

MEETING SUMMARY:

FOURTH LATIN AMERICAN REGIONAL DIALOGUE ON THE DEVELOPMENT OF NAMAS

PREPARED FOR THE MITIGATION ACTION
IMPLEMENTATION NETWORK (MAIN)

WRITTEN BY:
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OCTOBER 29-31, 2012

Fourth Latin American Regional Dialogue on the Development of Nationally Appropriate Mitigation Actions (NAMAs) Meeting Summary

October 29 -31, 2012

Overview

The fourth regional dialogue of the Mitigation Action Implementation Network (MAIN) in Latin America took place from October 29 to 31, 2012 in Punta Cana, Dominican Republic. The event was organized by the Center for Clean Air Policy (CCAP), hosted by the Dominican Republic's National Council for Climate Change and the Clean Development Mechanism (CNCCMDL), and generously supported by Environment Canada as part of the broader MAIN initiative also supported by Germany ICI, the Kingdom of Denmark, and other funders.

More than 60 participants, including inter-ministerial teams from the eight Latin American participant countries (Argentina, Chile, Colombia, Costa Rica, the Dominican Republic, Panama, Peru, and Uruguay), came together to advance ambitious and financeable Nationally Appropriate Mitigation Actions (NAMAs) in accordance with national sustainable-development plans. Experts in waste, renewable energy, energy efficiency, and transportation presented best-practice options for mitigation policies in these sectors. The event also convened representatives of financial institutions (Chilean bank BICE), development banks (CAF, IDB), finance consultants (Brad Johnson) and potential developed-country funders of NAMAs (Germany, Canada, Denmark, UK, European Commission) to discuss available funding for NAMAs and how to incorporate financial engineering in the design of NAMAs.

Main Takeaways

- The UNFCCC process is leaving much of the NAMA design process to on-the-ground action. The lack of a UNFCCC definition of NAMAs should be seen as a window of opportunity to shape actions according to domestic priorities. Implemented NAMAs will shape MRV (monitoring, reporting, and verification) design and criteria for selecting NAMAs for support.

- The demand for Clean Development Mechanism (CDM) projects is declining. Ambitious NAMA finance and involvement of project developers are crucial to sustaining climate policy momentum in developing countries.
- NAMAs need strong political support to be successful. Sustainable development benefits help secure this support and catalyze NAMAs more than greenhouse gas (GHG) benefits. Climate should be mainstreamed into development strategies and technical sectoral plans.
- NAMA design should involve a wide range of stakeholders, including financial experts, project developers, and banks. Effective government policies with appropriate financial engineering (and initial domestic funding) can encourage international support and private investment.
- Participants in the dialogue demonstrated convergence of views on criteria for financeable NAMAs, including high-level political support, sustainability, exit strategy for financial support, etc. They also supported a seven-step process for developing NAMAs presented by CCAP.
- Participants achieved an improved understanding of financial mechanisms, of possibilities for transitioning from the CDM to supported NAMAs, and of the need to “sell” NAMAs to potential funders.

Introduction, Overview on NAMAs, Country Updates

Omar Ramírez, CNCCMDL, welcomed participants to the Dominican Republic and opened the meeting by asserting that, while climate change is resulting in real threats, it should also be seen as an opportunity to achieve low-carbon development. **Assar Qureshi**, Denmark, spoke on behalf of the newest partner supporting the MAIN initiative, mentioning a new Climate Investment Fund to be launched in Doha, in which NAMAs will play a key role, and stressing that successful NAMAs will have elements of good business plans. He highlighted a global MAIN dialogue to be held in Copenhagen in April/May 2013 as an opportunity to showcase mature NAMA proposals to potential funders.

Ned Helme, president of CCAP, outlined MAIN successes to date, including on-the-ground development of several promising NAMAs, and discussed MAIN’s focus going forward of moving NAMAs toward implementation. He underscored the need to have NAMAs financed in the next year in order to prove the case for NAMAs and gave an update on the state of play of NAMAs, NAMA finance, and the UNFCCC negotiations. Team leaders reported on progress in their countries on the development of NAMAs. These included efforts in waste, housing, energy, agriculture, transport, and other sectors.

Process of Designing Successful NAMAs

Franck Portalupi, Environment Canada, presented on its waste NAMA efforts in Latin America. Under its waste project, Canada has provided \$2.55 million for Chile, Mexico, DR and Colombia, mainly through technical and financial support to develop and implement NAMAs. In Colombia, the project is focused on the development of an integrated approach for the whole waste stream; in Chile for organic waste management; in the Dominican Republic on tourism-related waste; and in Mexico on the development

of a national strategy for waste to energy. There are synergies with other initiatives, resulting in very successful initiatives, especially with multilateral development banks.

Leila Surratt, CCAP, presented on the process of developing successful NAMAs, informed by CCAP's work with Colombia on a solid waste NAMA (CCAP is working on seven on-the-ground NAMAs). She stressed the need to engage stakeholders, align with national development plans, maximize the impact of donor funds, catalyze private investment, and ultimately achieve significant GHG reductions. She outlined seven steps of defining a NAMA: 1) defining priorities, 2) identifying options, 3) conducting analysis, 4) defining a potential NAMA, 5) conducting feasibility studies, 6) developing financing options, and 7) developing a NAMA proposal.

Participants participated in a facilitated breakout session on the process of defining NAMAs based on what makes sense from economic and greenhouse gas perspectives (using specifics of Colombia waste NAMA as case study). A general lesson resulting from the discussions was the need to start from a broad range of alternatives, then narrow these down based on countries' circumstances and cost-benefit analyses. Another lesson was the need for strong stakeholder engagement and a national "champion" for NAMAs to succeed.

Criteria for Selecting NAMAs for Support

Michael Comstock, CCAP, presented a straw proposal of criteria – recently revised based on feedback – that contributing countries could use to select NAMAs for support. He said that some developing countries are beginning to seek international support for implementation of NAMAs and that now is the time to shape the direction of NAMA criteria through bilateral and multilateral programs in advance of the Green Climate Fund (GCF). The proposed list included effectiveness criteria (level of GHG reduction, other benefits, sustainability/replicability, MRV plan), implementation plan (clear description and plan, integration into sectoral development plans, high-level political support, capacity to implement), and financing plan (budget with host country national contribution, catalytic impact of international funding, leveraging of funds to achieve private investment, avoidance of duplication, risk mitigation).

Participants from developing and contributing countries expressed strong agreement with CCAP's list of criteria. One developing-country respondent cautioned that MRV must be flexible enough to accommodate unilateral and supported NAMAs. He agreed that NAMAs should have domestic funding (to show commitment) and be part of an overall climate strategy with inter-ministerial coordination that demonstrates support for actions at the highest level. A contributing-country respondent emphasized that CCAP's list was in line with initial conversations his country has had in determining how to allocate support. He also expressed interest in working with countries that are committed to making progress under the UNFCCC. Others emphasized the appeal of "transformative" NAMAs and clear exit strategies for funders.

Financial Stakeholder Engagement in NAMAs

Brad Johnson, CCAP consultant, presented on negotiating financial stakeholder (project developers, development banks, funders, etc.) engagement in the NAMA design process. He stressed the need to do a financial market assessment upfront to understand current barriers, which involves discussion between four key stakeholders: host country, donor support, local project developers and banks/investors – an iterative process where each round of consultations leads to greater definition of the final NAMA financial program.

Tatiana Molina, Chile, presented on Chile’s renewable energy Price Stabilization Fund (PSF), an example of an innovative NAMA that tackles a key barrier to renewable energy development: high volatility in the spot market renewable energy price that prohibits investment. The PSF serves as an intermediary between the spot market and renewable energy projects and assumes risk in order to ensure a fixed price to investors. The private sector has not yet addressed the current market conditions because not all generators have access to the financial tools to hedge risk and Chile’s deregulated electricity market causes high volatility. As opposed to a feed-in tariff, the PSF does not distort market prices and promises to have longer-term stability through political cycles. Chile has followed the process outlined by Brad Johnson in talking with the private sector to identify barriers to renewable energy deployment.

Financial Mechanisms for NAMAs

Brad Johnson presented an overview of key financial mechanisms for NAMAs, stressing that mechanisms should leverage capabilities and be affordable and sustainable. Commonly used financial mechanisms include performance guarantees (reduce risk for unfamiliar technologies), special purpose entities (help generate scale for small size projects), and partial credit-risk guarantees (reduce default risk for banker). Other ways of making NAMAs more financeable include mobilizing long-term sources of finance like pension funds and extending loan maturities. A breakout session allowed participants to work through key mechanisms and chose the most effective financial mechanisms to address specific barriers in sectors (using scenarios of market conditions developed by CCAP). One participant commented that social benefits should be included in finance discussions.

Transitioning from the CDM to NAMAs

Ned Helme encouraged participant countries to move beyond CDM projects/offsets to effective NAMAs. The declining demand for certified emissions reductions (current price less than 1EUR/CER) means few new CDM projects will be developed and NAMAs are a promising source of climate finance. In order to successfully transition, however, climate efforts must incorporate benefits beyond GHG reductions and have larger impacts. Projects like methane flaring, for example, will have little reason to be funded as NAMAs given their non-existent “co-benefits” and revenue potential beyond CERs. Projects could be restructured as broader NAMAs and also catalyze investment by project developers in underlying projects (very different from the role of the private sector in buying CDM carbon credits). New financial mechanisms would need to fill the CDM gap and barriers and other factors would need to be analyzed.

One respondent clarified that – despite the falling demand for CERs – the CDM is not legally dead and will continue under the Kyoto Protocol’s second commitment period. She also mentioned that the development of national carbon markets would help. A developing-country respondent highlighted her country’s efforts on a voluntary market and supported NAMAs as part of a national strategy and said the key is generating interest from the private sector.

Promising Sectoral NAMAs in Latin America

This breakout session highlighted several promising NAMAs being developed across various sectors in Latin America and applied lessons learned from dialogue discussions on financing, criteria, and the NAMA design process. In one room, **Manuel Salas** (Costa Rica), **Anthony Watanabe** (Innovolve Group), and **Carlos Orbegozo** (Peru) presented on sustainable housing and building efficiency efforts in Costa Rica and Peru. Presenters highlighted the enormous potential for GHG reductions in the sector given the pace of construction. While myriad challenges exist (e.g., sector fragmentation), a large toolbox of options (e.g., subsidies, legal changes, financing alternatives, etc.) can address these. Presenters highlighted several of the criteria discussed on Day 1 for consideration in a NAMA, including the need for high-level political support, “co-benefits,” and leveraging of financing, among others. Support from Canada in these countries has helped bring together key stakeholders, has helped advance low-carbon housing roadmaps that will lead toward NAMAs, and will also facilitate demonstration homes.

In another room, **Michael Layer**, Natural Resources Canada, **David Picard**, Clearstone Engineering, and **Sandra Janeth Perez Gallardo**, Ecopetrol Colombia, presented on a Colombian oil and gas project. Ecopetrol has developed a program to increase energy efficiency, with support from Canada for studies that assess efficiency in different stages of operation from drilling to distribution. Canadian Company Clearstone is doing the analysis and has identified 279,000 tons of CO₂e reductions over 17 projects. Ecopetrol is currently implementing parts of the project with internal funds but further reductions could be achieved with international support.

Juan Ignacio Paracca, Argentina, also presented on a biomass project in his country called ProBioMasa – a national initiative to increase biomass energy production. The effort includes institutional capacity building in the provinces (focusing on databases of biomass supply and demand), provincial energy strategies (used to incubate provincial pilots), and awareness-raising in civil society to strengthen energy policies nationwide. So far they have identified 9.5 million tons of CO₂e and \$2 million in energy savings. The ultimate vision is to have bio-refineries that integrate production of food, energy and chemical products.

Non-GHG Metrics for MRV of NAMAs

Ubaldo Inclan, CCAP, presented on non-GHG metrics for MRV of NAMAs – including sustainable development metrics such as health and mobility – as a way to satisfy the needs of funders and the UNFCCC and to help ensure long-term political support for actions. The Transmilenio bus rapid transit

system in Bogota, Colombia, is an example of a CDM/development program that incorporated non-GHG metrics such as travel time, air pollution, and public health. Inclán concluded that metrics for sustainable development should not be too complex or burdensome, and should utilize readily available data and correspond to national priorities. He presented an extensive list of sustainable development indicators to consider and emphasized that monitoring costs should be included in NAMA funding. During the discussion, there was concern about who will support this work, whether national agencies have sufficient credibility with funders, and that MRV would be too onerous. However, others pointed out that flexibility exists and specific metrics will not be mandated.

The session led into a facilitated small group discussion of non-GHG MRV metrics for NAMAs by sector, using recent CCAP work on potential metrics and case studies of evolving NAMAs from participant countries. In one room, **Zaratí Cartín**, Panama, presented on her country's evolving NAMA in renewable energy, which is aimed at incorporating a larger share of renewables (49MW) while expanding access to electricity in the country. Barriers include lack of information on renewable energy potential, investment risk, uncertainty in power purchase agreements, lack of local technological capacity, and social sensitivity to renewable energy projects. Components of the evolving NAMA include revising energy legislation and incentives for renewable energy, among others, which will help the country create green jobs, expand access to energy, and reduce GHG emissions.

In another room, **Pablo Salgado**, Chile, presented his country's "Green Zone" transport NAMA in Santiago that would serve as a pilot to be replicated for further climate benefits. Components include low emission vehicles, buses (Transantiago), promotion of bicycle use, and redesign of transit management. Over 10 years, the emission reductions would add up to 13,800 tons CO₂e, with a potential reduction of more than 4 million tCO₂e if these measures were replicated all around Santiago. International cooperation is expected to cover a 70% of the total cost of implementation, maintenance and MRV. The government is working on MRV for each line of work – including environmental (GHG emissions, air quality), social (travel time, access to public transport, health) and economic (fuel savings) indicators – with the participation of different stakeholders.

Lessons Learned, Bringing it All Together

The final sessions of the dialogue allowed participants to meet with their country teams to process lessons learned in the dialogue, discuss capacity needs and next steps on countries' most promising NAMAs, and provide feedback on the dialogue. Participants emphasized an increased understanding of how to identify and define NAMAs and of possible MRV indicators and financing mechanisms. Among countries' most promising NAMAs (unofficial), Uruguay highlighted efforts in solid waste; Costa Rica underscored coffee, waste, housing, and transport; Panama mentioned forestry, solar PV, maritime transport, and green buildings; Chile said waste, energy, and transport; the Dominican Republic mentioned tourism/waste, cement, and refrigeration; Colombia outlined transport, waste, energy efficiency, and agriculture; Peru highlighted housing, energy efficiency, and agricultural waste; and Argentina enumerated renewable energy/biomass and energy efficiency efforts.

Markus Kurdziel, Germany ICI (long-time funder of MAIN), brought the meeting full circle by discussing Germany's intention to move from support for NAMA planning efforts to implementation in 2013. He stressed that Germany has invested 2.5 billion Euros in fast-start finance and is interested in supporting innovative and bottom-up efforts that advance sustainable development beyond GHG reductions.

Conclusions and Next Steps

Final roundtable discussions provided CCAP with suggestions for the global dialogue for both MAIN-Asia and MAIN-LAC countries, as well as contributing countries, to be held in Copenhagen, Denmark, in April or May 2013. This meeting will be an opportunity for participant countries to present their most promising NAMA proposals to funders and receive feedback on proposals with the goal of advancing financial support for countries' NAMAs. Participants requested more info on climate finance programs (sectors of interest) and on evolving NAMAs, if possible, prior to the meeting. One also requested information on the complete evolution of a successful NAMA and another said non-public sector finance players should be invited to Copenhagen. CCAP announced plans for a policy dialogue and a side event at COP-18 in Doha. The next MAIN-Latin America dialogue will be held during the summer of 2013.

SUPPORTED BY:



Environment Canada Environnement Canada

Supported by:



Federal Ministry for the Environment, Nature Conservation and Nuclear Safety

based on a decision of the Parliament of the Federal Republic of Germany



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