



Bundesministerium
für Umwelt, Naturschutz
und Reaktorsicherheit



Policy Dialogue on Ensuring International Funding for NAMAs June 14, 2011 – Bonn, Germany

- Meeting Summary -

Moderators: Norbert Gorißen (Germany), Alicia Montalvo (Spain), Ned Helme (CCAP)

➤ Overview and Main Conclusions

This first policy dialogue of 2011, hosted by the governments of Germany and Spain and the Center for Clean Air Policy (CCAP), was attended by a focused group of developed-country participants, as well as participants from key developing countries.

The focus of this dialogue was on ensuring financing for the implementation of early developing-country NAMAs during the fast-start finance period. The discussion addressed the needs and priorities of both recipient countries and donor countries, potential avenues for near-term financing for NAMA implementation, and ways to mobilize the private sector. Chile and Colombia presented promising NAMAs under development, including obstacles they have faced, approaches to combining development and climate priorities, and strategies for selling NAMAs politically at home. Key points agreed to by most participants during the discussion included:

- Early financing for NAMA implementation should be pursued through three avenues: (1) direct bilateral support, (2) bilateral support coupled with investment from the donor country's private sector, and (3) developed-country contributions to a new near-term NAMA implementation program through the World Bank or other multilateral development bank (similar to the World Bank's Partnership on Market Readiness fund).
- Among the key criteria for donor countries in selecting NAMAs are a high level of political support/ownership in the recipient country and strong internal institutional capacity.
- Financing should be flexible and reflect the diversity of NAMAs (possibilities include revolving funds and concessional loans with grant components).
- A rethinking of MRV may be useful for NAMAs (compromise between complicated CDM system and broad national communications; MRV that assesses whether actions are implemented versus tons reduced).
- Reporting on development, poverty reduction, and other co-benefits was seen as an important part of MRV for both recipient countries and donors (and may help garner political support on both sides).

- Achieving early NAMA successes on the ground will serve to stimulate funding and political support in the future.

➤ **NAMAs in Development**

Ned Helme of **CCAP** opened the dialogue by highlighting the need for international financing dedicated to NAMA implementation as initial NAMAs are developed over the coming months. Several countries have made substantial progress on NAMAs, and many have received strong political support domestically. Achieving demonstrable results during the fast-start phase is critical to advancing the international NAMA architecture.

Alexa Kleysteuber and Eduardo Sanhueza began by presenting **Chile's** planned NAMAs. Chile's portfolio of transportation NAMAs incorporates sustainable changes in transportation modalities, integration of traffic management, low- and zero-emission vehicles, and energy-efficient transport. They have begun identifying potential reductions, costs, and co-benefits, and will be receiving support from Germany and the UK. On the energy side, Chile is prioritizing NAMAs in renewable energy and energy efficiency in mining and industry. Challenges to Chile's NAMA implementation include winning political support from the Ministry of Finance and other governmental bodies. To do so, Chile stressed, NAMAs need to not only contribute to their emissions-reduction target but also be aligned with national goals to reduce poverty and grow the economy at 6% annually. Criteria for selecting NAMAs in Chile include GHG reductions, development benefits, preserving competitiveness of exports, technology transfer, and consistency with national energy policy. Future tasks include ascertaining the level of detail required for securing funding from donors, as well as developing detailed implementation plans.

Andrea Garcia-Guerrero presented **Colombia's** transport NAMA in freight truck renewal and scrapping, which will replace the aging fleet (average 20 years old) with the help of a dedicated fund. This effort is projected to reduce emissions by almost 700,000 tCO₂ per year by 2012. While the project has received high-level government support, challenges for Colombia have included developing abatement cost curves, monitoring systems, and NAMA-appropriate MRV, as well as a lack of capacity in relevant ministries. Andrea characterized Colombia's approach to MRV so far as "halfway between inventory-style reporting and CDM-style specificity." She emphasized that NAMA development required new financial resources. As in the case of Chile, identifying and quantifying development co-benefits was key for obtaining support from both the government and the 14 donors Colombia is working with. Colombia also underlined the institutional usefulness of having other ministries' representatives on the climate change team and eventually placing climate change people in those ministries. Donors responded enthusiastically to both Colombia and Chile's NAMAs and offered constructive feedback related to financing.

➤ **Financing for Early NAMAs**

Alicia Montalvo of **Spain** offered insights related to Europe's experience with carbon markets: namely, that new policies should have both a political impact and a carbon-

reduction impact. She also emphasized the importance of incorporating past knowledge from CDM participation and attractively framing projects to obtain financing. Spain outlined four critical components of NAMAs: (1) a well-designed institutional framework at the national level that includes financial counterparts, (2) a developed data and information system, (3) country ownership (national priorities), and (4) measurable mitigation and poverty-reduction results.

Some donors questioned why financing was needed for measures like energy efficiency that appear to be win-win options, and developing countries responded that in many cases overcoming barriers could be done through loans if the policy design was tailored to local financial barriers.

Given the uncertain future of carbon markets, Norbert Gorißen of **Germany** expressed the need for an emphasis on financing supported NAMAs and posed the challenge of securing early funding for these actions. He suggested that a supported NAMA template should include accounting of emissions and a verification of funds, and that public funding could play a role in policy- and institution-building NAMAs. He asserted there was a need to develop a template for NAMAs and developing-country representatives supported the idea of a common NAMA format. Mr. Gorißen laid out the need for transparency in how financing is used, and pointed to direct private investment, bunker fuels, auction revenues, revolving funds, concessional loans, and multilateral funds as possible financing sources. He supported Ms. Montalvo's emphasis on ownership and political will among recipient countries and underscored the importance of sharing impressive stories of NAMA development in developing countries as a way to rebuild confidence in the international negotiations.

There was wide agreement among donor-country participants that coherent proposals, recipient-country ownership, high-level political buy-in, and a developed institutional framework are among the key criteria for selecting mitigation actions to support in recipient countries. Developing-country participants – in particular Colombia – described how establishing a strong inter-ministerial process has helped in obtaining project approval. Both donors and recipients reiterated the importance of addressing co-benefits such as poverty reduction when developing potential NAMAs. They also pointed to the need for improved coordination and communication among donors (and with recipients), which historically has been lacking.

Participants discussed the three near-term NAMA financing approaches outlined above (bilateral, bilateral plus private sector, and multilateral fund) and generally agreed that all three tracks could be pursued simultaneously to fund early NAMA implementation. In particular, participants took note of the potential for direct investment by the private sector in developing countries to spur NAMA development (especially related to technology) and suggested that the Green Climate Fund (GCF) should leverage private-sector finance. Some participants felt that while bilateral programs might be most appropriate for fast-start funding, multilateral funds could be most effective in the long term.

Three additional concerns arose in the discussion: (1) economic incentives for the private sector to seek up-front finance for supported NAMAs and CDM support for

projects in the same sector leading to the potential for double-counting emissions reductions, (2) the need for coherence between and monitoring of public and private finance, and (3) the desire on the part of developing countries to avoid NAMA support being tied to utilizing technology vendors from the donor country providing the NAMA support. Overall, participants agreed on the need to implement successful pilot projects in the short term to advance the NAMA/support architecture. One developed country indicated its willingness to fund several pilot projects initially in the next year and several other countries indicated plans to commit additional funds to NAMA support beyond the end of the fast-start finance period in 2012.

➤ **Next Steps**

The next policy lunch will be held during the October 2011 negotiations in Panama. CCAP and the World Bank Institute will also be holding Latin American and Asian regional dialogues of their Mitigation Action Implementation Network (MAIN) in the fall.