

TRANSFORMATIONAL NAMAS, CLIMATE FINANCE & TRANSITIONING TO A 2015 AGREEMENT

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Dialogue. Insight. Solutions.



SHARED VISION ON TRANSFORMATIONAL NAMAS

- Developed and developing countries are converging on a common understanding of NAMAs
- Goals:
 - scale up mitigation action in developing countries,
 - create pipeline of bankable mitigation projects,
 - achieve transformational outcomes,
 - advance sustainable development, and
 - mobilize private investment – with limited concessional funding
- The following four elements are fundamental to the NAMA concept and are needed to realize the potential for NAMAs to drive transformational change...

1) NAMAs must be host country-driven and incorporate dual goals of greenhouse gas (GHG) mitigation and sustainable development

- NAMAs can help close the climate change mitigation gap by moving countries/sectors toward a low-carbon pathway
- Sustainable development and poverty reduction benefits help attract high-level political and stakeholder support and advance national goals
- Use of development, health, mobility and other MRV metrics can help sell NAMAs to local political leaders and help to ensure that policies will continue when funding support ends

2) NAMAs should strive to be sector-wide programs that are national in scope, with the potential for regional or municipal elements

- NAMAs and NAMA finance can move beyond project-level mitigation efforts and instead transform entire sectors by removing barriers
- Many sectoral NAMAs (e.g., transport, waste) will have components that are implemented at the local level
- NAMAs can fill the void created by the CDM's decline, maintain policy momentum in DCs, and dramatically scale up climate actions
- NAMAs allow DCs to claim GHG reductions rather than producing carbon offsets for developed countries

3) NAMAs should include both policies and financial mechanisms targeted to address the main barriers to mitigation activities

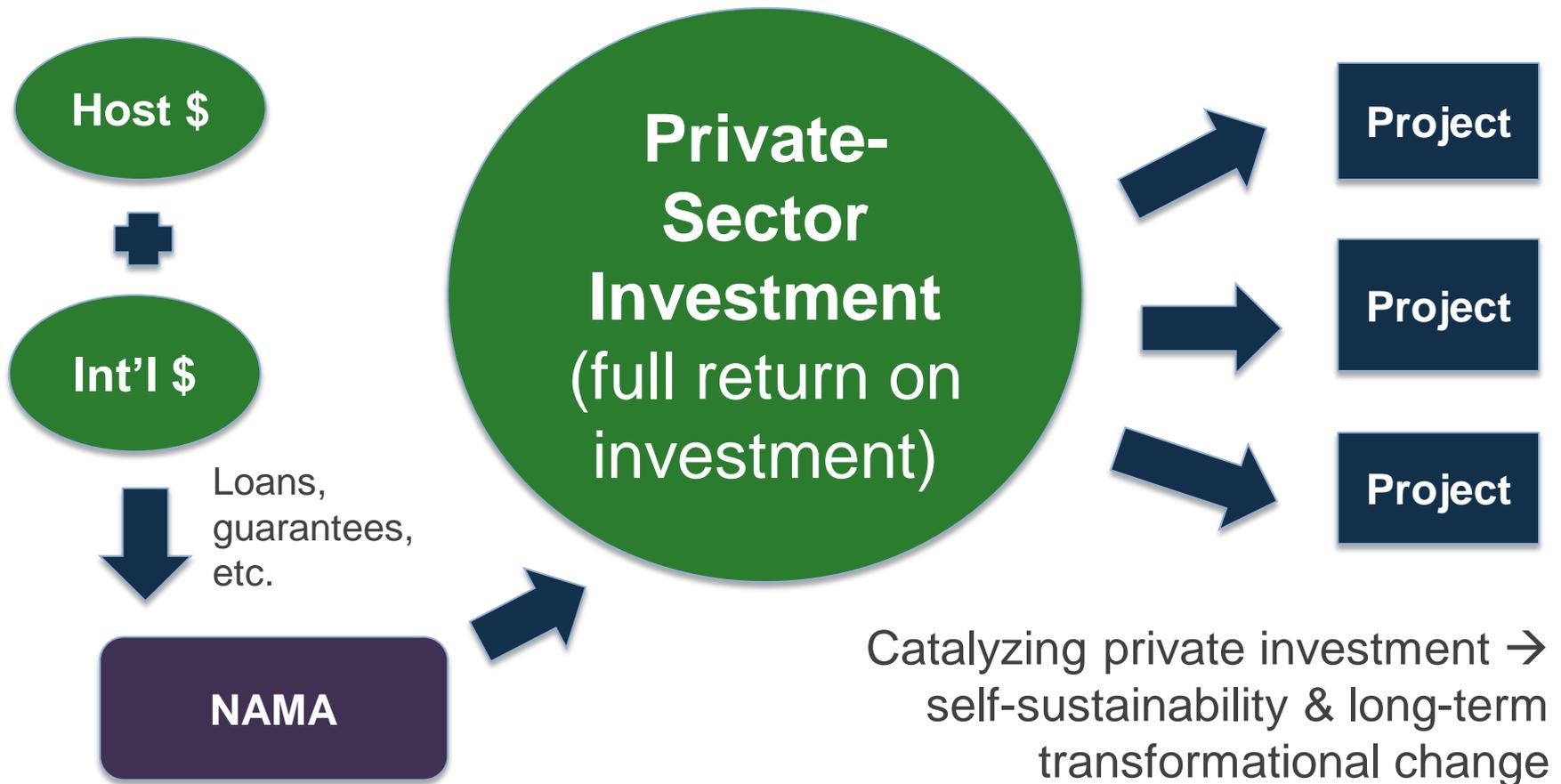
- NAMA finance should focus on eliminating barriers or changing risk-return equation for sectors to create a pipeline of investment opportunities for the private sector and development banks
- Effective policies can drive private investment in low-carbon technologies through mandates and by influencing the relative risks and returns of investment choices. Financial mechanisms coupled with policies can overcome investment barriers
- This represents a new paradigm for ODA: policy changes are directly linked to financing mechanisms aimed at increasing the economic attractiveness of the investments

4) NAMAs that seek international support should use NAMA funding (in the form of grants or highly concessional finance) to mobilize additional climate finance

- NAMAs can leverage international funds to catalyze funding from bilateral institutions, development and private banks, and the private sector
- DCs should determine the best instrument to effectively use NAMA funds to overcome financial barriers

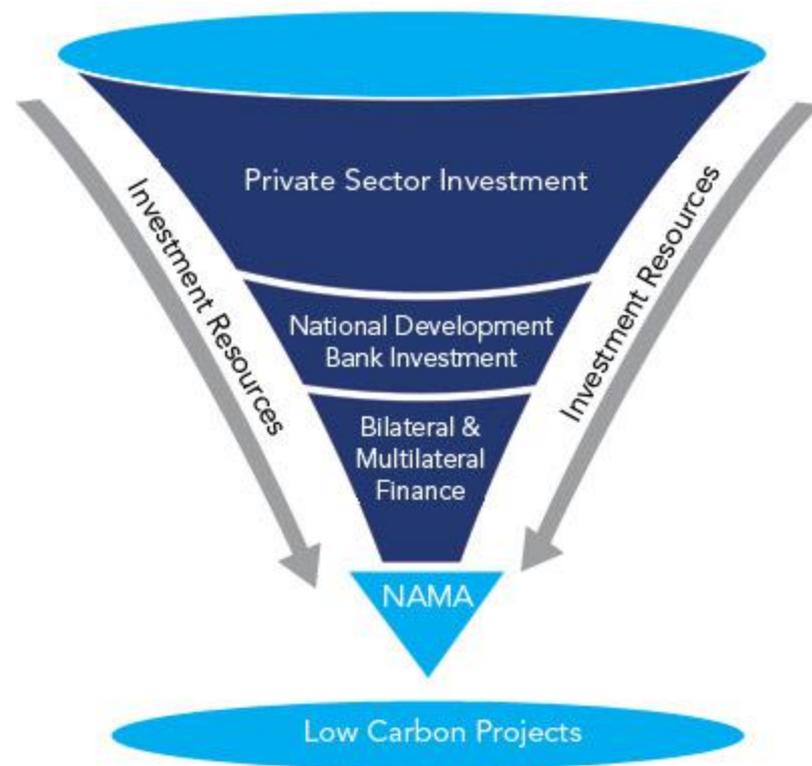
INTERACTION OF NAMA FINANCE WITH OTHER FINANCE SOURCES

NAMA finance funds should leverage public funds to enable private investment



THE ROLE OF NAMA FINANCE: THE GLUE

- Flexibility of NAMA finance is crucial, as it can address those specific barriers that stall flows of other kinds of finance
- Concessionality is also key to allowing other kinds of finance to earn the appropriate rate of return by passing on value (e.g., blended finance)

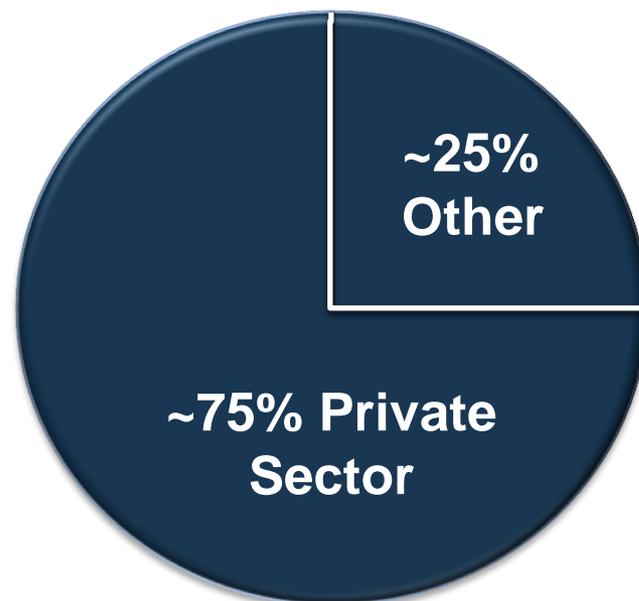


SUCCESSFUL NAMA FINANCE

To attract private investment, we need:

- Appropriate domestic policy frameworks that are transparent, certain, and consistent over time
- Risk-reduction measures
- Available revenue support and concessional instruments that improve the return on climate-friendly investments

Current Climate Finance (globally):



SUCCESSFUL NAMA FINANCE (CONT'D)

NAMA finance is most likely to succeed when it works with existing institutions and sources of finance

- Careful integration will provide for dynamic outcomes, encouraging private investment in NAMAs, and leading to long-term transformational change
- Must be carefully crafted to the unique circumstances of each country (remove barriers)
- NAMA design should involve a wide range of stakeholders, **early** consultation with banks, private sector investors, etc.

COLOMBIA WASTE NAMA: NATIONAL CIRCUMSTANCES & CHALLENGES

- Landfills account for 5% of national emissions
- Tariff rates promote landfill disposal and disincentivize alternative treatment
 - 90% of waste is disposed in landfills
- Most recycling is conducted by the informal sector, which works in dangerous conditions, has poor quality of life and low wages
- Growth in waste streams is putting pressure on existing landfills and creating environmental problems such as increased leachate



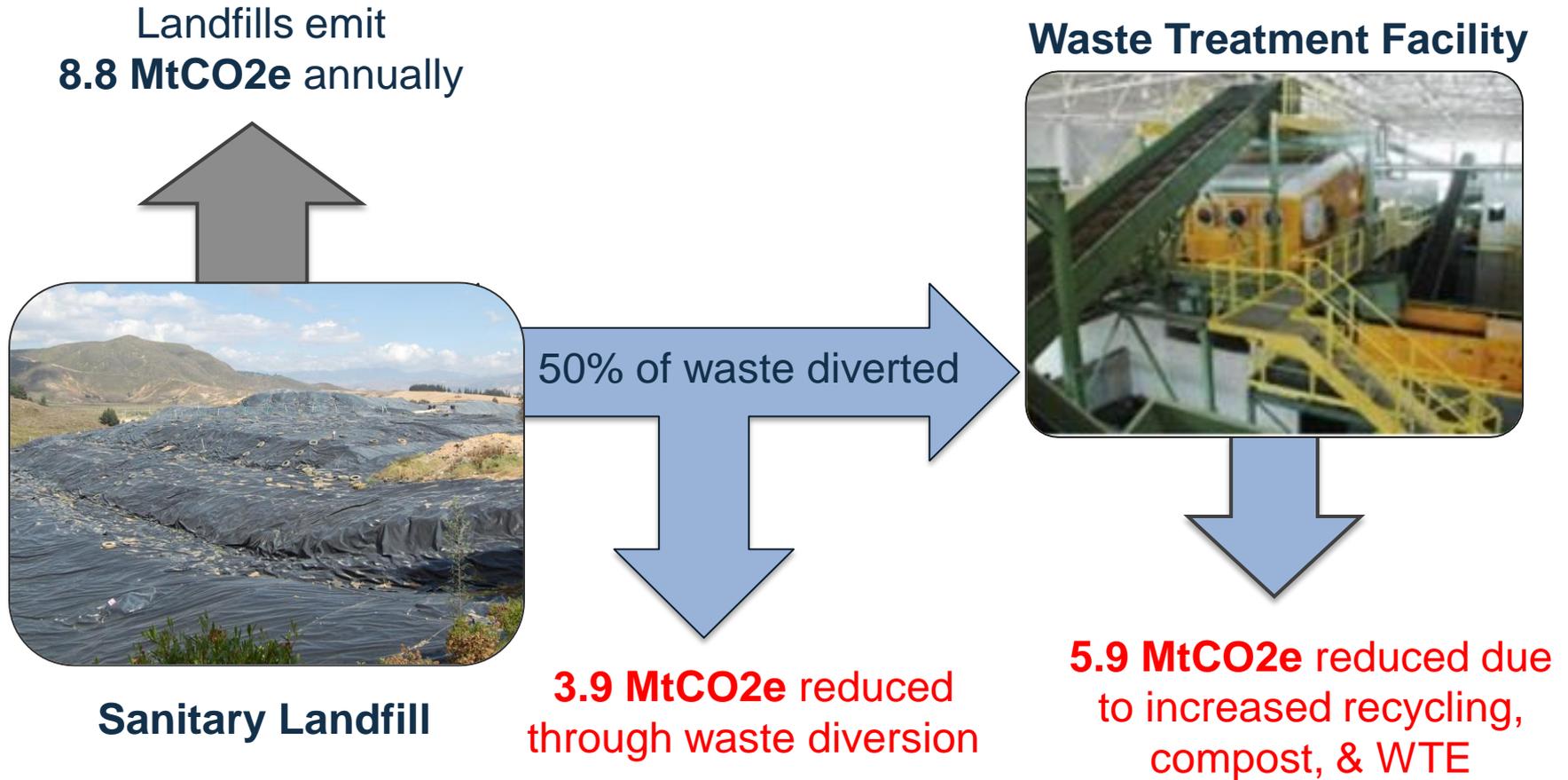
COLOMBIA WASTE NAMA: BARRIERS AND KEY ELEMENTS

Specific barriers identified and NAMA designed to target these

Barrier	NAMA Element
New/alternative technologies not eligible for competitive tariffs	<ul style="list-style-type: none">- Tariff reform- New standards for alternative technologies
Private sector reluctant to invest equity in new business models	<ul style="list-style-type: none">- Establish NAMA Equity Fund- Demonstrate modern technologies (MBT & MRF)- Create incentives for the private sector (ie PPP schemes)- Improve waste management processes (source separation, selective routes) to create investment opportunities
Informal sector receives low wages from collection of waste	Formalization of informal waste pickers

NAMA will be piloted in 3-4 cities, starting with Cali, then will be scaled up and replicated nationally.

COLOMBIA WASTE NAMA: EXPECTED OUTCOMES



Carbon Neutral Waste Sector

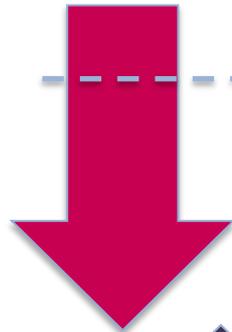
TRANSITIONING TOWARDS A 2015 AGREEMENT

- Developing countries will play a critical role in mitigating climate change
- NAMAs show DCs their potential to significantly reduce emissions while **advancing sustainable development goals**
 - NAMAs allow DCs to achieve GHG reductions that stay within their own borders, in contrast with offset mechanisms
 - Address sectors overlooked by the CDM (eg, transport)
- Aggregated sectoral actions show what is possible economy-wide
- Will allow DCs to develop realistic national pledges that reflect the range of reductions that can be achieved contingent on successful implementation and NAMA financing
- Countries could regularly update implementation schedules to reflect progress and revise pledges based on concrete results

CONCEPTUAL IDEA ON ROLE OF NAMAS IN A 2015 AGREEMENT

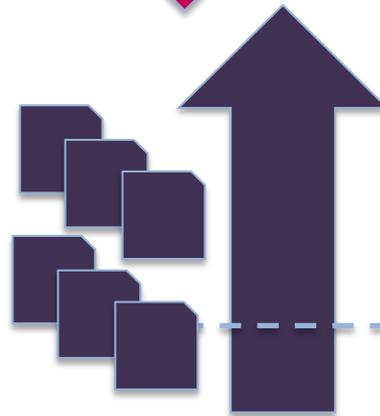
Top Down

Over-all Aspirational mitigation target for middle-/low-income developing countries (non-binding)



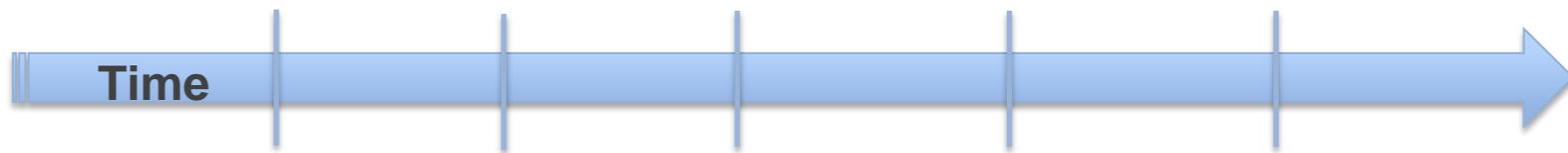
Aspirational targets built up from NAMAs show full **range** of estimated reductions related to level of financial support provided

List of NAMAs planned to be implemented by developing country



NAMAs themselves can have different **ranges** of reduction goals depending on levels of financial support and implementation success)

Bottom Up



Time

Scheduled reviews of NAMAs, NAMA implementation & targets

Nationally *Appropriate* Mitigation Actions

- Domestic sustainable development goal will be the key driver
- Will produce greater host country political buy-in and greater likelihood of successful implementation and replication of NAMAs
- Important for all investors (public, private & financial sector)



Therefore

- Selection of NAMAs for contributing country and multilateral financial support should be based on sustainable development and other benefits as well as GHG reductions
- Developing countries should be encouraged to rely on non-GHG metrics in development, implementation and MRV of NAMAs
- These other metrics need to be taken into account when financing decisions are made and/or in the design of financing mechanisms

THANK YOU

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Please visit us at www.ccap.org.