INTRODUCTION TO INDC CONVERSION

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AGENDA

• INDC Conversion
• Climate Finance Opportunity
• How far have countries come with INDCs and conversion
• Discussion Questions
All Parties have been invited to put forward INDCs,

125 INDCs have been submitted so far
  – over 150 countries,
  – representing more than 85% of global emissions

Among developing countries more than 2/3 of these contain national projections of business as usual emissions and broad targets that will need to be elaborated to achieve full implementation.

Converting INDCs into policies, measures, financeable investment plans will be key to fully operationalize their targets

This conversion will allow countries to leverage their own resources and attract public and private international financing at scale
CLIMATE FINANCE PRESENTS AN OPPORTUNITY

- The **GCF** is moving ahead
  - Pledges of USD 10.3B
  - First approvals expected in November
- **OECD Report:** USD 62 billion in public and private finance were mobilized in 2014, up from USD 52 billion in 2013
- **World Bank:** Climate finance could reach 28% of portfolio by 2020
- **China** to provide USD 3.1 Billion to support developing country programs.
- 2014 UN Climate Summit: pledges to mobilize USD 200B by end of 2015
  - Two insurance associations: USD 84B climate investments by 2015, USD 420B by 2020
  - Bank of America: Catalytic Finance Initiative to stimulate at least USD 10B of new clean energy investments

Source: Businessgreen.com
Through the development of NAMAs, countries engaged in a “race to the top” – striving for ambition.

INDCs take us a step further in national scope, often with a more conservative approach.

GCF and NAMA Facility criteria encourage ambitious action.

With climate finance scaling up, a pipeline of high-quality country-driven proposals are needed.

Conversion can provide this pipeline, encourage a return to the “race to the top” mindset.

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<th>GCF Selection Criteria</th>
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<td>Impact Potential</td>
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<td>Paradigm shift Potential</td>
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<td>Efficiency and Effectiveness</td>
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WHAT STEPS MIGHT COUNTRIES TAKE IN INDC CONVERSION?

- Much emphasis has been given to the *development* of comprehensive mitigation and adaptation goals within INDCs
- Focus of Parties after Paris will turn to how to *operationalize* these goals
- Parties will need to convert INDCs into *implementable actions* that achieve transformational impacts.

**All Parties** will likely need to:

- Define country conditions, priorities, barriers
- Identify national and sectoral strategic policy priorities
- Design specific policies, regulations, and incentives
WHAT STEPS MIGHT COUNTRIES TAKE IN INDC CONVERSION?

• Some countries may require support to achieve the ambition set forth in their INDC
• For countries seeking to access international financing for INDC implementation, additional steps will likely be necessary

**Parties seeking support** might need to:

- Select programs and measures most in need of support, due to relative cost and degree of implementation difficulty
- Develop finance-ready investment strategies for implementation
- Present the investment strategies as compelling proposals to public and private funders
HOW FAR HAVE COUNTRIES COME ON CONVERTING INDCS?

- CCAP looked at INDCs submitted by October 2\textsuperscript{nd} 2015
- We selected those from the highest 50 emitting parties, with the EU counting as one
- The goal was to focus on the INDCs of parties eligible for support under the convention
- We analyzed the 39 INDCs of developing country parties in the top 50 sample
Developing country Parties have largely submitted quantified economy-wide mitigation targets and broad adaptation goals.

- Half of those 39 include a unilateral economy-wide target and a target that can be achieved with international support.
- 35 of 39 indicate they can achieve a greater level of ambition conditional on international cooperation.
- 51% include sector-wide targets.
- 23% include quantified sectoral emission reductions.
- 3% calculate the reductions to be achieved from specific measures.
Specificity of Developing Country INDCs

- INDCs Reviewed
- Conditional component identified
- Quantified sector-wide targets
- Sectoral Actions identified
- Quantified sector-wide emissions reductions
- Effects of sectoral actions identified
COST ESTIMATION IN INDCS

- Roughly half of the 39 INDCs estimate overall investment costs to implement the proposed reductions.
- One fifth provide full investment costs by sector and investment costs for specific measures.
- 14% present an overall financial request for international support.
- Based on our review, more sectoral policy design and financial engineering is needed to make most of the 39 INDCs implementation-ready and bankable.
WHO CAN SUPPORT INDC CONVERSION?

A number of institutions can provide the types of support parties will need, including (for example):

And **many more** (i.e. parties, specific MDBs, National Development Banks, World Bank Institutions, etc.)
• Private financiers will need clear, long term policy frameworks and *project pipelines*

• As part of the conversion, a country may need to consider how to:
  – Offer long-term policy certainty (to enable long-term projects)
  – Design incentive schemes to address high investment costs and risks (i.e. rebates, FiTs)
  – Level the playing field (such as removing fossil subsidies)
  – Develop a strong pipeline of low-carbon investments

• A key portion of investment will come from the host-country’s private sector. How can it be mobilized to assist in this effort?
• Some initial conclusions:
  – Adoption of comprehensive mitigation and adaptation targets has laid the groundwork for successful Paris outcome
  – Greater specificity is needed to turn national contributions into on the ground policies, programs, finance-ready investments
  – A wide variety of public and private institutions are available to help

• An unprecedented level of public and private finance interest will come to Paris – the private portion will be money that needs to move quickly after Paris

• The urgency of solving the conversion challenge could not be clearer
DISCUSSION QUESTIONS

• What part of the conversion process is the most challenging for developing countries?
• What lessons can be learned from developed countries experience in creating policy actions and mobilizing private sector engagement?
• What are the key next steps from the perspective of private sector finance?
• How does ambition fit into this picture?
THANK YOU

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