



## **Mitigation Action Implementation Network (MAIN)**

### **Second Asia Regional Dialogue on the Development of Nationally Appropriate Mitigation Actions (NAMAs)**

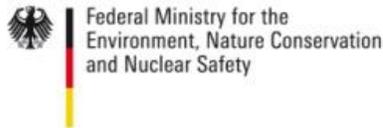
#### **MEETING SUMMARY**

NOVOTEL HALONG BAY  
Ha Long Road, Bai Chay Ward  
Ha Long City, Quang Ninh Province, Vietnam  
July 24-26, 2012

Hosted by:

Vietnam's Ministry of Natural Resources and Environment

Supported by:



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

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## Overview

The second Asia regional dialogue of CCAP's Mitigation Action Implementation Network (MAIN) was held in Ha Long Bay, Vietnam, from July 24 to 26, 2012. The meeting was hosted by Vietnam's Ministry of Natural Resources and Environment (MONRE) and generously supported by the German International Climate Initiative, as well as Environment Canada, Denmark, and other funders as part of the broader MAIN initiative. Building on the first MAIN-Asia dialogue, the meeting in Vietnam brought together approximately 65 participants, including seven developing-country (Vietnam, Thailand, Philippines, Indonesia, Malaysia, Pakistan, and China) teams of policymakers representing key ministries involved in the design of climate policy actions known as Nationally Appropriate Mitigation Actions (NAMAs). Financial experts (Deutsche Bank, KPMG, Brad Johnson) and representatives from developed countries (Germany, Canada, Sweden, France, UK), development banks (ADB), and other organizations (UNFCCC, UNDP, GGGI, WRI, Ecofys, ECN) also participated to advance a shared vision on NAMAs, finance, and financial engineering for NAMAs.

## Key Takeaways and Outcomes

- NAMAs are policies that will achieve both sustainable development and climate mitigation benefits. Many policies that countries are already implementing or planning to implement for sustainable development, health, or mobility purposes could be considered NAMAs.
- As broader policies (compared with Clean Development Mechanism, or CDM, projects), NAMAs can be nested in sustainable development plans and can attract financing for actions that also help countries meet UNFCCC targets.
- The lack of an official definition of NAMAs should be viewed as an opportunity to shape the process and concept of NAMAs rather than as a deterrent for actions. Now is the opportunity to build partnerships between these groups of countries and to shape the direction of the Green Climate Fund (GCF) and UNFCCC through concrete NAMA examples.
- With demand for CDM offsets declining and the GCF likely several years away from disbursing funds, supported NAMAs have emerged as the most promising source of climate mitigation funding in the near term. Developed partner countries are increasing financial support for NAMAs, with the private sector likely to invest the bulk of NAMA support as long as appropriate and transparent public policies are in place.
- Government policies that provide Transparency, Longevity, and Certainty/Consistency (TLC) to investors can encourage expanded investment in clean energy projects (and NAMAs).
- An expanded approach to MRV (monitoring, reporting, verification) that incorporates: (1) action metrics, (2) progress metrics, and (3) sustainable development metrics, in addition to estimated GHG outcomes, can satisfy the needs of NAMA implementers, funders, and the UNFCCC.
- NAMA designs need to incorporate appropriate financial engineering to attract investors, leverage funding, and overcome barriers. The dialogue provided participants with a toolbox of financial mechanisms to overcome investment risk, the cost of capital, and other barriers.
- Roundtable discussions at the meeting identified three potential types/phases of NAMAs: (1) readiness efforts (eg, feasibility studies) for future NAMA development, (2) pilot projects that

are part of a broader NAMA strategy and would inform the development of such a strategy, and (3) full-scale, transformational NAMAs.

- The meeting advanced a shared vision on guidelines for successful NAMAs, which will help developing countries design effective and financeable policies, help funders select NAMAs for support, and could eventually influence the UNFCCC and GCF processes.
- Through roundtable discussions and breakout sessions, the dialogue increased participants' confidence to proactively approach funders with proposals for NAMAs they would like to implement. Several participants expressed that, prior to the dialogue, they had been waiting for guidance from the UNFCCC and for interest from developed partner countries before developing NAMAs.

### **Opening Sessions**

**Ms. Tran Thi Minh Ha**, Director General of Vietnam's Ministry of Natural Resources and Environment, opened the meeting and welcomed participants to Vietnam. CCAP's President, **Ned Helme**, gave an overview of the benefits of NAMAs, emphasizing that NAMAs are broad-scale actions that advance sustainable development, help countries meet UNFCCC mitigation targets, and allow countries to take advantage of upfront international finance for mitigation actions. He stressed that NAMAs are the most promising source of mitigation finance and that early, on-the-ground NAMA experiences and bilateral funding arrangements can help shape the GCF and UNFCCC processes. For example, developing and partner countries have the ability to advance a shared vision on MRV and guidelines for selecting NAMAs to receive international support.

Country team leaders were invited to give an update on their NAMA efforts to date during a roundtable session. In general, countries have made considerable progress in the nine months since the first MAIN-Asia dialogue. Countries reported on progress being made in energy, transportation, forestry, waste, and other sectors, as well as international funding that is supporting studies and feasibility efforts in participant countries.

### **Support for NAMA Development**

Representatives from developed partner countries presented on funding they have available for NAMAs. Germany has committed a total of 2.2 bn Euros through their International Climate Initiative and has announced new financing for the implementation of NAMAs by developing countries in the next year. Environment Canada's climate funding has been increased to \$1.2 bn to support mitigation through international organizations, MAIN, and other avenues. The Asian Development Bank (ADB) highlighted their Energy for All initiative (access to renewable energy for 100 mn people by 2015) and said they spend \$2 bn/year on clean energy (with a significant portion for mitigation policy in the Asia region).

Developed countries asserted that NAMAs are an exciting opportunity for developing countries to receive funding for climate efforts that advance their sustainable development goals. They recognized that NAMAs need to be structured and monitored in a way that shows progress across multiple indicators including GHG reductions and other benefits such as air quality, mobility, health benefits, and

job creation. Developed countries also acknowledged that public funding for climate change is only a small portion of the total amount of finance needed in order to meet sustainable development goals. Some expressed interest in informing the climate negotiations by demonstrating short-term results on the ground that help prove the NAMA concept.

### **Guidelines for Successful Supported NAMAs (Criteria for Evaluating NAMAs for Support)**

**Michael Comstock**, CCAP, presented a straw proposal of guidelines for successful supported NAMAs that partner countries could use to evaluate NAMA proposals and select NAMAs to fund prior to the full launch of the GCF. The selection criteria fell into 3 broad categories (see CCAP draft policy brief for more information: [Criteria for Evaluating Supported NAMAs](#)):

- **Effectiveness**, including level of GHG reduction and other sustainable development benefits;
- **Implementation plan**, including obtaining high-level political support and consistency with national development priorities; and
- **Financing plan**, including ability to leverage private sector investment.

The discussion was meant to advance a shared vision on what constitutes an attractive NAMA for support. CCAP clarified that these “criteria” should be seen more as guidance for structuring effective NAMAs, rather than prerequisites for NAMA support. Participants expressed general support for the overall straw proposal. Cost effectiveness, leveraging of donors’ funds to attract private-sector investments, and high-level political support were seen as particularly important. There were some criteria that did not seem appropriate to the developing countries or needed more clarification, including: what does having a “clear exit strategy” mean for the developing country, and how are “ambition,” “consistency with national development plan” and “capacity to implement” defined? One developed country respondent spoke to his experience in funding past projects, emphasizing the desire to fund quick results with high likelihood of success in countries where there is a need and capacity, where they can contribute experience, and where they have existing relationships.

It became clear through the discussion that there are really three phases of NAMA projects to be funded: (1) **readiness efforts** (eg, feasibility studies) for future NAMA development, (2) **pilot projects** that are part of a broader NAMA strategy and would inform the development of such a strategy, and (3) full-scale, **transformational NAMAs**. The guidelines/criteria presented would likely be more relevant to the second and third phases of NAMAs. CCAP will be revising this straw proposal based on feedback from participants.

### **Financing in NAMA Design**

**Ned Helme** opened this session by emphasizing the need to incorporate financial engineering into the design of NAMAs and to consider a much broader suite of financial tools than just grants from developed countries. Financial components should be tailored to local conditions and specific projects. He stressed the potential catalytic effect of NAMA support in leveraging private sector investment, as well as the need to engage the private sector early in order to structure a proposal/policy that will be able to attract private sector investment.

**Brad Johnson**, CCAP consultant, presented a toolbox of various financial mechanisms that could be used to leverage donor funds to support a NAMA and advocated that policymakers be involved in finance discussions. Examples of financial mechanisms that could be used in NAMAs include: partial credit risk guarantees (when entering new sector or to address credit quality of borrower); special purpose entities (high transaction costs of small projects); performance guarantees (lack of familiarity with technology); soft loans or longer maturities (high interest rate environments or low project revenues); and special funds (lack of local bank capacity). The primary objectives of NAMA financial mechanisms are to expand investments in clean technologies/projects by reducing barriers and mitigating risks to project developers, thereby lowering the cost of capital. More information can be found in CCAP's policy brief: [Overview of NAMA Financial Mechanisms](#).

**Michael Carboy**, Deutsche Bank Climate Change Advisors, highlighted how government policy can encourage significant private sector investment. From 2004 to 2011, global private sector investments in the clean energy sector grew from \$54 billion to \$260 billion, and are expected to grow to over \$600 billion by 2030. In order to attract private sector investments, he suggested that government policies follow the following framework:

- **Transparency** – policies should be easily understood and available to a broad class of investors. For example, if a renewable policy is too complicated with significant regional differences, it will be difficult to attract investors.
- **Longevity** – policy framework and incentives should be long-lived, with sufficient time horizons to allow for investors to understand the policies and recoup their investment.
- **Certainty and consistency** – policies need to be consistent and insulated from short-term political changes.

Michael Carboy stressed the importance of talking to private sector developers in order to understand the local barriers to private sector investment and to understand the best financial mechanisms to use. It is critical to start working with partner countries and private sector investors early in the policy design process, in order to structure a proposal/policy that will be able to attract private sector investment. Because of the large capital costs for energy projects, lowering the cost of capital can make renewable energy cost-competitive against fossil fuels. There are numerous ways to incentivize renewable energy, for example through feed-in tariffs (FiTs), tax subsidies, and/or concessional loans. Policies that impact renewable energy revenues (eg, FiTs) are very effective and typically have more longevity and transparency than other types of incentives (eg, tax credits).

### **NAMAs in Renewable Energy: Chile's Price Stabilization Fund**

**Anmol Vanamali**, CCAP, presented on Chile's Price Stabilization Fund (PSF) as 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. Chile's situation in terms of fossil fuel use for energy and large expected growth in energy demand is similar to many Asian countries. The specifics of Chile's NAMA may not work in all countries'

markets, but participants saw value in it as an innovative NAMA that tackles barriers to renewable energy development. The concept of the PSF addresses several components of a successful NAMA, such as: 1) clear need for international support, (2) leveraging of private sector investment, (3) sustainability (revolving and expanding fund), (4) affordability, and (5) acceptance by the private sector.

### **Vertically Integrated NAMAs and Sustainable Urban Development**

**Konrad von Ritter**, CCAP consultant, challenged the audience by asking the importance and role of sub-national actors like cities in climate mitigation. Cities are both causing emissions and offering opportunities to mitigate them. And MRV of GHGs at a country's national level will likely be aggregated from the city level. Some of the key questions that need to be addressed in the framework of NAMAs and climate finance are: What role can cities play in setting targets? How can cities access international funding? And, will they have direct access to GCF funds? While cities are very relevant for locally developed NAMAs, they are rarely involved at the policy/political level in countries. There is a growing sense that cities/subnational actors should be formally (and vertically) integrated into the NAMA design process, but they are not at the table.

**Chuck Kooshian**, CCAP, presented on the concept of a vertically integrated NAMA for Sustainable Urban Development (SUD), stressing five factors that need to be considered when building a travel-efficient community with low transport GHGs: Density, Diversity, Design, Destinations, and Distance to transit service. Any policy that hopes to affect all these variables must operate at multiple levels and through multiple players. Building on the idea of a vertically integrated NAMA, CCAP has been working on NAMAs in SUD, in particular in Colombia, where multiple ministries and local government agencies are at the table. During discussion, participants seemed to agree that most NAMAs will need to have a vertical component and that the MRV issue may be a key difference between a NAMA and traditional development assistance projects.

### **Mitigation Accounting and Monitoring, Reporting, and Verification**

**Jennifer Morgan**, World Resources Institute, showed that WRI is preparing new MRV tools for mitigation actions (bottom up) and mitigation goals (top down). There is a clear interest and need to have these standards developed. The WRI MRV project is policy neutral – it is just about measuring emission reductions not the type of policy put in place – and focuses on national-level GHG MRV, not on the international structure. The difference between MRV emissions and accounting for impact of policies is important. "Boundaries" related to MRV and NAMAs are an important point to take into account (eg, for regional and sectoral type NAMAs). Consistent accounting is relevant for knowing how much reductions actually have taken place.

**Ned Helme** presented a proposed expanded approach to bilateral MRV that incorporates: (1) **action metrics**, (2) **progress metrics**, and (3) **sustainable development metrics**, in addition to estimated GHG outcomes. This expanded approach seeks to meet the needs of partner countries, developing countries, and the UNFCCC to demonstrate the on-the-ground results of supported NAMAs, both in achieving GHGs and supporting sustainable development. It also recognizes the challenges in developing accurate measurements of greenhouse gas emissions reductions, including the uncertainty around baseline

projections. This session advanced thinking among developing and partner countries on a more flexible and realistic approach to MRV of NAMAs. Dialogue participants provided feedback on this expanded approach.

### **UNFCCC NAMA Registry**

**Tshering Sherpa** of the UNFCCC presented an update on the launch of the NAMA registry, which is intended to: (1) create a publicly accessible source of NAMAs under the UNFCCC, (2) provide a matching function between NAMAs seeking international support and NAMA assistance provided by donors, and (3) provide recognition to both developing countries undertaking NAMAs and donors providing NAMA support. The NAMA registry is not a mandatory NAMA or mitigation action report mechanism. There will be an automated matching function where NAMA support mechanisms listed by contributing countries will be matched to NAMA proposals listed by developing countries. The intended benefit of the registry is to have one system under the convention that will bring all information together and to allow funders and recipients to connect. All information uploaded will be verified and secure.

### **NAMAs and Market-Based Mechanisms**

**Tomas Wyns**, CCAP-Europe, presented on the declining demand for CDM offsets and the relationship between NAMAs and new market mechanisms (NMMs). He underscored the risk of double counting of emissions reductions when actions are counted as offsets and also developing countries' NAMAs. Another risk is that market mechanisms take the "low-hanging fruit" (low-cost mitigation options) away from NAMAs, as the carbon market will seek out the cheapest options. He recommended a bright line between NAMAs and NMMs and suggested that tradable intensity standards could be feasible market-based NAMAs.

### **Breakout Sessions**

**Sectoral Breakout** – Participants took part in a three-way breakout session divided by sector: renewable energy in Thailand, industrial energy efficiency in Vietnam, and waste in the Philippines. In these sessions, countries presented mitigation policy efforts in the respective sectors with the goal of, through discussion, moving these toward effective NAMAs that could receive international financial support. This was done in part by employing CCAP's straw guidelines for supported NAMAs.

**Country Breakouts** – On the final day of the dialogue, country teams had an opportunity to meet to assess their most promising NAMAs with an eye to finance, and report back to the full group.

### **Next Steps**

The next MAIN-Asia dialogue will be held during the summer of 2013. In the meantime, CCAP will be revising its paper on *Guidelines for Supported NAMAs*, based on feedback, and will also be working in particular on financial mechanisms for NAMAs and broader MRV metrics. CCAP will also be exploring opportunities for bilateral work with participant countries on NAMA development.