MITIGATION ACTION IMPLEMENTATION NETWORK (MAIN)

Goals:
- Create regional networks of policymakers involved in NAMAs (Asia, LAC)
- 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:
- Regional & negotiator dialogues
- On-the-ground support for NAMAs
- Policy papers (finance, MRV, criteria)
- Copenhagen Dialogue spring 2013
- MAIN countries are making significant NAMA progress (close to implementing)

Principal funders: Germany ICI, Environment Canada, Denmark
NAMAS AND NAMA FINANCE INCREASINGLY IMPORTANT POST-2012

• **Decline in demand for CDM** (CER prices < €1 lately) will diminish CDM as an incentive for mitigation efforts in next 3-5 years (unless A1 commitments are strengthened)

• Developing countries are designing **ambitious policy actions**. Developed countries need to step up with financial commitments in 2013 – 2015 to fill CDM void
  
  • Successful financing of **NAMA implementation** is key to maintaining climate policy momentum in developing countries

• Goal of NAMA funds is **to leverage private-sector investment** on a commercial basis, incentivized by NAMA policies (ensure full return on investment)
  
  • NAMAs have potential to tie into **much larger streams** of domestic private finance

• Potential for significant **sustainable-development benefits** as well as much more ambitious GHG reductions because of broader scope

**CCAP brings on-the-ground experience with NAMA finance to NAMA Partnership**
INITIAL NAMA FINANCE LESSONS FROM MAIN

• NAMAs need to **optimize GHG benefits AND sustainable development** (mobility, public health, etc) - helps ensure long-term political support (goal is to mainstream climate in national development plans)

• **Limited donor funds** require that NAMAs leverage private-sector financing, demonstrate host-country contributions and buy-in, and are sustainable and ambitious
  - NAMA programs should carefully combine policy actions with financing programs to make projects **commercially viable**

• 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 extensively consult domestic lenders and private developers early in the process to help successfully **craft NAMA policy/financial integration** (Chile PSF)

• NAMA financing mechanisms are a “**learning by doing**” opportunity
KEYS TO DESIGNING NAMA FINANCIAL MECHANISMS

• **Tailored to local conditions** – Designed to work effectively within policy and financial framework of the host country

• Overcome existing policy and financial **barriers** and work effectively with the NAMA policy

• Consider **donor requirements** and relative time and expense of setting up different NAMA financial mechanisms

• Mechanisms must be acceptable to:
  • **Private lenders** – not required to compromise on lending criteria/terms
  • **National and local governments** – provides private-sector financing at lowest possible costs to local NAMA program beneficiaries
  • **Borrowers** – should not put undue burden on project developers

• **Scale-up potential** – Pilots under an overarching national NAMA policy in a sector can lay the groundwork to attract local and/or international financial institutions
### Examples: Barriers and Financial Mechanisms

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<th>Risks/Barriers</th>
<th>Instrument</th>
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<td>Perceived credit quality of borrowers or entering a new sector</td>
<td>Partial Credit Risk Guarantees (but not helpful in high interest rate environments)</td>
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<td>High transaction costs of smaller-scale projects</td>
<td>Creation of Special Purpose Entity (SPE) for project implementation</td>
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<td>Lack of familiarity with technology</td>
<td>Performance Guarantees</td>
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<td>High interest rate environments and/or lack of project revenues to cover</td>
<td>Extension of Lending Maturities</td>
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<td>market terms of financing</td>
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<td>Lack of capacity in local banks</td>
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<td>Special Funds</td>
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KEY TAKEAWAYS

• Negotiations are leaving much of NAMA design to on-the-ground action

• Climate policy momentum apparent in developing countries. NAMA finance is key to sustaining that momentum and filling the vacuum created by CDM’s decline (role of NMMs still unclear)

• Effective government policies with appropriate financial engineering can encourage private investment in NAMAs

• Successful financial design requires early involvement of banks, lenders and developers

• Developed countries need to step up with further financial commitments for 2013-2015

• Now is a window of opportunity for developing countries to design NAMAs and attract international support
THANK YOU

For more information, please contact Michael Comstock at mcomstock@ccap.org.
Or, please visit us at www.ccap.org.