PROMISING NAMAS IN LATIN AMERICA

CCAP Side Event – COP18

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Dialogue. Insight. Solutions.

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NAMAS: KEY TO TRANSFORMATION

- Up-front financing from developed nations, other sources
- Broader (sector- or economy-wide) and more flexible than CDM project-level actions (can finance programs/policies in sectors that CDM has ignored)
- Developing countries' contribution to climate protection (NOT offsets, capture "low-hanging fruit" to meet Cancun pledges)
- Create a "race to the top" if proposals from different developing countries compete for up-front financing
- Designed to leverage private-sector investment and ensure full return on investment
- scale of investment that could be leveraged by supported NAMAs far exceeds that under CDM
- Meets sustainable-development, health and mobility goals while delivering GHG mitigation

Bilateral NAMA agreements will likely be the first set of NAMA experiences – important these are successful in order to prove NAMA concept

MITIGATION ACTION IMPLEMENTATION NETWORK (MAIN)

Goals:

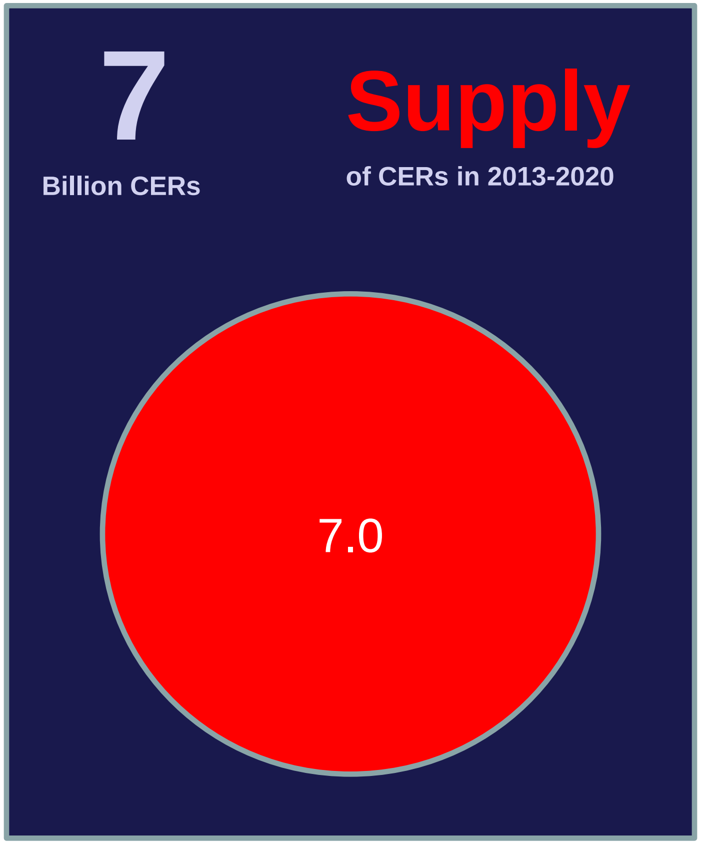
Create regional networks of policymakers involved in NAMAs (Asia, Latin America)	Build national capacity to identify, design and develop financeable NAMAs	Facilitate financing for implementation of early NAMAs	Impact the design of bi-/multilateral NAMA finance programs, GCF

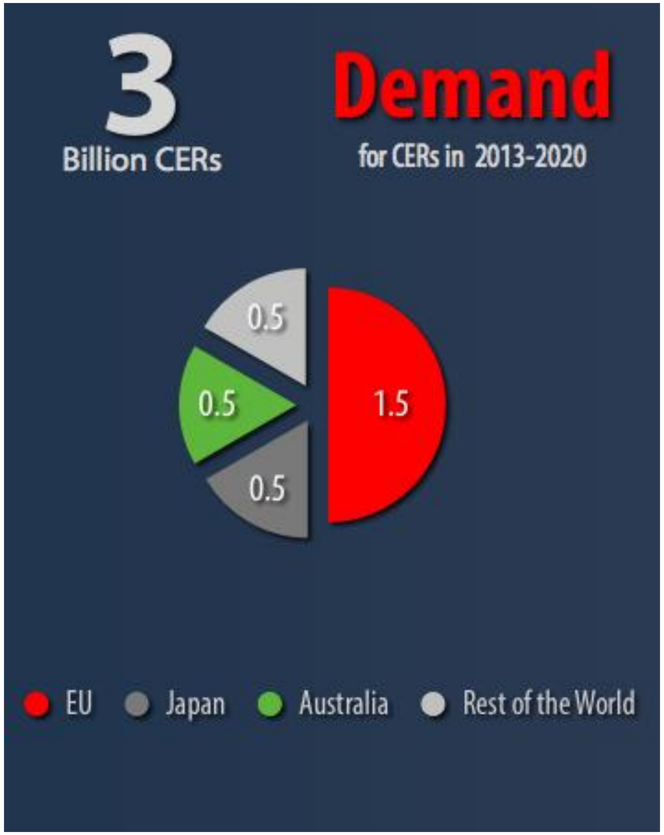
Highlights:

1. 6 regional dialogues so far (4 LAC, 2 Asia) and negotiator dialogues
2. On-the-ground support for NAMAs (Chile, Colombia, DR, Mexico)
3. Policy papers (e.g., MRV metrics, criteria for supported NAMAs, finance) to advance shared vision on NAMAs
4. MAIN countries are making significant NAMA progress (LAC: Over 40 NAMAs under development, with some close to receiving implementation support)
5. Copenhagen dialogue in spring 2013 with all 15 participant countries

Principal funders: Germany ICI, Environment Canada, Denmark

CDM: SUPPLY AND DEMAND





Large surplus = few new CDM projects will be developed, and existing projects may not be renewed, unless demand is increased through more ambitious developed-country targets

DANGER LOOMING: DOUBLE COUNTING BETWEEN CDM AND NAMAS

UNFCCC policy currently does not distinguish between CDM projects and supported NAMAs

- CDM = project-by-project activities (e.g., one windmill farm)
- Broader supported NAMA in the same sector could exist in the same country (e.g., a mandatory percentage of wind power by 2020)

Atmosphere and global ambition need “bright line” between NAMAs and CDM

- Possibility of A1 Parties “paying twice”– once for CDM, and again for RE NAMA support
- Reductions could be counted for host country baseline and as A1 CERs
- Individual CDM projects should not count toward NAMA achievement

Developing countries are currently designing NAMAs that draw from and expand on CDM experiences while avoiding double-counting

NAMAS INCREASINGLY IMPORTANT POST-2012

- Decline in demand for CDM (CER prices < 1 EUR lately) will diminish CDM as a source of climate finance in the period at least thru 2015 and likely thru 2017-18 (unless A1 commitments are strengthened)
- Developing countries are taking policy actions - NAMA finance needs to fill this void – successful financing of NAMA implementation is key to maintaining climate policy momentum in developing countries
- Goal is for NAMA funds to leverage and incentivize private sector activity on a commercial basis in investments that implement the new NAMA policies (ensure full return on investment)
- Through NAMAs we have the potential to tie into much larger streams of domestic private finance – more $ available for investment in underlying projects than in carbon credits
- Developed countries need to step up with financial commitments in 2013 – 2015 so solid NAMA momentum in developing countries is not lost

MAKING NAMAS WORK: POLICY DESIGN

- NAMAs need to optimize GHG benefits AND sustainable development, mobility, and public health benefits – this will ensure long-term political support for such policies in developing countries (goal is to mainstream climate in national development plans)
- Limited donor funds require that first NAMAs leverage private-sector financing, demonstrate host country contributions and buy-in, are sustainable and ambitious
- NAMA programs should carefully combine policy actions with financing programs to ensure projects are commercially viable and leverage private-sector financing

MAKING NAMAS WORK: FINANCE

- NAMA financial programs should be designed to overcome local policy and financial barriers
- NAMA financing mechanisms are unrestricted, subject only to bilateral donor limits and bilateral agreement (a “learning by doing” opportunity)
- NAMA financing mechanisms need to be designed through extensive consultations among donors, lenders, borrowers, national and local governments
- Many national policy officials are not experienced in designing financial tools to maximize the impact of donor funds in NAMAs. Need to bring in financial experts and consult domestic lenders and private developers early in the process to help successfully craft NAMA policy/financial integration

MAKING NAMAS WORK: MRV

- MRV will need to assure both implementing and donor countries that NAMA financing is received, effectively applied, and that results are achieved
- An expanded approach to MRV that includes action metrics, progress metrics, and sustainable-development metrics (health, mobility, etc) can satisfy the needs of implementing countries, funders, and the UNFCCC
- This expanded set of metrics, beyond GHGs, can help “sell” NAMAs to local political leaders and help to ensure that policies will continue when funding support ends
- MRV for NAMAs should include capacity support to host countries to measure performance against broader set of metrics (a la CIFs)

MAKING NAMAS WORK: INSTITUTIONS

- Implementing countries must build the institutional capability to attract NAMA finance, transform national policies, engage successfully with the private sector, and deliver the promised results
- Host countries that effectively mobilize multiple ministries in the design of NAMAs and inspire line agencies to take leadership roles in NAMAs in their sectors are leading in NAMA development
- NAMAs need a strong local “champion” and political support to be successful – the examples you will hear about today embody these principles

PROMISING NAMAS IN LATIN AMERICA

- CCAP working with 8 countries in the region
- More than 40 NAMAs currently under development, some beginning to seek financing for implementation
- This side event highlights some of most promising
- Stay tuned for climate finance announcements from developed countries next week

CCAP MAIN meeting in Copenhagen in spring 2013 to profile NAMAs for contributing countries

CONCLUSIONS

- UNFCCC process is leaving much of NAMA design to on-the-ground action
- Implemented NAMAs will shape criteria for NAMA selection and MRV design (good opportunity for Developing Countries to shape this and reflect domestic priorities
- Climate policy momentum continues in developing countries and NAMA finance is key to sustaining that momentum and filling the vacuum created by CDM’s decline
- Developed countries need to step up with further financial commitments for 2013-2015
- Now is a window of opportunity for DCs to design NAMAs and attract international support

CHILE RENEWABLES
PRICE STABILIZATION FUND (PSF) NAMA

- Chile needs 8 – 10,000 megawatts of new electricity capacity by 2020 and much will come from imported coal unless renewables can be mobilized.
- The energy market in Chile is fully deregulated, and spot market prices vary widely during the year from 3 cents/kwh to nearly 30 cents/kwh. This lack of price certainty makes it very difficult for wind and solar developers (NCRE) to get long term contracts

- Local banks are unwilling to accept this risk and there are no financial instruments in the market to provide coverage of this risk.
- As a result, substantial NCRE potential is not being realized in Chile under current conditions

CHILE PSF (2)

- A Price Stabilization Fund (PSF), capitalized with NAMA resources would address current market barriers by providing a guaranteed price for the delivery of energy from NCRE projects. Developers would be chosen based on the lowest bids for providing reliable renewable supply.
- Project developers would take PSF contracts to banks and seek financing for projects
- Under this program, the PSF would take spot market risk and make money when the spot market price at the time of delivery of energy to the grid is higher than the contacted price between the PSF and the developer. “Profits” would be plowed back into the PSF to provide guarantees to additional projects.
- A contributing country grant of $15 million would capitalize the PSF. This initial funding would cover any losses by the PSF if the spot market price fell below the contracted price of energy in the PSF contract with the developer.
- This proposed NAMA is an excellent example of a mechanism where significant private sector investments can be incentivized and the impact of donor funds can be multiplied many times over, plus it provides significant local development and health benefits and major GHG reductions.

THANK YOU

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www.ccap.org.