



The role of NAMAs and perspectives of NAMA financing mechanisms: towards COP 21

Papel de las NAMA y perspectivas de los mecanismos de financiamiento: hacia la COP 21



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ProNAMA: éxitos, retos y proyecciones
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The Need for GHG Mitigation

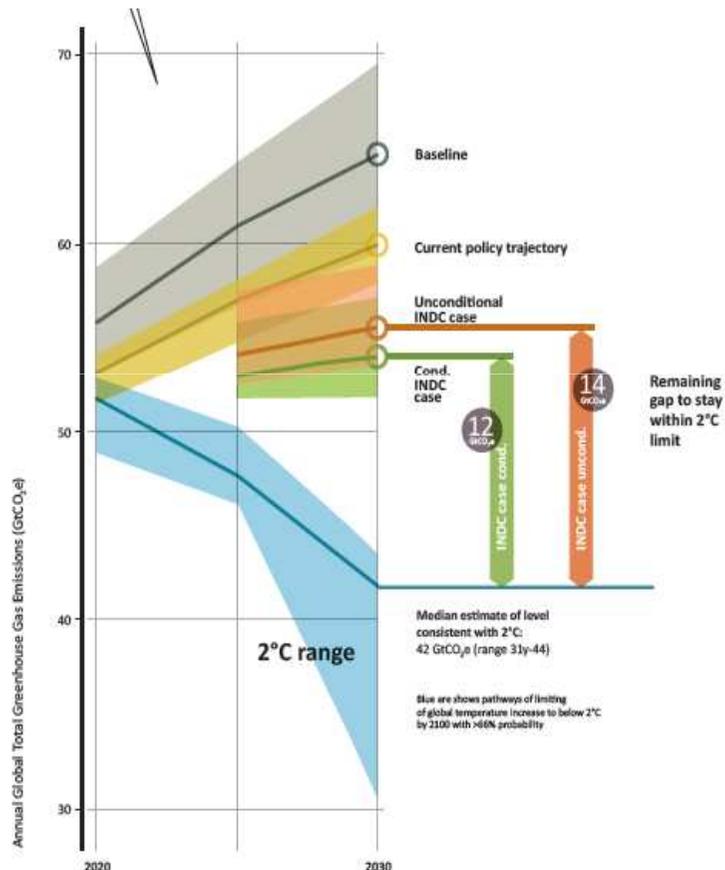


Figure ES2: The emissions gap

Source: UNEP
Emission Gap Report
11-2015

- The major challenge of international climate policy is to reduce GHG emissions to a level consistent with the **2°C objective**.
- 147 Parties communicated their *Intended Nationally Determined Contributions* (INDCs) by 1 October 2015 to the UNFCCC. Implementation of INDCs is estimated to result in **substantially slowing down global emissions** by 2025/2030.
- However there is still an **emission gap** of 12-14 GtCO₂e, meaning that current INDCs would limit the global **temperature rise to 2.7°C** towards the end of the century.
- Keeping the temperature increase below 2°C will therefore require **bold mitigation action by developed and developing countries** to achieve climate neutrality in the second half of the century based on least-cost scenarios.

The concept of NAMAs: what was agreed?

“Developing country Parties will take “nationally appropriate mitigation actions in the context of **sustainable development**, supported and enabled by technology, financing and capacity building, in a measurable, reportable and verifiable [**MRV**] manner” (Bali Action Plan, UNFCCC 2007)

“... aimed at **achieving a deviation in emissions relative to ‘business as usual’ emissions** in 2020” and

“... developed country Parties shall provide enhanced financial, technological and capacity building support for the preparation and implementation of NAMAs”.
(Cancún Agreements, UNFCCC 2010)

- **Voluntary climate protection measures** taken by developing countries, embedded within their national development plans.
- supported and enabled by **financing, technology, and capacity building** from developed countries.
- **Measurement, Reporting and Verification (MRV)** of these actions is important to generate transparency on their effectiveness and facilitate decision-making.



The concept of NAMAs: Fundamental elements

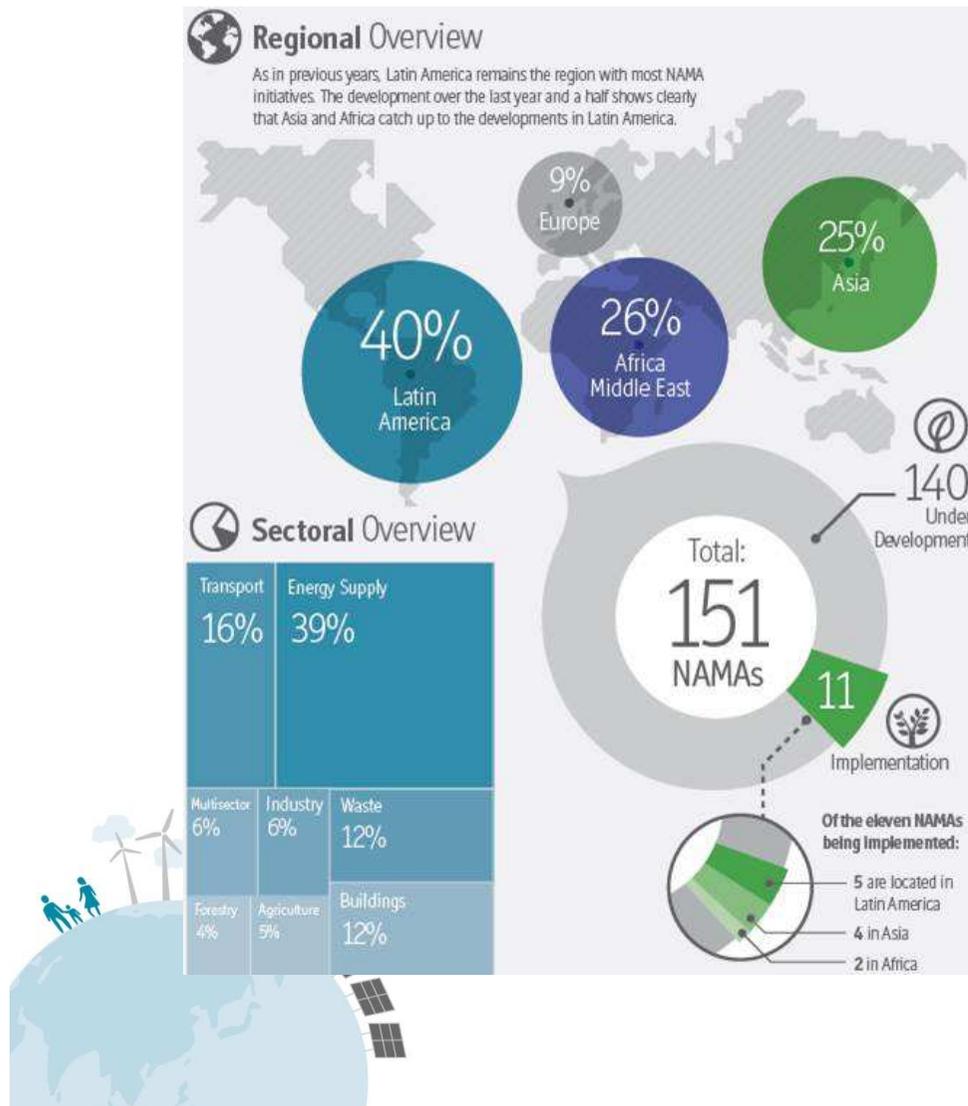
Emerging consensus on some characteristics that serve to strengthen the transformational change potential of NAMAs:

- › Country-driven and **anchored in national development strategies and plans**
- › NAMAs should strive to be **sector-wide programmes** that are national in scope, even if regional or municipal elements could form part of the overall design
- › **Combination of policy and finance:**
 - Policies should serve to create an enabling environment and channel financial flows into low-carbon investments.
 - Financial mechanisms should address barriers for investment and leverage potential public support for mitigation activities, thus activating the private sector, who has significant financial resources.



Source: Worldbank

Status of NAMAs



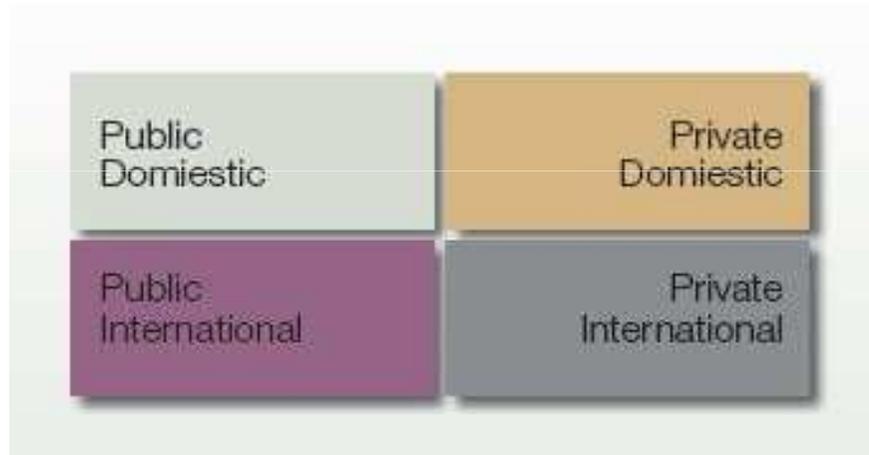
- 110 NAMAs are registered in the **UNFCCC NAMA Registry**, and 151 in the **NAMA Database**
- Latin America is the region with most NAMAs
- Several countries are setting up their own registry
- Energy supply is the most common sector, but also transport, waste management and buildings
- Focus on NAMA readiness, NAMA implementation is still moving slow

Source: Mitigation Momentum, NAMA status report June 2015

Climate finance for NAMAs

Financial support for NAMAs is available through a variety of sources and instruments. Complex interactions between sources of finance, the role of actors and decision makers, and the different financial instruments.

Sources of finance



The order of leveraging finance for climate-friendly investment



Actors:

- National Governments
- Bilateral agencies and Development Finance Institutions (DFIs)
- Multilateral Development Banks MDBs, (e.g. IADB, ADB, EIB, ERDB) and agencies (UNEP, UNDP) and Climate Funds (GCF, CIF etc.)
- Private Investors

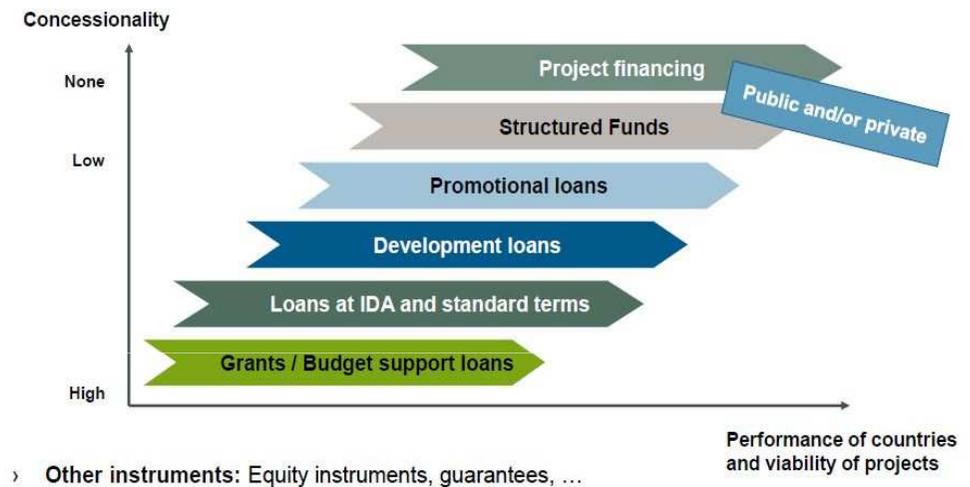
Sources: UNEP-DTU, S. Lütken, CPI



Climate finance for NAMAs

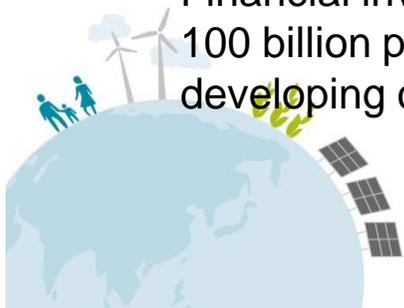
Financial instruments (example)

- Grants, budget support, incl. TA
- Debt: loans with different levels of concessionality
- Equity
- Risk mitigation measures: guarantees, insurance, export credits



Issues related to the financing of NAMAs:

- Cost efficiency in emissions reductions
- Leveraging sufficient capital to meet the demand for funding
- Financial involvement of the private sector; this is crucial for the mobilization of USD 100 billion per year by 2020 to finance mitigation and adaptation actions in developing countries.



NAMA Facility: Support for the implementation of NAMAs

Facts

- Officially announced by Germany and UK at COP 18 in Doha in 2012
- In 2015 Denmark and the EU Commission joined the NAMA Facility, overall funding increased to > EUR 200 million.



Purpose and role

- Funding the implementation of **ambitious** NAMAs seeking international support
- Demonstrating a framework for providing tailor-made climate finance.
- **Raising ambition** to close the emission gap and address the lack of NAMA finance for implementation
- Demonstrate that climate finance can effectively support **transformational change** in partner countries, reduce GHG emissions and enhance low-carbon development



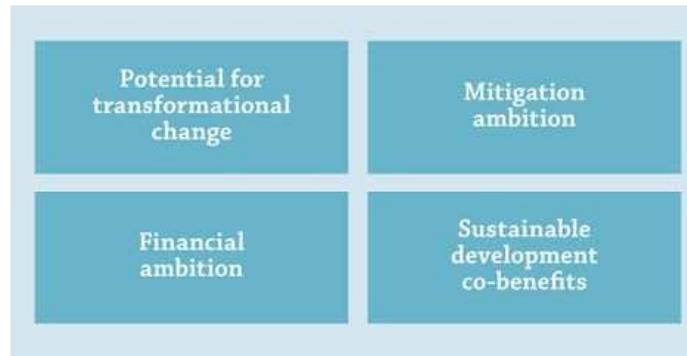
Support for the implementation of „**NAMA Support Projects**“ focussing on financial support (e.g. grants, concessional loans, guarantees), with technical assistance (e.g. capacity building) where combined with or closely linked to financial support.

Assessment Criteria NAMA Support Projects

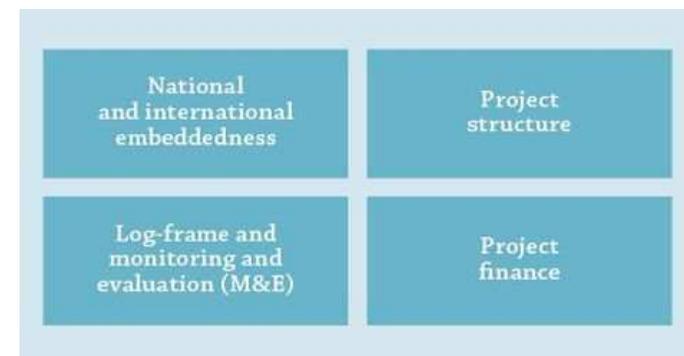
I Eligibility Criteria

- ✓ formal requirements (completeness, language regime, etc.)
- ✓ submission by a national government, regional intergovernmental organisation or qualified Delivery Organisation (see criteria)
- ✓ endorsement by the national government (letter for support)
- ✓ cooperation with a qualified Delivery Organisation (letter of support)
- ✓ readiness for starting the implementation of the NAMA
- ✓ adequate time-frame for the implementation
- ✓ financing volume between € 5–20 million
- ✓ concept for the phase-out of international support
- ✓ qualification as Official Development Aid (ODA) given

II Ambition Criteria



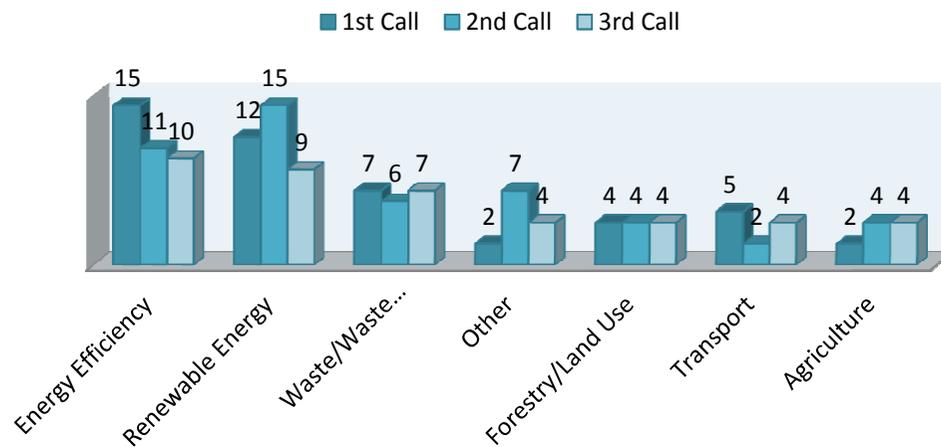
III Feasibility Criteria



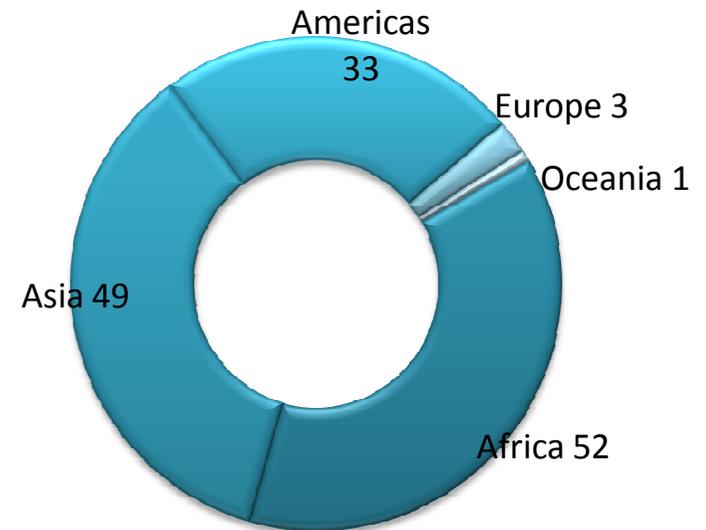
Three Calls for NAMA Support Projects

- Since 2013 three calls for projects were launched by the NAMA Facility
- A total of 138 Outlines were submitted covering different sectors and regions
- Results of the 3rd Call will be announced during COP 21 in Paris

**Total NSP Outlines received by sector
all 3 Calls**



**NSP Outlines received by region
all 3 Calls**



Selected NAMA Support Projects



| Country | NAMA Support Project | Funding Volume (million EUR) |
|--------------|---|------------------------------|
| Mexico | Implementation of Housing NAMA in Mexico* | 14 |
| Costa Rica | Low Carbon Coffee NAMA Costa Rica* | 7 |
| Indonesia | Implementation of the Sustainable Urban Transport Program Indonesia - SUTRI NAMA* | 14 |
| Chile | Self-Supply Renewable Energy (SSRE) in Chile | 15 |
| Columbia | Colombia Transit-Oriented Development (TOD) NAMA | 14.9 |
| Peru | TRANSPerú - Sustainable Urban Transport NAMA Peru | 9 |
| Tajikistan | Forestry NAMA Support Project Tajikistan | 13 |
| Thailand | Thailand Refrigeration and Air Conditioning NAMA (RAC NAMA) | 14.7 |
| Burkina Faso | Biomass Energy NAMA Burkina Faso | 13.5 |

* funding for implementation approved

Thailand - Refrigeration and Air Conditioning (RAC) NAMA

Transforming the market for RAC and cooling technology

- **Objective:** initiate a sector wide transition towards the use of climate friendly and energy efficient cooling technologies
- Emission reduction: 19,4 Mt CO₂eq over the lifetime

Financing mechanism:

- Grants for RAC producers covering the incremental cost of the new technology
- Subsidized loans for users as a revolving fund through commercial banks
- Financial volume: 9.9 mill. EUR
- Leverage: 10 mill. EUR public and 52 mill. EUR private funding



Photo: TSU NAMA Facility



Chile - Self-Supply Renewable Energy NAMA

- **Objective:** The project aims to foster renewable energy for self consumption in small and medium-sized businesses
- Business model RE self-consumption
- Emission reduction: 1.5 Mio. t CO₂-e over 25 years

Financial mechanism (details under design):

- Pre-investment grants for project promoters (for feasibility studies to set up a project pipeline)
- Partial credit guarantee scheme for local financial intermediaries channeled via CORFO
- Training for bankers
- Financial volume: 12 mill. EUR
- Leverage: 18.3 mill. EUR public funds
41.2 mill. EUR third party contributions (GEF and CTF)



Photo: TSU NAMA Facility



Peru – TransPeru NAMA

- **Objective:** Transformation of the Peruvian urban transport sector into a sustainable low-carbon sector. The project rests on two building blocks: high quality public transport provision and vehicle fleet optimisation.
- Emission reduction: 2.2 MtCO₂ in 2022



Photo: TSU NAMA Facility

Financing Mechanism:

- Policy-based lending, a policy matrix is the core element which defines the activities. Disbursements are linked to compliance with the matrix (results based funding).
- Funding volume: 4 mill. EUR of grants directly bound to „soften“ a development loan of 44 mill. EUR.



NAMA Financing Mechanisms: Summary

| Country / Sector | Financial support mechanism |
|--------------------------|---|
| Mexico - housing | <ol style="list-style-type: none"> 1. Loan guarantees for financial intermediaries 2. Direct investment grants to small and medium sized developers |
| Costa Rica - agriculture | <ol style="list-style-type: none"> 1. Subsidized loans and loan guarantees 2. Small-scale direct investment subsidies (grant) 3. Subsidies (grants) for planting special trees |
| Indonesia - transport | <ol style="list-style-type: none"> 1. Concessional loans to private companies 2. Grant funding of public infrastructure |
| Chile | <ol style="list-style-type: none"> 1. Direct investment grants to small and medium promoters 2. Loan guarantees for financial intermediaries |
| Thailand | <ol style="list-style-type: none"> 1. Grants for producers covering incremental cost of new technologies 2. Subsidized loans for users |
| Peru - transport | Results based funding of a policy matrix |



Lessons Learned and Conclusions

- › Implementation readiness: very few projects are in a stage where actual investments are supported through specific policy frameworks, many projects are still in an early stage of development and require substantially more time for preparation. It should be seen as a continuum.
- › Financial support mechanisms (incl. policy support) are not fully developed at outline or even at proposal stage. Neither are business models/cases for the investors that would serve as a basis for the selection of a suited financing mechanism.
- › In general, we have the impression that the development of financing mechanisms so far are not in the focus when developing NAMAs. At least from the 140 outlines we received through 3 calls, we can see this as a consistent weakness.

We would like to encourage countries and technical and advisory organizations being involved in NAMA preparation

- › to consider and integrate financial aspects and financing schemes right from the beginning into the NAMA development and to involve the banking sector
- › to be more innovative/creative in selecting adequate financing mechanisms
- › to really think about the best leverage effect and the highest sustainability of climate finance, e.g. by de-prioritizing grant schemes as financing mechanisms



Post-COP 21 perspectives

What can we expect for NAMAs?

- › NAMAs will continue to have an important role in climate action. They can be the building blocks for a future climate regime and hence deserve to be accepted as a serious approach for the delivery of government-led mitigation actions.
- › (Indented) nationally determined contributions will define the ambition in a new climate agreement, NAMAs will bridge the gap between ambition and action; especially for those parts of INDCs that are conditional.
- › NAMAs will provide the experience and lessons learned on the ground that is necessary for replication and scaling-up of climate action and for accessing larger funds (e.g. through the GCF).
- › More exchange will be required between the practitioners, including the developers and financiers of NAMAs, we also would expect that governments will strengthen their NAMA coordination role in the different sectors.
- › Unclear at this stage how the finance landscape will develop with regard to NAMAs, whether NAMAs are fit for GCF funding or whether they will be supported by more flexible financial support, e.g. through bilateral financing institutions. Technical support will continue to be very relevant for NAMA development, incl. capacity building, supporting the enabling environment and MRV.



*See also: Mitigation Momentum
Roundtable dinner on NAMAs 2015* 18



Thank you for your attention!



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POUR LE CLIMAT

cop21.gouv.fr #COP21

Please visit the
**NAMA events at
COP 21 in Paris**

UNFCCC NAMA Fair

2 December 2015, 15:00-20:00
Observer room 02

NAMA Facility Reception

7 December 2015, 14:30-16:00
at the EU Pavilion, Hall B
(Blue zone), Le Bourget,
Room Luxembourg

Further information: www.nama-facility.org
or contact the Technical Support Unit at contact@nama-facility.org

