

Lessons Learnt : Early Experiences for NDC Implementation at the NAMA Facility

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Supporting Countries in Implementing NAMAs and NDCs

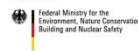
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I. Introduction to the NAMA Facility

Aim

Support developing countries and emerging economies in implementing ambitious NAMAs. NAMAs are an important vehicle to implement nationally determined contributions (NDCs) under the Paris Agreement.

Who we are

- A multi-donor fund : Jointly established by Germany (BMUB) and UK (BEIS, formerly DECC) in 2013, Denmark (EFKM, MFA) and the European Commission joined in 2015 as additional donors
- Total funding made available through the NAMA Facility since its inception: approximately EUR 262 million
- Secretariat (Technical Support Unit) based in Berlin



I. Introduction to the NAMA Facility

What we support

- NAMA Support Projects (NSP) as the most ambitious part of the NAMA. NSPs are selected in annual Calls.
- Provide funding for a combination of financial and technical measures
- Key data of suitable NSPs: 3-5 years implementation period, NF funding budget of EUR 5-20 million
- There is no regional or sectoral focus
- In four Calls, 21 NSPs have been pre-selected

Key requirements for project selection

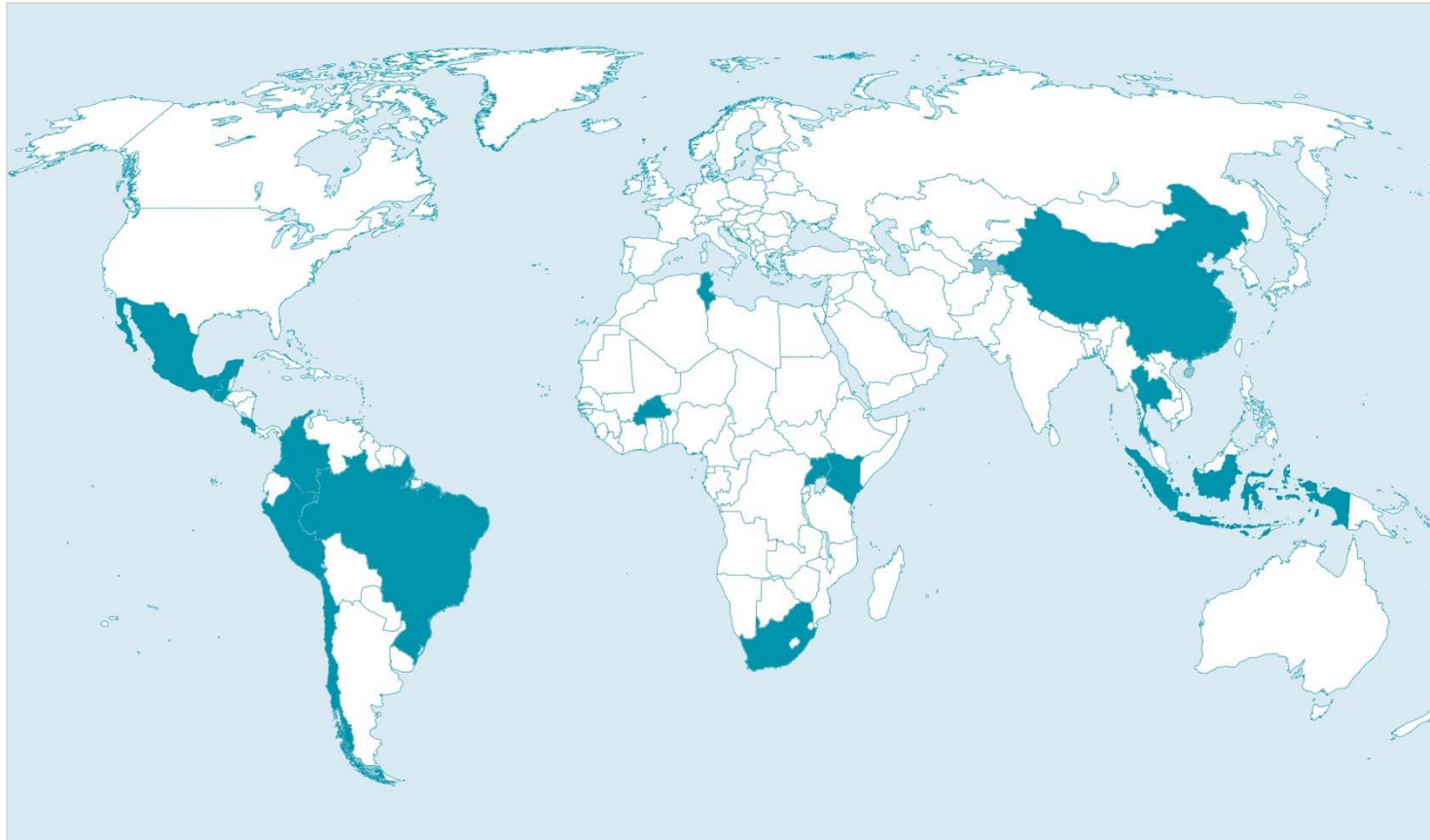
- Implementation readiness
- Mitigation potential
- Transformational change

Overarching sector-wide NAMA

NAMA Support Project (NSP)



NAMA Facility portfolio



Africa: Burkina Faso, Kenya, South Africa, Tunisia, Uganda

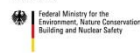
LATAM: Brazil, Chile, Colombia, Costa Rica, Guatemala, Mexico, Peru

Asia: China, Indonesia, Philippines, Tajikistan, Thailand

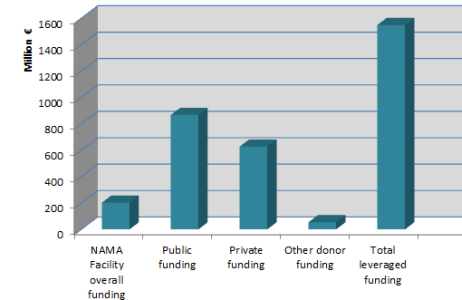


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Focus on transformation



- Objective is to shift a sector in a country toward a sustainable, irreversible low carbon pathway
 - That happens quicker than the BAU scenario of technological development
- Achieving transformational change with up to €20m is ambitious, and requires significant leveraging
- Financial mechanisms are at the core of the NAMA, as they are needed to kick-start the reversal of funding flows
 - There is a diversity of potential instruments
 - Most NSPs foresee a mix of at least two financing mechanisms
 - Some include results based financing, although for a limited grant facility this limits the reach, scaleability of the intervention



II. General findings on ambition

- Projects which scored most highly demonstrated strong government commitment and embeddedness:
 - relationship to the relevant NDC (which was highly evident in the shortlisted projects)
 - significance of the sector in terms of GHG emissions e.g. sector contributes to > 5% of national emissions
- Mitigation potential is a key aspect of ambition
 - Often overestimated or poorly substantiated
 - Direct GHG mitigation should be transparent, based on an adequately defined business as usual scenario and using relevant methodologies
 - Indirect mitigation potential was often missing altogether



II. General findings on ambition continued

- Transformational change: demonstration of the government's willingness to effect an irreversible change towards a low carbon pathway, faster than a business as usual technological development, as evidenced by
 - Policy reforms and fiscal regulatory instruments (including relevant enforcement measures) such as limitations/bans/phase-outs, fees and other economic instruments, including fossil fuel subsidy reform and re-direction of other harmful subsidies
 - Must go beyond a conventional project scenario e.g. on-grid PV power plant, or a typical replacement scenario e.g. simply replacing outmoded technology



III. General findings on Feasibility

- Importance of a plausible project rationale and scope
- Implementation readiness should be demonstrated taking into account the detailed project preparation phase and up to 5 years of NSP implementation
- Most projects build on pilots and predecessor initiatives. The best outlines analysed lessons learnt - which strategies/mechanisms worked well
- Technology considerations are important
 - Both current and proposed climate friendly technology to be deployed should be adequately described. Economic and technical viability in the country context should be addressed.
 - What is the business case for these sub-projects?



Financial sustainability



- NAMA proponents have typically looked at *short term* instruments that can be funded by the NF e.g. interest rate subsidies
 - Better to look at more permanent financing sources to redirect financial flows, e.g. public sector budgets, taxes, guarantees
 - Also, contribution from private households and industry aids financial sustainability
 - NF funding needs to be temporary with a clear phase-in and phase-out concept
- Financial ambition is best evidenced by
 - Leveraging of private sector capital, through e.g. investors equity, bank loans, user fees/tariffs; and/or
 - significant mobilisation of domestic, public sector funding e.g. budgetary allocation
- *Note* : also strong role for policy reform and regulatory change, which can be funded through technical assistance



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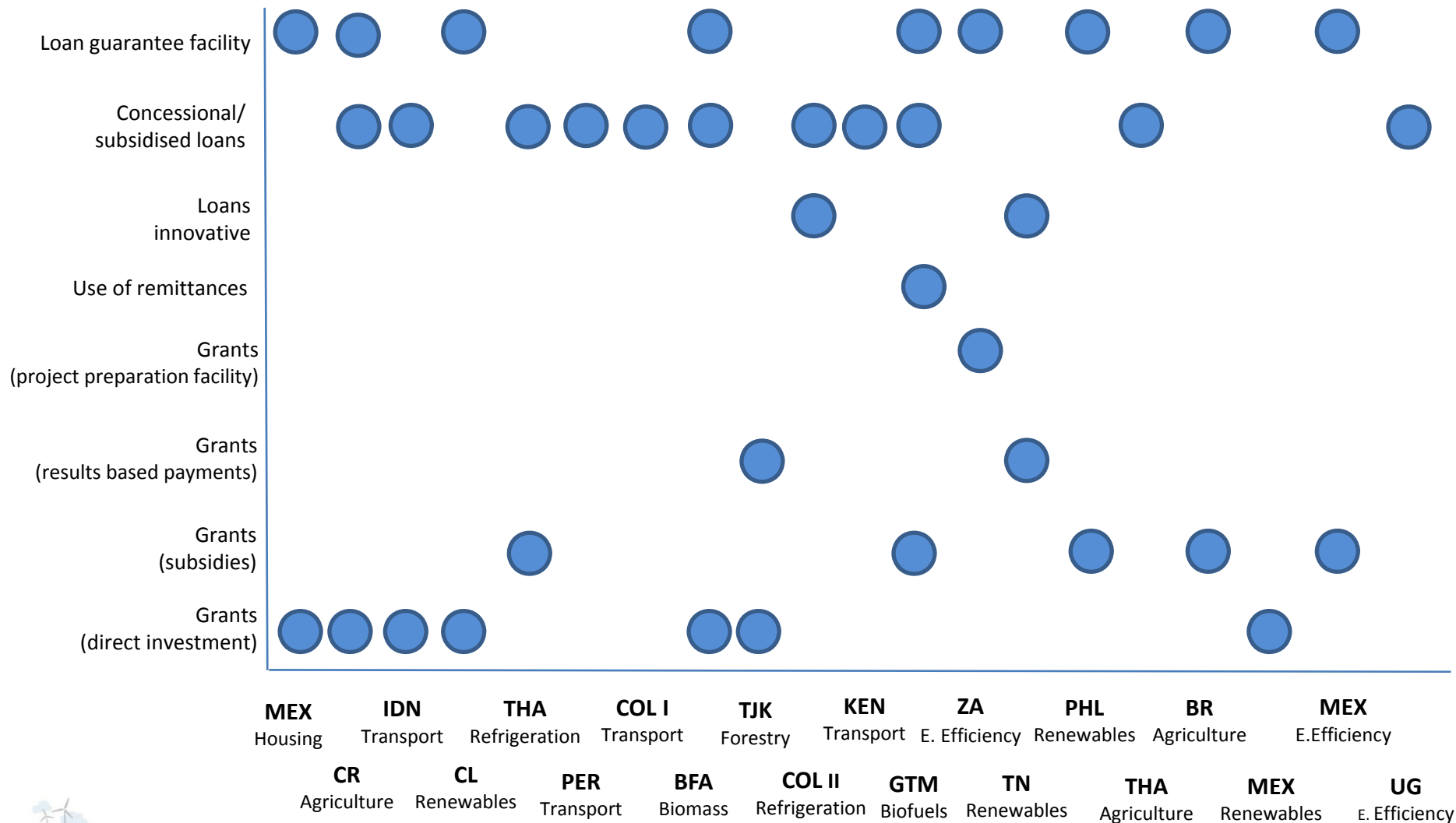
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Department for Business, Energy & Industrial Strategy

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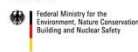


Financial mechanisms used in NAMA Facility



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Conclusions

- NAMAs are a means of helping countries achieve their NDC commitments under the Paris Agreement
- The Paris Agreement, through the NDCs, provides a context and mandate for NAMAs to play a significant and ongoing role in climate change mitigation.
- NAMAs are aligned with and supportive of domestic climate policies and plans and are “nationally appropriate”



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Conclusions - 2

- NAMAs are vehicles for learning and disseminating best practice in mitigation actions with a focus on “what works” and practical experiences
- NAMAs are a testbed for innovative use of financial instruments and business models
- NAMAs have strong linkages to the Sustainable Development Goals and can support broader development outcomes



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