

»» MRV expectations on the financing side

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Bank aus Verantwortung

KFW

»» Agenda

- › Introduction KFW Group
- › KFW Development Bank's activity in environment and climate finance
- › Program-based Approaches (PBA) as a looming framework for financial support of NAMAs
- › Proposal for Criteria for Financing NAMAs
- › Pilot NAMA Ecocasa Mexico
- › Modalities and Rigor of MRV
- › Outlook

»» About KfW Group

- › Promotional bank of Germany
- › Founded in 1948 for implementation of the Marshall Plan
- › More than 5000 employees

- › We finance investment in Germany & Europe
- › We provide international project & export finance
- › We provide support for developing countries

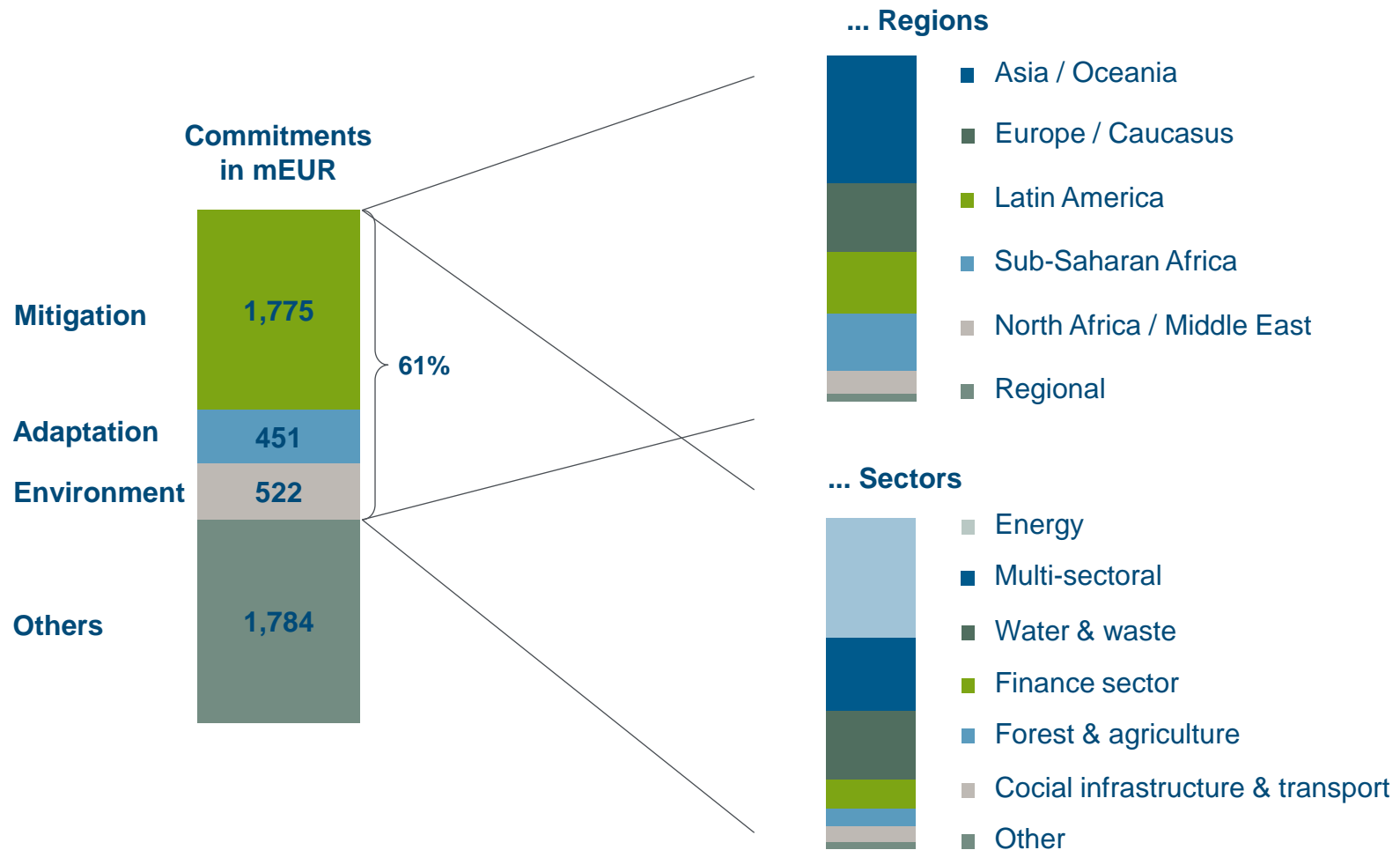
- › USD 102 bn. disbursements in 2011
 - › thereof USD 33 bn. for renewable energy, energy efficiency & environment
 - › thereof USD 5 bn. in developing countries

- › Grants, concessional and commercial loans, mezzanine and equity finance



»» KfW Development Bank

Focal Activity in Environment and Climate Finance



»» Program-based Approaches (PBA) as a Looming Framework for Financial Support of NAMAs

- › NAMAs should be aligned to the criteria of program-based approaches (PBA) in order to shift away from stand-alone projects and to achieve NAMA requirements:
 - › Leadership of the host country
 - › Single comprehensive program and budget framework
 - › Formalized process of donor coordination and harmonization of donor procedures for reporting, budgeting, financial management and procurement
 - › Use of local systems for program design and implementation, financial management, monitoring and evaluation
- › PBA framework allows a high flexibility to implement different types of NAMAs:

NAMAs as PBA-1

- › Projects as part of a coordinated program

NAMAs as PBA-2

- › Basket-financing / common pooled funds / multi-donor trust funds

NAMAs as PBA-3

- › Budget support and policy loans

»» Proposal for Criteria for Financing NAMAs by KfW to our Government Sponsors and Partners

Level of ambition

- › Significant GHG reduction potential and cost effectiveness of emission reductions
- › Potential for transformation (e.g. replicability, potential for sectoral change, use of national systems)

National interest & ownership

- › Initiative for financing from national actors and broad ownership among different ministries
- › NAMA embedded in an existing climate and development strategy
- › Co-benefits

Maturity and bankability

- › Financial viability + sustainability
- › Financial capacity of implementation partners
- › Comprehensiveness and conclusiveness

MRV system

- › Conclusive and cost effective MRV approach, incl. indicators for actions, baselines, milestones
- › Availability of data for MRV-system
- › Costs of proposed MRV approach

KfW Financial Support via Grants, Loans, Equity and/or Guarantees

Technical Assistance (TA) for NAMA concept development & implementation support, where needed

»» NAMA Agenda and Financing Activities at KfW

1. Establishing implementation standards and capacity development within KfW
2. Implementation of pilot projects, e.g. Ecocasa Program Mexico
3. Establishing a project pipeline of NAMA projects with partners and the German government
4. Support of international standardization processes

NAMA Financing Activities:

Regional focus	Sectoral focus	Access and instruments
<ul style="list-style-type: none">› Starting with Latin America: Mexico, Chile, Colombia, Ecuador, Brazil, ...› Africa & Middle East: Ghana, S. Africa, MENA, ... ?› Asia: Philippines, KfW Indonesia, Vietnam, India,	<ul style="list-style-type: none">› Energy and efficiency: SMEs and housing› Transport: Municipal public transport› Waste: waste mgmt. systems, biogas utilization› Renewable Energy	<ul style="list-style-type: none">› Access to funds via bilateral government negotiations› Use of grants, concessional loans, commercial loans

»» NAMA Pilot: Ecocasa Program Mexico

Key Features according to KfW funding criteria

Level of ambition

- › First NAMA in the housing sector
- › Supply of mortgage for low energy housing and financial incentives for EE investment (incl. TA): Support for up to 27,000 low energy houses (-20% CO₂) and 800 passive houses (-80% CO₂)
- › Co-financing to provide large-scale financing of EUR 160m and allow transformational effects

Maturity and bankability

- › Detailed NAMA concept developed by the National Housing Commission (CONAVI) and GIZ supported by the German Environment Ministry
- › Detailed economic analysis of the NAMA with a significant NPV
- › High modularity of the NAMA program

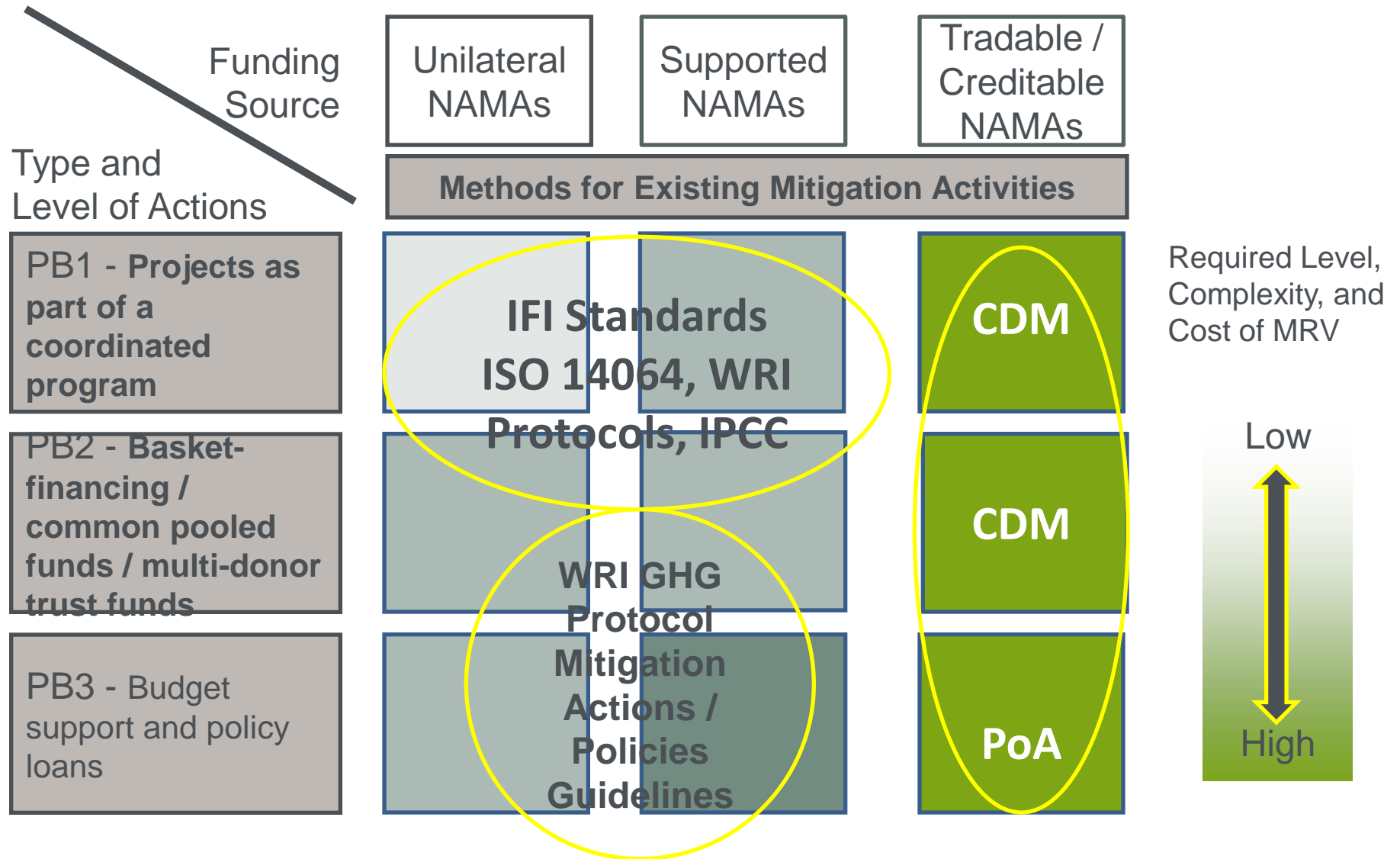
National interest and ownership

- › Mexico as one of the first non-Annex I countries pledging to reduce its GHG emissions voluntarily
- › NAMA program launched by the ntl. government in 2011 and integrated into the broader national climate strategy (PECC)
- › Co-benefit of poverty reduction: focus on low middle income households

MRV system

- › Robust and pragmatic MRV methodology for a baseline and different standards for energy efficient houses (EcoCasa I, EcoCasa II, Passive House)

»» Modalities and Rigor of MRV



»» IFI Framework / Standards

- › For projects
 - › Established methodologies for ex-ante greenhouse gas assessment including the greenhouse gas emission calculation approaches as per, inter alia, the WRI GHG Protocol, the Clean Development Mechanism methodology, Verified Carbon Standard, Gold Standard and the EU Emissions Trading Scheme, ISO 14064(Part 1 and 2), or other international standards
 - › Annual emissions for the entire project for all of the greenhouse gases listed in the Kyoto protocol in tCO₂eq using the global warming potential of each greenhouse gas as defined by the UNFCCC.
 - › GHG assessment includes Scope 1 and Scope 2 emissions (as defined in the GHG Accounting Protocol)
 - › Net emissions as compared to a baseline scenario. This reference scenario may be either a “without project” scenario or an “alternative scenario” that reflects the most likely alternative means of achieving the same project outcomes or level of service
 - › Transparency on used methodology, default factors etc. MRV
 - › Example [IFC Tool CEET](#)

»» Mitigation action accounting versus project accounting

› Project accounting

- › Individual project or group of similar projects

› Mitigation action accounting

- › Larger scale than a project (sectoral actions, programs, business strategies, etc.)
- › Focus on applications other than crediting (inform GHG strategies and decision making)
- › Examples of new technical issues
 - › Overlaps and interactions between actions in a sector
 - › Setting a baseline at a larger scale
 - › Indirect effects at a larger scale

»» WRI GHG Protocol Mitigation Actions / Policies Guidelines (in preparation)

Proposed Objectives

- › **Inform mitigation strategies** based on expected GHG effects of actions/policies
- › **Track performance** of actions/policies and progress toward GHG reduction goals
- › **Report** on GHG effects of mitigation actions
- › **Facilitate support** for mitigation actions (e.g., NAMAs) based on quantification of GHG reductions

- › Objective of supporting crediting and carbon markets is TBD based on further scoping

»» WRI GHG Protocol Mitigation Actions / Policies Guidelines (in preparation)

Proposed audience

› **Governments (city, sub-national, national)**

- › Quantify reduced/avoided emissions from mitigation programs (e.g., energy efficiency programs, performance standards, incentives)

› **Donor agencies and financial institutions**

- › Quantify reduced/avoided emissions from grants/loans to support low emissions development strategies

› **Businesses**

- › Quantify reduced/avoided emissions from large-scale GHG mitigation strategies (e.g., deployment of new product lines or technologies that reduce emissions in society)

› **NGOs/research institutions**



Timeline

Activities	2012				2013				2014			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Convene stakeholder groups	█	█										
Develop draft standards			█	█								
Stakeholder workshops (Doha, DC, Beijing) and review period				█								
Revise draft standards					█							
Pilot test standards						█	█					
Public comment period								█				
Publish final standards									█			

»» Outlook

- › Significant NAMA funding is likely to become available starting in 2012/13 (bilateral funds, EU regional facilities, multilateral development banks, GCF ?)
- › UNFCCC framework for NAMAs will need years and could remain vague; criteria for NAMAs are donor specific: agree core programme elements early and avoid “mission drift”
- › Readiness-frustration should be avoided: ensure broad ministerial ownership early and move towards bankability of programme from start of NAMA development
- › Financial involvement of implementing government and private sector desirable, but not always immediately viable – sustainability of programme & exit strategy for support essential
- › Dialogue needed among governments, development banks and implementing agencies on criteria for NAMA design, financing and implementation

»» Thank you for your attention

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