DESIGNING NAMAS TO CATALYZE BANKABLE LOW CARBON INVESTMENTS

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PRIVATE SECTOR INVESTMENT WILL BE CRITICAL TO MEET GLOBAL GOALS

Source: UNDP and ETH Zurich, 2015, IEA, 2012; UNDP, 2011/2013

$37 USD trillion required by 2035 in energy infrastructure

$17 USD trillion additional to reach 450ppm scenario
HOW CAN NAMAS MOBILIZE PRIVATE INVESTMENT?

NAMAs can create the conditions that can make low-carbon projects bankable

- Improving policy and institutional frameworks
- Addressing financial risks and returns
- Identifying projects and demonstrating feasibility
Why?..... Better “enabling frameworks” are strongly correlated with increased investment

Data Source: BNEF, Climatescope 2015
IMPROVING POLICY AND INSTITUTIONAL FRAMEWORKS

• Policies can encourage low-carbon investment through:
  – **Carbon pricing** (e.g., a carbon tax)
  – **Economic instruments** (e.g., tax incentives)
  – **Mandates** (e.g., building codes)

• Policies should be designed to afford the private sector:
  – **Transparency**: policies should be easily understood
  – **Certainty**: policies should provide clear, long-term signals and avoid retroactive changes
  – **Economic viability**: policy incentives should lead to economically viable projects

• **Engaging Ministries of Finance and Planning is critical** to ensure NAMA policy is integrated into national planning and budgeting
Financial instruments can boost returns and reduce risks relative to BAU alternatives.

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<tr>
<th>Instrument</th>
<th>Can be used to address</th>
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<tr>
<td>Performance guarantees</td>
<td>Lack of familiarity with technology</td>
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<td>Concessional loans</td>
<td>High interest rate environments, lack of long-term capital</td>
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<td>Equity fund</td>
<td>New technology implementation</td>
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IDENTIFYING PROJECTS AND DEMONSTRATING FEASIBILITY

- Pipeline development can ensure viability and provide confidence to investors
- Approach may differ by sector and type of NAMA investment

**NAMA with fewer, distinct projects:** Developing an initial set of projects can showcase technical and economic soundness to inform broader replication

**NAMA with many homogenous, small-scale projects:** Characterizing broader project pipeline to show market potential and scale of opportunity
COLOMBIA TRANSIT ORIENTED DEVELOPMENT (TOD) NAMA

Policy and institutional change

- Creation of CIUDAT Center to provide cities with technical support to implement TOD
- CIUDAT promotes coordination between 5 national ministries to integrate and advance national policy goals on urban transportation, housing and environment, economic development and social equity.

Financial mechanisms

- CIUDAT also provides cities with financial assistance to implement catalytic projects to promote TOD

Project pipeline identification

- CIUDAT has identified initial TOD projects in Cali, Manizales and Medellin
### COLOMBIA WASTE NAMA

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<th>Policy and institutional change</th>
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<tr>
<td>• Tariff reform offers tipping fees for recycling and alternative treatment</td>
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<td>• Recycling surcharge raises resources for alternative technologies</td>
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<td>• Inter-agency board selects local projects for funding</td>
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<th>Financial mechanisms</th>
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<tr>
<td>• Proposed equity fund to provide affordable equity capital for advanced waste management projects</td>
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<th>Project pipeline identification</th>
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<td>• 14 municipal projects at various stages of development</td>
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Development of transformational NAMAs often requires combining policy & TA support with project financing support – in equal parts and not preferring one and just tacking on the other as a “nice to have.”

**Early project development:** identifying key stakeholders and champions, initial scoping, concept note and making sure domestic interests are aligned with overall goals.

**Full project development:**
- *Policy design:* analyses, key barriers, policy and incentive design
- *Financial mechanism design:* design of appropriate financial tools; connect projects with funding sources; connect investors with climate finance; engage financial intermediary
- *Pipeline development:* identify initial strategic investments for short-term implementation; share best practices on project development; build capacity of in-country private sector to identify and develop projects

**Preparation of funding proposal:** identifying target funding source and ensuring compliance with all of their requirements.
CẢM ƠN BẠN

THANK YOU

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