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Report on the first workshop under the work programme to further the understanding of the diversity of nationally appropriate mitigation actions by developing country Parties

Note by the secretariat

Summary

This report provides a summary of the first workshop under the work programme to further the understanding of the diversity of nationally appropriate mitigation actions (NAMAs) by developing country Parties, underlying assumptions and any support needed for implementation of these actions. The workshop was held in Warsaw, Poland, on 11 and 12 November 2013, during the thirty-ninth session of the Subsidiary Body for Implementation. The workshop provided an overview of the agreed outcome in relation to NAMAs, implementation updates from developing country Parties, an overview of available information on NAMAs and an overview of support needs, and focused discussion on the development of baselines for NAMAs and on financial support for NAMAs.

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I. Introduction

A. Mandate

1. The Conference of the Parties (COP) established, at COP 18, a work programme to further the understanding of the diversity of nationally appropriate mitigation actions (NAMAs) under the Subsidiary Body for Implementation (SBI), with a view to facilitating their preparation and implementation.[1]

2. The COP decided that this work programme should start in 2013 and end in 2014, and should include focused interactive technical discussions, including through in-session workshops, with input from experts and submissions from Parties and observer organizations.[2]

B. Organization of the workshop

3. The first workshop under the work programme to further the understanding of the diversity of NAMAs by developing country Parties, underlying assumptions and any support needed for implementation of these actions took place at SBI 39 on 11 and 12 November 2013 in Warsaw, Poland.

4. The workshop was divided into five segments. Segments one to four were held on November 11 and were chaired by Mr. Robert Van Lierop, Vice-Chair of the SBI. The fifth segment was co-chaired by Ms. Ann Gan (Singapore) and Mr. Helmut Hojesky (Austria) and addressed in detail the issues of baseline development and financial instruments used to support NAMAs.

II. Summary of proceedings

A. Segment one: overview of the agreed outcome pursuant to the Bali Action Plan and status of participation of developing countries

5. The first segment was opened with a presentation by Mr. William Kojo Agyemang-Bonsu (secretariat), which provided an overview of the agreed outcome relating to NAMAs by developing country Parties. He also provided a brief summary of information on NAMAs submitted by Parties to date.

6. Key points made in the briefing included:

(a) Developing country Parties have agreed to undertake NAMAs in the context of sustainable development, supported and enabled by technology, financing and capacity-building, aimed at achieving a departure in emissions from 'business-as-usual' emissions in 2020;

(b) There are two avenues under the Convention for work on NAMAs:

(i) An open invitation to developing country Parties that wish to voluntarily inform the COP of their intention to implement NAMAs in association with decision 1/CP.16;[3]

[1] Decision 1/CP.18, paragraph 19.
[2] Decision 1/CP.18, paragraph 20.
[3] Information on such NAMAs has been compiled in document FCCC/SBI/2013/INF.12/Rev.2.

(ii) Individual NAMAs that are seeking support for preparation, implementation or recognition. These NAMAs may be submitted to the registry for recording;

(c) Fifty-seven Parties and the African Group, corresponding to approximately 37.5 per cent of all developing country Parties, have submitted NAMAs in association with decision 1/CP.16.

7. Mr. Agyemang-Bonsu encouraged other developing country Parties to submit NAMAs in association with decision 1/CP.16.

B. Segment two: country updates on implementation of nationally appropriate mitigation actions

8. The second segment consisted of oral updates on the preparation and implementation of NAMAs. Representatives of South Africa, Chile, Colombia, Mexico, Burkina Faso, China, Armenia and Indonesia provided updates as follows:

(a) A representative of South Africa noted that NAMAs on energy efficiency are being implemented in the manufacturing sector and for public buildings. Support is required to scale up the existing programmes, such as those related to social housing, small-scale electricity generation and waste management. The transport sector is an area where it is more challenging to mitigate emissions;

(b) A representative of Chile referred to the country's NAMA aiming to reduce emissions 20 per cent below 2020 emissions in the business-as-usual scenario and noted that it will require international support. Chile has been undertaking a two-year consultation process involving seven government ministries and several stakeholders. It was noted that the energy sector contributes to 70 per cent of Chile's total greenhouse gas (GHG) emissions and that Chile has implemented a renewable energy obligation. Work is also underway to identify and develop NAMAs that need international support. Chile has registered four NAMAs in the registry, including in the forestry, waste management and renewable energy sectors. Chile has received support from the United Kingdom of Great Britain and Northern Ireland's Prosperity Fund, the International Climate Initiative, the Mitigation Action Implementation Network, the International Partnership on Mitigation and MRV, the Governments of Switzerland and Germany and the Centre for Clean Air Policy;

(c) A representative of Colombia referred to its planned sectoral mitigation activities. Priorities include the transport, agriculture, energy, mining and waste sectors. There are plans to develop approximately four to five NAMAs per sector, based on technical studies. NAMAs in the transport and solid waste sectors are in the most advanced state of development. Submission of two NAMAs to the NAMA Facility was noted. Colombia has received support from the Low Emission Capacity Building Programme (a joint project of the European Union and the United Nations Development Programme (UNDP)), the Government of the United States of America and the Governments of Germany and the United Kingdom;

(d) A representative of Mexico noted the submission of two NAMAs, focused on the oil and gas sector, to the NAMA registry. There are currently 23 NAMAs in the design phase and 3 in implementation with a potential of reducing emissions by 63 million tonnes of carbon dioxide equivalent per year;

(e) A representative of Burkina Faso noted the deployment of solar power plants and the implementation of three REDD-plus[4] projects. These REDD-plus projects include one on decentralized sustainable forest land management, one on participatory forest land management and one on the promotion of forest products. New institutions are being established to deliver climate change-related work. The country has received support from the African Development Bank, the Government of Japan and the European Union;

(f) A representative of China noted the country's NAMA aiming to lower emissions per unit of GDP by 40–45 per cent by 2020 compared to 2005 levels, increase the share of non-fossil fuel primary energy consumption to around 15 per cent by 2020 and increase forest coverage by 40 million hectares by 2020 compared to 2005. The Government of China has achieved progress by adjusting industry and energy structure, making energy use more efficient and increasing carbon sinks. China continues to invest heavily in renewable energy and non-fossil fuel energy. Key areas for NAMA preparation have been identified, including energy conservation projects in the transport and construction sectors and improving energy efficiency standards and labelling schemes. NAMAs pose a challenge because they are capital-intensive. Energy efficiency NAMAs in China will require USD 160 billion over five years. This highlights the importance of financial support;

(g) A representative of Armenia noted that the energy sector generates the highest GHG emissions in the country. Some progress has been achieved with small hydropower plants following the implementation of a feed-in tariff and purchase guarantees. Support is needed to encourage investment in the wind, solar and geothermal technologies. Institutional arrangements are being developed with an interministerial coordinating committee established in 2012 to develop NAMAs. A labelling scheme will be introduced in 2014 and energy performance standards for buildings and a green urban lighting project are also planned. The potential for emission abatement via energy efficiency in Armenia was noted. Support received from the World Bank, UNDP, European Bank for Reconstruction and Development and the KfW Development Bank was also noted;

(h) A representative of Indonesia noted that it views NAMAs as involving institutional reform which leads to the establishment of a regulatory GHG regime. Indonesia's NAMA framework contains three elements: actions, governance and mechanisms. Indonesia is committed to reducing emissions by 26 per cent with its own resources and up to 41 per cent with international assistance. The country is advancing the establishment of the institutional infrastructure for NAMAs, including arrangements for measurement, reporting and verification and the establishment of a REDD-plus agency. Indonesia is exploring market mechanisms, including joint crediting with Japan and as part of the Partnership for Market Readiness. A NAMA has now been submitted to the NAMA registry, seeking support for sustainable urban transport. Indonesia is considering further entries on smart street lighting, biogas and solid waste. It also exploring the establishment of a national registry.

9. The discussion that followed focused on the inter-country impacts of the development of NAMAs or their submission to the secretariat. Some representatives were of the view that an announcement of NAMAs by one country may create incentives for other countries to follow suit. Others stressed the importance of domestic consultation processes, for example between ministries, to generate domestic political support.

[4] Policy approaches and positive incentives on issues relating to reducing emissions from deforestation and forest degradation in developing countries; and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries.

10. Some Parties noted the value in sharing information on NAMAs both domestically and between countries and the value the NAMA registry brings to this process through a basic common information standard.

C. Segment three: technical overview of nationally appropriate mitigation actions

11. The third segment opened with a technical overview from Mr. John Christensen (UNEP Risoe Centre) covering underlying assumptions and methodologies, GHGs, sectors and global warming potentials. Key points included:

(a) The process around NAMAs can be broken down into three phases: concept, development and implementation;

(b) Submissions of NAMAs generally include information on goals for reduction or measures, estimates of carbon dioxide emission reduction, linkages to national/sectoral plans, information on national measurement, reporting and verification systems and information on what measurement, reporting and verification of NAMAs may involve;

(c) NAMAs can be categorized into economy-wide goals, sectoral goals, measures and specific actions. This broad categorization can make it difficult to compare NAMAs or aggregate their expected emission reductions;

(d) Information provided by Parties on baselines is very limited or is provided on a very broad level. Therefore it is difficult to assess the reliability of the estimates presented;

(e) Information is generally better presented in the submissions of NAMAs that are either project-specific or have had funding for preparation. However, there is a lack of clarity on approaches and methods to be used for estimating mitigation outcomes from NAMAs that are broader than project activities;

(f) Challenges include addressing spillover effects, double counting and measurement, reporting and verification of transformational change. It is nevertheless possible to identify good practice principles for issues such as selecting a base year, model choice and institutional arrangements.

12. The presenter invited participants to reflect on the following questions:

(a) Is there a need for international standardized baseline data?

(b) What are the main gaps in information on NAMAs communicated to the secretariat and what could the secretariat do to address them?

13. Ms. Amelia Fukofuka (Cook Islands) presented a Cook Islands NAMA that focuses on the electricity sector. This NAMA comprises a goal to make 50 per cent of the country's electricity renewable by 2015 and 100 per cent renewable by 2020. Incentives for pursuing this NAMA include high costs of operating and maintaining existing technologies, volatility in fuel prices, energy security and community resilience. Challenges for the NAMA include the geographical location, developing human capacity, high financial costs and the uncertainty arising from changing political priorities. This NAMA includes technical measurement, reporting and verification aspects, including periodic reporting requirements, project milestones and measures of technology effectiveness.

14. The following issues were raised during the discussion:

(a) Transparency in the process of developing baselines is important to understand mitigation outcomes;

(b) Sensitivity analysis should be incorporated into the development of baselines to account for the effect of assumptions;

(c) There are challenges in incorporating existing plans or policies into baselines;

(d) There is value in exchanging information on approaches followed by other Parties and in collaboration and peer review;

(e) Standardization of approaches to baselines is difficult given the diversity of national circumstances and actions as well as parameters and assumptions needed. Sensitivity analyses and transparency were seen as potentially more important in this context than standardization;

(f) The need for capacity-building activity and the possibility that the Subsidiary Body for Scientific and Technological Advice may develop methodologies for baseline scenario development;

(g) Some activities, such as enabling activities and policies, may not lead to direct emission reductions but should be reflected in descriptions of mitigation efforts.

D. Segment four: overview of support needs and programmes of support

15. The fourth segment opened with a presentation from Mr. Sudhir Sharma (UNEP Risoe Centre) covering an overview of the support needs for NAMAs.

16. Financial support is provided through a mixture of instruments including risk management, grants, low-cost debt and equity. These financing instruments differ depending on the provider.

17. Technical assistance and capacity-building are mostly provided through grants, whereas investments in physical and technological infrastructure are mostly provided through funds raised by investors (e.g. loans or equity arrangements);

18. As regards NAMAs compiled in document FCCC/SBI/2013/INF.12/Rev.2, most Parties stated the actions are conditional on availability of support, while few countries have discriminated between unilateral and internationally supported actions or have specified the support they need from international sources. Only two Parties identified the incremental cost of their actions.

19. Some Parties are seeking support for NAMAs on the basis of full costs rather than on an incremental cost basis (see para. 18 above). In other words, support is being sought not only to achieve mitigation outcomes but also to cover base costs.

20. NAMAs seeking support submitted to the registry could provide more information on the kind of financial support required and its expected use, as well as the envisaged role of the private sector.

21. Providers of financial support look at the existence and quality of:

(a) Details on the allocation of funds to projects or programmes;

(b) Evaluation of economic benefit to confirm financial feasibility (financial return);

(c) Estimates of necessary cost with justification;

(d) Engagement of the private sector as a source of investment but also, importantly, as a vehicle for disseminating low-carbon development measures and technologies.

22. Mr. Ben Lyon (United Kingdom) and Mr. Norbert Gorißen (Germany) introduced the NAMA Facility, which aims to provide a framework for tailor-made mitigation climate finance, build on existing support by funding the implementation of transformational NAMAs, raise ambition to close the emission gap and address the lack of NAMA climate finance. They noted that the Governments of Germany and the United Kingdom have jointly contributed an initial sum of EUR 70 million to the Facility.

23. Details on the NAMA selection process and on the governance of the Facility were provided. It was additionally noted that support for the implementation of NAMAs will be provided through a mixture of grants, concessional loans and guarantees. The Facility's first call for proposals was open from 10 July to 2 September 2013. A total of 47 proposals for funding were received. Proposals for funding are considered against both eligibility and ambition criteria.

E. Segment five: developing baselines and financial support for nationally appropriate mitigation actions

24. The fifth segment began with a presentation from Ms. Neha Pahuja (Energy and Resources Institute) on the approaches available for developing baselines for NAMAs.

25. Ms. Pahuja explained that NAMAs can be categorized as specific projects, capacity-building programmes, sectoral programmes, economy-wide mitigation goals or combinations thereof. The following different approaches to baseline development are required depending on the type of NAMA:

(a) For NAMAs that take the form of projects, baseline approaches used in the clean development mechanism (CDM) are an option, although they may be cumbersome;

(b) GHG inventory approaches can be used for economy-wide targets or sectoral plans with a number of actions;

(c) Reference-case approaches are applicable to economy-wide targets or sectoral plans.

26. She also clarified that a combination of approaches for baseline development may be required depending on circumstances.

27. Dr. Jochen Harnisch (KfW Development Bank) gave a presentation on the financial support of NAMAs from the perspective of a development bank. A key message was that the financial instruments used depend on the source of financing (public, market or concessional funds), partner performance and project viability. Support instruments range from highly concessional (such as grants) to non-concessional (such as loans on commercial terms).

28. Dr. Harnisch emphasized that it is critical to involve those providing support to a NAMA early enough in its development and no later than at the stage of feasibility study design.

29. The energy efficiency sector was highlighted as an area where investment needs to significantly increase so as to favour ambitious emission reduction scenarios.

30. The scale of investment needs for climate-related projects was described as very large. However, there remains a scarcity of 'bankable' investments. The lack of bankability was attributed to weak regulatory frameworks, poor economic viability of the mitigation action and capacity issues.

31. The following guidance was provided for those involved in NAMAs:

(a) Private-sector involvement in NAMAs means accepting the financial norms of the private sector. The private sector needs predictability and transparency and has an expected risk/return profile;

(b) NAMA implementation must be kept simple. Complexity adds risk and transaction costs. Focus on proven financial instruments and use predictable selection criteria (positive and negative lists for technologies and regions);

(c) Keep the early focus on bankable NAMAs. This will involve a firm alignment between NAMAs and national development priorities, focusing on win–win programmes in selected subsectors and countries and involving financiers early.

32. During the discussion that followed, the broad applicability of a baseline metrics approach was noted along with its potential to be an intermediate approach applicable to most types of NAMAs.

33. Participants also recognized that CDM approaches were developed in the context of crediting mechanisms, which is not necessarily the case for NAMAs.