

Policy Dialogue Lunch on Financing for NAMAs

Meeting Summary

23 May, 2012
Bonn, Germany

Overview and Key Conclusions

The Center for Clean Air Policy (CCAP) and the German Environment Ministry held a policy dialogue lunch during the second week of the UNFCCC negotiations in Bonn, Germany. The meeting convened 32 senior negotiators from both developed and developing countries, including heads of delegation, to discuss how to move forward on financing for the implementation of nationally appropriate mitigation actions (NAMAs) in developing countries. Participants heard presentations on promising NAMAs in Colombia and Chile and a CCAP presentation on potential criteria for donor selection of NAMAs. The group made considerable progress toward a shared vision on such criteria. Main outcomes of the meeting include:

- Contributing and implementing countries converged on the need to assess potential supported NAMAs based on both greenhouse gas (GHG) and non-GHG criteria (such as sustainable development, health, mobility, etc).
- Contributing countries recognized the importance of non-GHG “co-benefits” in increasing political support for actions in developing countries and in part, in satisfying official development assistance criteria.
- Participants agreed conceptually on key criteria for NAMA selection including: 1) GHG reductions, 2) MRV metrics that include both GHGs and health, sustainable development and other locally important benefits, 3) high-level political support and sector buy-in, 4) capacity to implement, 5) coherence with national development plans, 6) leveraging of private-sector investment, 7) replicability of actions, 8) minimization of risk, 9) overcoming policy and technical barriers, and 10) visibility and a clear exit strategy for funders.
- Participants discussed the need to ensure initial NAMAs set a valuable example for future NAMAs and are ambitious in achieving transformational change.

Future of the CDM and NAMAs

Ned Helme, president of CCAP, opened the meeting by underscoring the promise of supported NAMAs as a source of finance for actions that achieve both development and climate change benefits in developing countries. He noted progress on NAMAs under CCAP’s Mitigation Action Implementation Network (MAIN) and the limited near-term demand for projects that produce

certified emissions reductions (CERs) under the Clean Development Mechanism (CDM) (3 bn tons demanded under current Annex 1 targets, compared to a supply of approximately 7-9 bn tons, 2013-2020).

Ned Helme said the lack of progress in the climate negotiations does not inhibit progress in developing concrete NAMAs on the ground and framed this as an opportunity for shaping bilateral financing programs, the Green Climate Fund (GCF), and eventual UNFCCC policies. He called on meeting participants to move toward a shared vision on NAMA finance between contributing and implementing countries, beginning with agreement on initial criteria for prioritizing NAMAs to fund.

Promising NAMAs in Development

Through its MAIN initiative over the past 16 months, CCAP has seen significant progress on the development of NAMAs that promise to advance sustainable-development goals and reduce their GHG emissions from business as usual – many of which could be financeable and ready for implementation in the coming months. CCAP invited two MAIN-Latin American countries to present on their evolving NAMAs and stressed the importance of ensuring that financing for NAMA implementation is available when these are ready – likely well before the full launch of the GCF.

Maria Paula Mendieta, of **Colombia's** Ministry of Environment and Sustainable Development, presented on recent progress with CCAP and Environment Canada in identifying potential NAMAs in the waste sector through stakeholder meetings in Colombia. These meetings have resulted in the identification of two potential NAMAs: 1) an *Integrated Municipal Solid Waste Management NAMA* (with organic separation, recycling, tariff incentives) and 2) a *Construction & Demolition Waste NAMA* (to divert this waste away from landfills through reuse, recycling, waste-to-energy). She highlighted challenges in the sector (no incentives for using biogas as energy due to low electricity prices, importance of the informal recycling sector, lack of sorting facilities, etc.) and lessons learned to date (in particular, the importance of evaluating optimal solution for waste management and then overlaying GHG benefits in choosing NAMA priorities for the sector). Next steps will include the selection of pilot cities; studies of feasibility, co-benefits, and reduction potential; prioritization of components; design of the NAMA; and financing and implementation. Colombia received encouragement from participants for these efforts, especially for involving stakeholders.

Alexa Kleysteuber, of **Chile's** Ministry of Environment, presented on one of the seven NAMAs Chile is developing: a *Renewable Energy (RE) Price Stabilization Fund (PSF)*. She provided context for the NAMA: huge growth in demand for electricity (10 GW by 2020) that could push them to rely on coal, considerable RE potential and a 10% by 2024 RE target, and constrained RE investment due to drastic spot-market price fluctuations. The PSF NAMA would provide certainty to investors by guaranteeing a RE floor price and assuming the spot market price risk. The PSF would initially be capitalized with international and domestic funds, leveraging private-sector investment in RE projects, and would eventually be privately operated. Once profitable,

the fund could possibly return the original donor contributions. The NAMA has significant political buy-in and would provide significant GHG and local health benefits. With CCAP's support, Chile has completed a "NAMA template" or concept note and begun discussions with potential funders. This NAMA was well received by meeting participants.

Criteria for Determining which NAMAs Contributing Countries Fund

Ned Helme presented a straw proposal of initial criteria that could be used in determining which NAMAs are funded by contributing countries. This included ***effectiveness criteria*** (level of GHG reduction, ambition, sustainability/replicability, and strong MRV of GHG and other metrics); ***implementation criteria*** (coherence with development plan, capacity to implement, and domestic political support); ***financing criteria*** (budget with national contributions, leveraging of private-sector investment, and maximized impact of international funding); and ***other factors*** (overcomes barriers and builds support for further actions).

In identifying important NAMA components from a funder's perspective, a developed-country participant underscored the importance of actions that: 1) go beyond incremental changes, 2) have high-level political leadership and country ownership, 3) lead to visibility for the funder, and 4) have a well-defined proposal (clear sectoral boundaries, GHG results), a monitoring and reporting plan, financial details (with domestic funding components, proposed finance tools, and an exit strategy). He made a strong case for NAMAs that demonstrate social and economic co-benefits and called for early implementation of real actions. In roundtable discussion, other developed countries agreed that financing for NAMAs will always need to demonstrate clear mitigation effects but that it should also advance development goals. They also expressed interest in funding NAMAs that: 1) have a clear GHG baseline, 2) have a clear exit strategy, 3) minimize risk, 4) leverage private-sector investment, 5) lead to replicable actions, and 6) show capacity to implement.

Developing-country participants added to the proposed criteria list the degree to which NAMAs: 1) help overcome technological and capacity barriers; 2) avoid duplication of efforts (and funding); 3) have buy-in from sectors and politicians; and 4) are included in national development plans. Several developing country participants felt that GHG reductions weren't effective in winning domestic political support and that including financing for other metrics would help get political support domestically. They also expressed that NAMAs should not be required to meet the highest level in each category of criteria (some could achieve significant GHG reductions per dollar, while others could rank higher in development benefits) – a balance across criteria would be important. Developing countries also noted that subnational support for NAMAs was important. Participants were split on the suggestion by one developed country that separate financing windows should be set up based on particular sectors.

Next Steps

Based on participant feedback in this meeting, CCAP will revise the straw proposal of NAMA criteria presented. CCAP is currently writing a concise paper on these criteria, to be released

shortly. The next policy lunch will be held at the Conference of Parties in Doha. The next MAIN regional dialogues on NAMA development will be held in Asia in July (Vietnam) and in Latin America in the fall (Dominican Republic).