilize the other key sources or streams of funding including multilateral institutions, national development banks, commercial banks, and other private sector investors/developers

- To attract private investment, we need:
  - Appropriate domestic policy frameworks that are transparent, certain, and consistent over time
  - Risk-reduction measures
  - Available revenue support and concessional instruments that improve the return on climate-friendly investments

Current Climate Finance (globally):

- ~75% Private Sector
- ~25% Other
CCAP is developing a **wide range of financial mechanisms** tailored to the unique circumstances in each country and coordinated with proposed policy changes

- (based on local financial conditions and consultation with local government officials, project developers and financial institutions):

  - **Lease financing program in the DR** - to overcome up-front payment resistance and concerns about operational responsibilities for renewable energy projects
  
  - **Revolving equity fund in Colombia** - to address local bank requirements for financing and to enable waste-to-energy project developers to qualify for financing
  
  - **Revolving construction finance facility in Philippines** - to address unique aspects of the implementation and finance of feed-in-tariff supported projects
NAMAS WITH DIVERSE FINANCIAL MECHANISMS (CONT’D)

- **Price Stabilization Fund in Chile** - to address the unique conditions of a totally deregulated energy sector (provides fixed-rate payment terms for renewable developers on competitive basis so they can access bank financing for low capacity factor RE projects)

- **Revolving fund for solar thermal installation in Uruguay** - to further advance aggressive renewable energy agenda

All of these financial mechanisms are catalytic, sustainable, designed to mobilize greater private-sector investment and support projects over an extended period of time
**CONCLUSIONS**

- NAMAs offer the opportunity to meet a country’s sustainable development goals and also reduce poverty and reduce greenhouse gases.
- In effect, we can begin to mainstream climate goals in a country’s sustainable development strategy insuring a low carbon development trajectory.
- NAMAs can fundamentally be partnerships between developed and developing countries and the private sector. All three entities will invest in the effort – this marks a shift from the traditional donor-recipient relationship in development assistance.
- One of our goals for this summit is to develop a shared vision between developed and developing countries of what such NAMA partnerships can be.
Most of the NAMAs we will discuss include host country financial commitments and are aimed at catalyzing private sector investment which can serve as models for bilateral NAMA support programs and for the GCF.

Such win-win examples can inform the design of the next stage of international climate policy as well.

Hopefully our discussions can stimulate further development of the NAMAs discussed here and actual implementation of a number of these in the next year.

We also hope to stimulate development of an expanded pipeline of NAMAs and expanded commitments from contributing countries to support NAMA implementation.
THANK YOU

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