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Annual Status Report on Nationally Appropriate Mitigation Actions (NAMAs)

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MitigationMomentum

Annual Status Report on Nationally Appropriate Mitigation Actions (NAMAs) 2014

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Acronyms and abbreviations

AF	Adaptation Fund
BAU	Business as Usual
BMUB	Federal Ministry for the Environment, Nature Conservation, Building, and Nuclear Safety
BUR	Biennial Update Report
CCAP	Center for Clean Air Policy
CDKN	Climate and Development Knowledge Network
CDM	Clean Development Mechanism
CGE	Consultative Group of Experts
CGER	Center for Global Environmental Research
COP	Conference of Parties
CTCN	Climate Technology Centre and Network
DA	Designated Authority
DECC	Department of Energy and Climate Change (UK)
DFI	Development Finance Institution
DNA	Designated National Authority
ECN	Energy research Centre of the Netherlands
ICI	International Climate Initiative
JCM	Joint Crediting Mechanism
GCF	Green Climate Fund
GEF	Global Environment Fund
GHG	Greenhouse Gas
GIZ	German Society for International Cooperation (Deutsche Gesellschaft für Internationale Zusammenarbeit)
ICA	International Consultation and Analysis
INDC	Intended Nationally Determined Contribution
KfW	KfW Development Bank
KPTAP	Kyoto Target Achievement Plan
LCDS	Low Carbon Development Strategy
LDC	Least Developed Country
LEDS	Low Emission Development Strategy
M&E	Monitoring and Evaluation
MLP	Multi-level Perspective
MOEJ	Ministry of the Environment, Japan
MRV	Measurement, Reporting and Verification
NAMA	Nationally Appropriate Mitigation Action
NC	National Consultation
NDE	National Designated Entity
NIE	National Implementing Entity
NMM	New Market Mechanism
ODA	Overseas Development Assistance
OECC	Overseas Environmental Cooperation Center (Japan)
REDD	Reducing Emissions from Deforestation and Forest Degradation
TERI	The Energy and Resources Institute
TSU	Technical Support Unit
UNFCCC	UN Framework Convention on Climate Change
VCS	Verified Carbon Standard

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Foreword

Donald Pols, ECN Policy Studies

NAMAs have the potential to play a key role in laying the groundwork for an inclusive global agreement on climate change. This would translate climate collaboration from political negotiation texts to action that achieves changes in the lives of people and communities. Therefore, NAMA development could function as a trust-building exercise between Annex I and Non-Annex I countries. It opens a space for experimentation and for creative dialogue on the implications and requirements of a climate agreement.

This report begins with an overview of the latest statistics on NAMA development, drawing from the UNFCCC NAMA Registry and the Ecofys NAMA Database. The second section discusses 'where progress is most needed' on NAMAs in the areas of defining, financing, monitoring, and operationalizing. Finally, the authors have invited experts on NAMAs from ten leading institutions to contribute short opinion pieces on the role of NAMAs in a post-2020 climate-change regime and to reflect on what is needed in the coming year to prepare for that.

The report identifies a number of hopeful developments. What stands out is that NAMAs are gaining traction globally. This is illustrated by the growth of 20% over the last half year of NAMAs contained in the NAMA Database (with a current total of 118 NAMAs in 32 countries). In addition, there is broad geographical support among non-Annex I countries, with almost a quarter of NAMAs coming from each of Africa and Asia, and almost half from Latin America.

Alignment between non-Annex I and Annex I Parties needs attention on several issues. Only seven NAMAs are at the stage of implementation. If the disconnect between development and implementation continues, this could undermine the efforts of countries in developing NAMAs. More than two thirds of NAMAs are so-called 'policy' or 'strategy' NAMAs, as preferred by developing countries. By contrast, some donor countries prefer project-based funding. A dialogue to discuss ways in which the two approaches can reinforce each other could be fruitful.

NAMAs could play in an increased role in a future climate regime if they become a means of delivery for climate finance. This would contribute to the coherence of the climate regime in which different elements of the agreement refer to and reinforce each other. However, to achieve this, NAMAs would need to integrate the financial requirements of various sources of finance such as the Green Climate Fund, the Global Environment Facility and the Climate Investment Funds. This should occur while building on one of the most powerful assets of the NAMA approach – its country-driven character. This would require a structural engagement on NAMAs by financial institutions.

Energy as a main priority for developing countries provides an avenue for engaging with organizations outside the UNFCCC. Energy development is responsible for three to four times more NAMAs than any other sector. To increase the reach, quality and impact of NAMAs, a conversation with intergovernmental organizations promoting the adoption and sustainable use of renewable energy, such as the International Renewable Energy Agency (IRENA), could add value.

NAMAs have the potential to become one of the success stories of the UNFCCC. The concept has already proven its potential through its uptake among Non-Annex I countries. Realizing this potential involves meeting several challenges. The most prominent of these is to align expectations between Annex I and non-Annex I Parties on the role of NAMAs.

Executive Summary

1 The coming year is crucial

We are reaching a critical point in the build up to a 2015 climate agreement in Paris.

2 We observe increasing activity on NAMAs

Currently 58 NAMAs are registered in the UNFCCC NAMA Registry and the NAMA database counts 118 NAMAs.

3 But finance for implementation is moving too slow

We see there is a discrepancy between the energy and enthusiasm countries put into the preparation of NAMAs, and the international support that is being made available.

4 NAMAs can be a robust building block for a future climate regime

There is a role for NAMAs in a future climate regime.

5 We need strong signals

Development finance institutions will need to signal what their requirements are that allow them to embrace NAMAs.

6 And we need to acknowledge the challenges

Tensions remain between the opportunity to secure NAMA implementation finance, funders' ambition for short term visible impact and long term transformational change.

7 What should be the agenda for the coming year?

This edition of the NAMA Status Report provides input for the progress that is required in the coming year.

Executive summary

The coming year is crucial. We are reaching a critical point in the build-up to a 2015 climate agreement in Paris. Discussions in the coming year will determine the final form of that agreement, the types of commitments provided as 'Intended Nationally Determined Contributions' (INDCs), and the mechanisms that may be established.

We observe increasing activity on NAMAs. Currently, 58 NAMAs are registered in the UNFCCC NAMA Registry, not including the 4 unilateral NAMAs that are seeking recognition. The NAMA Database counts a total of 118 NAMAs across all sectors and all parts of the world. 7 NAMAs are under implementation, while the majority is under development. There may well be many more in preparation.

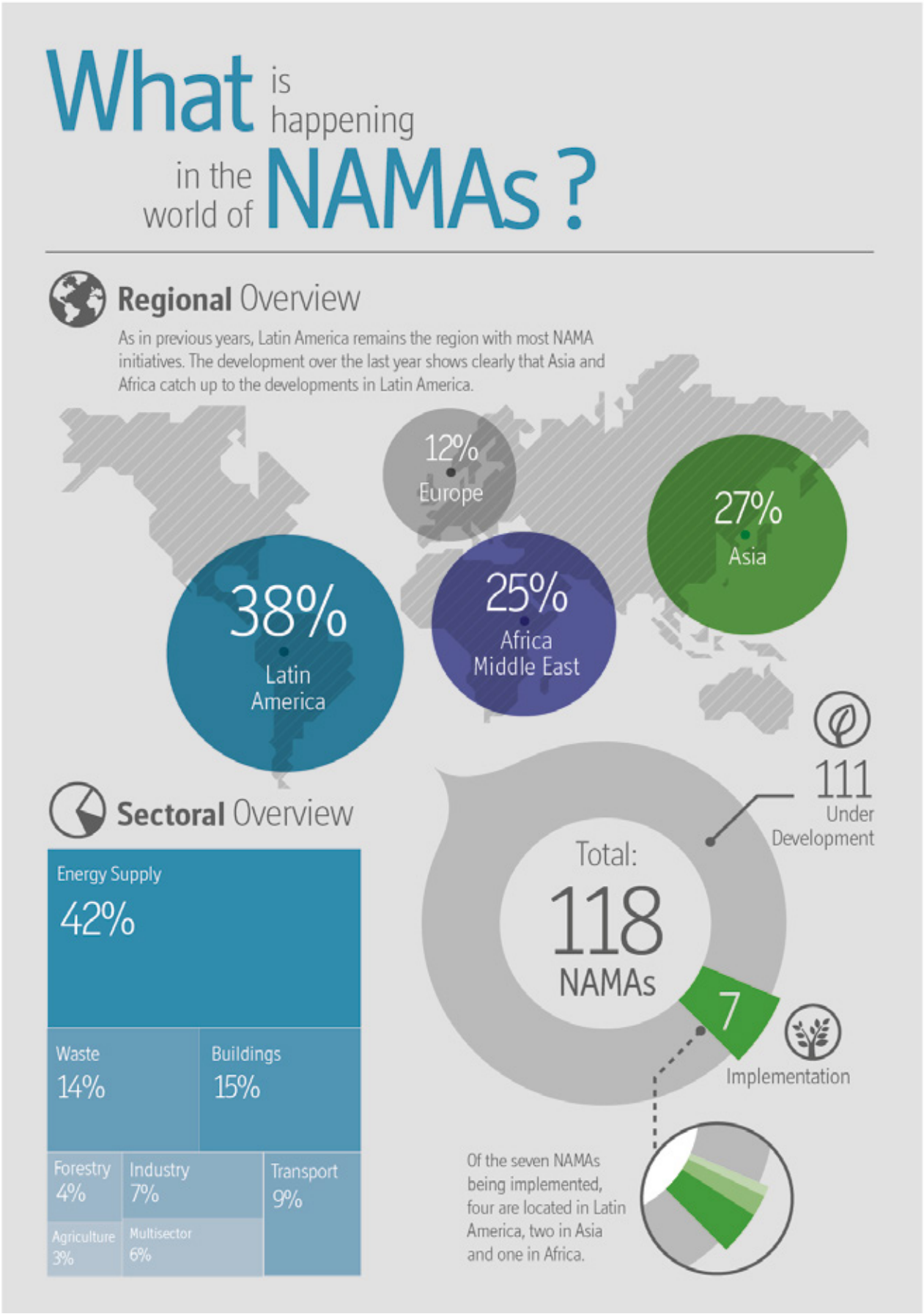
But finance for implementation is moving too slowly. With only a handful of NAMAs having secured funding for implementation, we see a discrepancy between the energy and enthusiasm countries put into the preparation of NAMAs, and the international support that is available. NAMAs are, at their core, country-driven mitigation actions and not only a UNFCCC concept. There could be huge added value in having established and experienced financial institutions be more actively involved; they could bring a wealth of experience on design of successful programmes and on measuring that success.

NAMAs can be robust building blocks for a future climate regime. The expert opinion pieces in this edition of the NAMA Status Report clearly support our view that there is a role for NAMAs in a future climate regime. As a bottom-up, flexible, and nationally driven mechanism – with the potential to catalyze international support – NAMAs are well suited to the current paradigm observed in the UNFCCC negotiations.

We need strong signals. Development finance institutions, such as multilateral development banks, and climate change related financing institutions such as the Green Climate Fund need to signal what they require in order to increase their support for NAMAs. Countries will need to signal that they are ready to move from concept to implementation, and preparing for the implementation of the (financial) mechanisms they propose.

And we need to acknowledge the challenges. Tensions remain between the opportunity to secure NAMA implementation finance, funders' ambition for short-term visible impact and long-term transformational change, and proof of ownership and buy-in that typically requires an inclusive stakeholder process. It is up to the countries and donor/implementing organizations to define their NAMAs so that the concept remains undiluted and the quality remains high.

What should be the agenda for the coming year? This edition of the NAMA Status Report provides input for the progress required in the coming year. Section 1 provides a snapshot of the current state of play. Section 2 highlights the most pressing issues on defining, financing, monitoring, and operationalizing NAMAs. Section 3 consists of ten opinion pieces by leading experts on the questions, 'What role can NAMAs play in a post-2020 climate regime?' and 'What needs to be put in place in the coming year?', with answers from a variety of topical angles.


What is happening in the world of NAMAs ?
Regional Overview
As in previous years, Latin America remains the region with most NAMA initiatives. The development over the last year shows clearly that Asia and Africa catch up to the developments in Latin America.
12% Europe
27% Asia
38% Latin America
25% Africa Middle East
Sectoral Overview
Energy Supply 42%
Waste 14%
Buildings 15%
Forestry 4%
Industry 7%
Transport 9%
Agriculture 3%
Multisector 6%
Total: 118 NAMAs
111 Under Development
7 Implementation
Of the seven NAMAs being implemented, four are located in Latin America, two in Asia and one in Africa.

1. NAMA development

Lara Esser, Ecofys

This section provides an update on NAMA development around the world, including up-to-date statistics on NAMA activities and emerging trends. It gives an overview of NAMA submissions to the UNFCCC NAMA Registry and updated statistics from the NAMA Database, with a focus on supported NAMAs.

1.1 Submissions to the UNFCCC NAMA Registry

The publicly available version of the UNFCCC NAMA Registry (hereafter 'NAMA Registry') has been fully operational for over a year (since October 2013). Its objective is to provide a platform for the recognition of NAMAs by Parties and a matching facility for finance, technological and capacity-building support (UNFCCC, 2014). NAMAs in the NAMA Registry are categorized as either seeking support for preparation, seeking support for implementation, or seeking recognition. As the focus of the NAMA Status Report is on supported (bilateral or multilateral) NAMAs, those seeking recognition (unilateral) are not considered in this analysis.[1]

At the time of writing[2], the NAMA Registry contains information on 57 NAMAs: 21 seeking support for preparation and 36 seeking support for implementation (Figure 1). Since June 2014, one NAMA for Azerbaijan seeking support for preparation and two NAMAs from Georgia and Serbia seeking support for implementation have reported to receive initial funding. Participation in the registry is voluntary and not linked to financial support for NAMAs. Therefore, these figures are likely to give a conservative estimate. With the first NAMAs having reported funding through the NAMA Registry, its support matching function becomes more visible and it will be interesting to see how this will develop over the coming year(s).

1.2 Current status of supported NAMA development

This section of the report provides an update of ongoing NAMA activities and trends worldwide since 2011. The information presented is based on the NAMA Database (www.nama-database.org), an 'open access wiki' intended to compile information for all supported NAMAs for which public information is available.

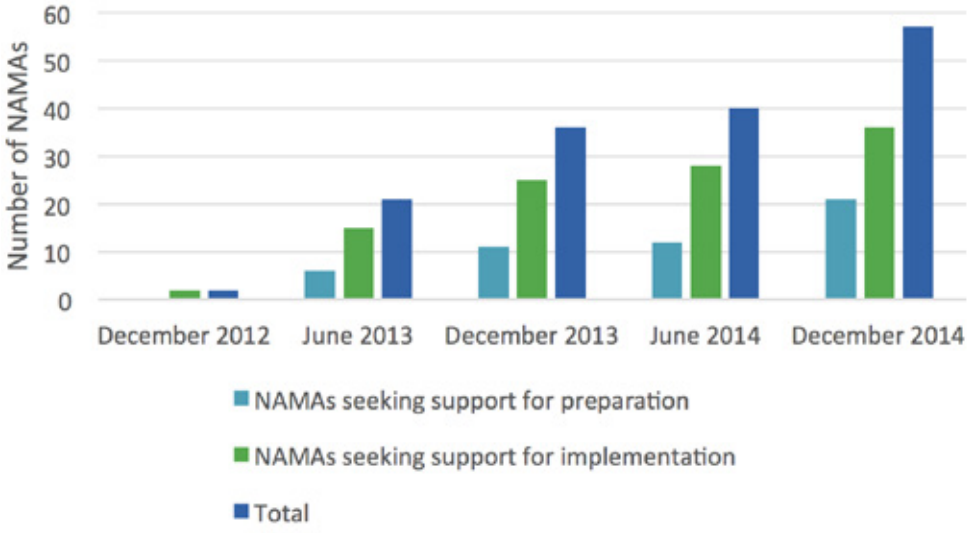


Figure 1: NAMAs submitted to the UNFCCC NAMA Registry

[1] There are a total of 4 NAMAs seeking recognition listed in the NAMA Registry.
[2] November 6th 2014

Box 1: What is included in the NAMA Database[3]

The NAMA Database includes activities categorized under one of two phases of development. For inclusion in the database, NAMAs must meet the following criteria.

NAMA under development

- Activity described as a NAMA and with intention to seek financing, capacity-building or technology-transfer support under UNFCCC agreements.
- Specific mitigation objective given within specific sector(s).
- Activity has government backing.

NAMA under implementation

- Meets criteria for NAMA under development.
- The activity has a clear proponent and a clear set of activities across a defined timeline.
- Cost estimates and support needs are specified.
- GHG mitigation and co-benefit impacts are specified.
- Some support has been received to implement the actions contained in the proposal.

Feasibility studies describing potential NAMAs, that do not yet have official government backing, are also included in the NAMA Database. However, these feasibility studies are excluded from the statistics presented in this report.

The NAMA Database currently contains information on 118 NAMAs in 32 countries, and on 32 feasibility studies from 17 countries. This indicates an increase of around 20% of NAMAs compared to the number presented in the recent 2014 mid-year update of the NAMA Status Report, which identified 98 NAMAs (Figure 2). While this number does not seem large, it shows a steady growth since December 2013 when there were 82 NAMAs in the NAMA Database.Figure 2 shows the number of NAMAs according to their stage of development. In late 2014, the majority of NAMAs are under development, and only seven NAMAs are being implemented. Of these, four are located in Latin America, two in Asia and one in Africa.

NAMA development by region

As in previous years, Latin America remains the region with most NAMA initiatives. Almost 40% of NAMAs under either development or implementation are currently located there. One fourth of NAMA initiatives are carried out in the Middle East and Africa, followed by Asia and Europe[4] (Figure 3). Over the last year, Asia and Africa have caught up with developments in Latin America.

[3] The NAMA Database is maintained by Ecofys. It does not represent official NAMA submissions and may not reflect the priorities of the country government. Further information on the NAMA Database can be found at http://nama-database.org/

[4] The high number of NAMAs in Europe is a result of only one European country. Serbia submitted a total of 13 NAMAs, all seeking finance. Without passing judgement, it should be noted that most of these relate to efficiency improvements in fossil-fuel-based energy generation, a rather atypical NAMA activity.

Figure 2: Development of NAMAs, 2011–2014[5]

As in earlier reports in this series, we observe a broader geographical distribution of NAMAs than is the case for Clean Development Mechanism (CDM) projects. The participation of African countries in NAMAs is particularly noteworthy, as is the participation of several least developed countries (LDCs).

Sectoral overview

Current NAMA development is taking place across all economic sectors, showing no significant deviation from NAMA trends in previous years. The energy sector has currently the highest share, mainly related to renewable energy, followed by buildings, waste and transport (Figure 4).

Types of activities

NAMAs can include a wide range of activities. The NAMA Database categorizes NAMAs as either 'strategy/policy' or 'project'. Policies and strategies have a broader scope than projects, often in terms of both geography and time, and are likely to include longer-term objectives leading to transformational impacts. Of all NAMAs, approximately two-thirds are policies or strategies; projects constitute only 18%, and for 20% the activity type is unknown (Figure 5).

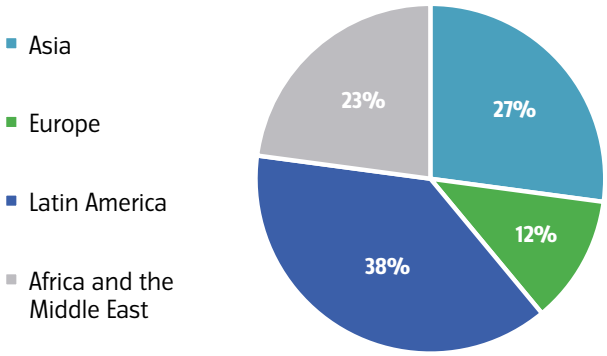


Figure 3: Regional development of NAMAs

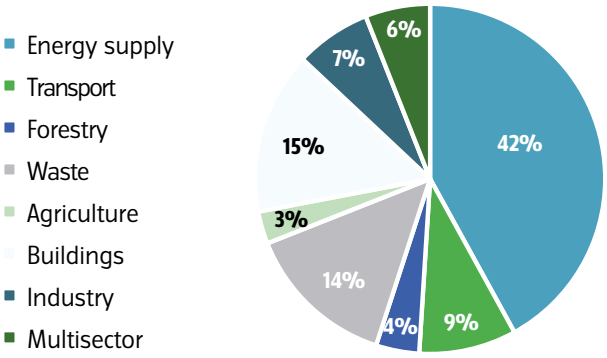


Figure 4: Sectoral distribution of NAMAs

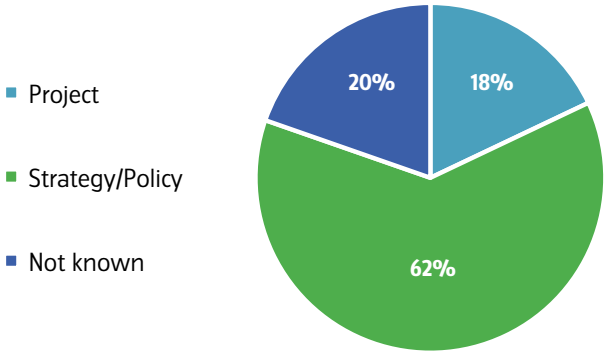


Figure 5: Types of NAMA activities

[5] The reduced number of NAMAs end of 2012 compared to the number presented for mid 2012 is the result of a more rigid classification between feasibility studies and NAMA concepts.


Where is progress most needed ?
Low-carbon transformation will not happen with project NAMAs.
Flexibility is good: it initiates activity and discussion.
Communicate the role of NAMAs within INDCs.
Frame NAMAs with respect to country's overarching ambitions.
Defining NAMAs
More dedicated NAMA funding and implementation successes are needed.
Governments work with funders to address challenges: new mechanisms, small volumes, and systems not yet in place.
Development finance institutions: signal what is required for you to embrace NAMAs.
Green Climate Fund: signal that NAMAs can be funded.
Financing NAMAs
Standardisation and flexibility need to be balanced.
Guidance for international reporting is emerging.
MRV is an enabler – not an obstacle to action.
Monitoring NAMAs
Registry could play a role in information sharing.
Countries: improve capacity to move NAMAs from concept to implementation.
Coordination within government often requires improvement.
NAMA developers need to ensure high quality proposals.
Operationalising NAMAs

2. Where progress is most needed

Xander van Tilburg, Lachlan Cameron and Shikha Bhasin (ECN Policy Studies), Katja Eisbrenner, (Ecofys)

We are reaching a critical point in the build-up to a 2015 climate agreement in Paris. Discussions in the coming year will determine the final form of that agreement, the types of commitments provided as 'Intended Nationally Determined Contributions' (INDCs), and possible mechanisms to achieve mitigation. The opinion pieces in this edition of the NAMA Status Report clearly support our view that there is a role for NAMAs in a future climate regime. As a bottom-up, flexible and nationally driven mechanism – with the potential to catalyze international support – NAMAs are well suited to the current paradigm observed in UNFCCC negotiations.

As in previous editions of the NAMA Status Report, this section reviews areas where we need progress on NAMAs to create widespread acceptance of the mechanism and implement actions that achieve significant reductions in emissions of greenhouse gases (GHGs). This review is structured under four main headings: defining, financing, monitoring and operationalizing NAMAs. The ideas proposed here draw on ongoing international dialogues and on-the-ground experience[6], as well as selected interviews with developing-country representatives and the opinion pieces in Section 3.

2.1 Defining NAMAs

NAMAs continue to be defined very broadly within the UNFCCC negotiations, and there has not been any additional detail or prescription in the past year. It could be argued that it is exactly this flexibility that has initiated so much activity and discussion within countries and between practitioners and potential funders. On the other hand, we observe that development finance institutions (DFIs) have been hesitant at times to engage with the NAMA concept. DFIs are understandably more comfortable dealing with concrete propositions that can be assessed case by case.

As shown in Section 1, we see an abundance of activity in all sectors and with a wide geographical distribution. On the whole, keeping the definition of what constitutes a NAMA open to national interpretation (i.e. keeping it loosely defined) can be considered part of the success of NAMAs in stimulating many countries to develop mitigation actions and strategies – but the real test will be in the viability of individual proposals moving forward. As noted, NAMAs are well suited to the current state of climate negotiations, given that they are bottom-up, flexible, and nationally driven, and have potential to catalyze international support.

Outside the negotiations, Sharma and Desgain (2013) describe NAMAs as "any mitigation action tailored to the national context, characteristics, and capabilities, and embedded in national sustainable development priorities". Although NAMAs allow for project scale actions, national scale strategy or policy NAMAs have a greater potential to guide significant deviation from business as usual and put a country on a low-carbon pathway. Transformational impact does not come from single projects' outcomes (see Wehnert and Mersmann section 3.10).

It is too early to say what final form the INDCs – to be submitted and agreed upon next year – will take. In all likelihood, there will be a range of approaches adopted by various parties, including top-down targets. It will be important to understand the role of NAMAs in

[6] This section incorporates the findings of the first phase of MitigationMomentum; for a more in-depth analysis, see van Tilburg and Röser (2014).

meeting such over-arching commitments, irrespective of what other types of mechanisms might be adopted or planned for in a 2015 agreement. Only a concerted effort to frame NAMAs with respect to a country's broader climate and development objectives (possibly through a framework or low-emissions development strategy) can provide a coherent picture of how individual NAMAs might contribute to meeting future climate goals – both nationally and globally.

In previous editions of the NAMA Status Report, we signalled that if further detailing of NAMA requirements is largely donor driven, this could be at the expense of national appropriateness. We are glad to see that in practice there has been an open, consultative learning experience. Where we signalled a risk of too much attention to funders' requirements, reality shows that the framing of NAMAs is still normally linked to development strategies and plans. Existing guidance on the definition of NAMAs continues to come from the experiences of practitioners, but does not seem to hinder national buy-in.

Guidance on prioritization is abundant, but often quite general in terms of recommended approaches. In practice, we see countries hesitating to undertake a full scoping and prioritization process across sectors and ministries. Instead, we increasingly observe sector-based parallel processes. This is not necessarily bad in itself, because it can speed up the process of developing a portfolio of NAMAs and recognizes the inherent challenge of trading off costs and impacts across sectors. In short, it is up to the countries and donor/implementing organizations to define their NAMAs so that the concept does not get watered down and the quality remains high.

2.2 Financing NAMAs

The past years have been difficult for NAMA finance, with only limited earmarked sources of support. We hope that this will change with successive rounds of the NAMA Facility, the slowly increasing engagement of development finance institutions, and operationalising of the Green Climate Fund.

There is a discrepancy between the enthusiasm and energy of countries and practitioners to develop NAMAs, and the reluctance of many development finance institutions to engage seriously in committing implementation funding[7]. The UNFCCC NAMA Registry was established to facilitate and expedite NAMA development and implementation, and can be viewed as a clear signal of countries' needs. However, we hear that interest from DFIs to take the Registry as a starting point for discussions seems to fall short. NAMAs are, at their core, country-driven mitigation actions and not only a UNFCCC concept. There could be huge added value in having established and experienced financial institutions be more actively involved; they could bring a wealth of experience on design of successful programmes and on measuring that success.

We recognize that there are challenges: the incumbent financial cooperation structure was developed and refined over many decades, and a 'new' mechanism or approach carries greater risk. There is thus inertia encouraging business as usual and reliance on proven approaches to country engagement. However, this misses the enormous opportunity of NAMAs, which is to have developing-country governments integrate climate issues into sectoral policy, with a resulting potential for transformational change. This is something that many programmatic or project-based approaches cannot hope to achieve. Another constraint is the low absolute volume of NAMA finance, which leads to comparatively larger overhead and transaction costs. Furthermore, domestic systems often cannot (yet) handle large volumes of support channelled through national governments.

[7] With an obvious exception of KfW through the NAMA Facility.

We believe that these challenges can be overcome, but this does require further engagement from DFIs and dedicated funding for NAMAs, signalling that countries' stated preferences on mitigation support are taken seriously. DFIs are inherently large organizations with a certain degree of decentralization between headquarters and country offices. In recognition of this, countries preparing NAMAs can help by pro-actively reaching out to DFIs at both levels (national and international) in an early stage of NAMA proposal development, engaging in a dialogue to clarify preferences and possibilities.

Set up as a financial mechanism by the UNFCCC, the Green Climate Fund (GCF) may have a powerful impact on how NAMAs are defined. The GCF decisions in May 2014 set out six essential elements for mobilizing GCF resources (Box 2). The guidelines brought out by the GCF for funding proposals largely reflect what NAMAs are envisioned to be – transformational, technically and financially viable, country-driven, and focused on sustainable development. However the centralized nature of the GCF and its need to demonstrate impartiality will drive it further to define these criteria, in contrast to NAMAs which have left this much more open to a learning process among countries, practitioners and the limited sources of funds available to date. One can expect that many of the ideas eventually promoted by the GCF will find their way into NAMAs, particularly as the GCF may be targeted as a source of support for a certain action. At the same time, the lessons learnt through the NAMA development process and the initial rounds of the NAMA Facility can offer important insights to the GCF on supporting national approaches to climate mitigation and should not be ignored (see for example Section 3.1 below).

Box 2: Green Climate Fund's Investment Framework: key criteria for investment

1. Impact potential: climate-related and sustainable development impact
2. Paradigm shift potential: scale up and contribute to achieving the two degree goals; learning potential, strengthen enabling environments, regulations and policies; and support climate resilient development pathways.
3. Sustainable development potential: environmental, social, and economic co-benefits; and gender-sensitive development
4. Responsive to recipient's needs: vulnerability; economic and social development levels; lack of alternative sources of finance; institutional strengthening
5. Promote country ownership: existing national strategies on climate change, coherence with national policies and strategies, capacity of institutions to deliver, engagement with national stakeholders
6. Efficiency and effectiveness: cost effectiveness; financial viability; co-financing capacity; industry best practices

Source: Green Climate Fund, 2014

2.3 Monitoring NAMAs

High-level reporting and verification of NAMAs to the international community through BUR and ICA processes are being discussed, and a number of recent or planned publications are starting to offer more detailed guidance – notably the GHG Protocol Policies and Actions Standard from WRI[8]. Practitioners are calling for pragmatic approaches to measurement, reporting and verification (MRV) of NAMAs, which allow for flexibility in the metrics used to estimate emission reductions and to track NAMA success. In particular, countries with less-developed governance structures may need to build capacity to develop MRV systems as an ongoing, longer-term process. Several countries see a need for more standardized approaches to increase efficiency and comparability. Despite this apparent divergence in views, there is broad agreement that MRV should become not an obstacle to action but a supportive tool.

The UNFCCC Consultative Group of Experts (CGE) on National Communications has prepared extensive draft training materials for assessing mitigation actions and their effects as part of the BURs process. This type of guidance may help to build consensus on how to approach MRV. While MRV is a vital part of a transparent and effective NAMA framework, it should not be a stumbling block or deterrent for countries who wish to pursue mitigation actions. The discussion around MRV should continue to recognize this in framing it as an enabler for successful action.

2.4 Operationalizing NAMAs

There is still a very limited history of actual NAMA implementation. At the same time, there is much to learn from experiences in the development community, particularly around programmatic or more transformational approaches. As noted in Section 3, the NAMA Registry could play a role as a nodal space for information and knowledge, further to an enhanced role of financing support/matching (see Section 3.5).

Countries soliciting NAMA implementation support face challenges in framing and communicating support needs, setting up capacity to absorb and channel support, and incentivizing significant private investments for mitigation actions. Feedback from the first round of calls for NAMA Facility (47 proposals of which 4 were funded) indicated that a significant number of proposals were of insufficient quality as viewed by the NAMA Facility. In response, the second call for proposals is accompanied by clear expectations and guidance on what constitutes a convincing proposal (see Section 3.3). Several experts have indicated that countries' readiness to absorb and disperse large volumes of financial support requires a more credible link between NAMA finance and government budgets, and the (national) banks and financial institutions. Although it is generally accepted that public resources for NAMAs should ideally be used to provide incentives for mobilizing private investments, engaging the private sector remains challenging. Improved capacity to understand private-sector needs, and concrete examples of successful public-private cooperation structures, as well as public incentives, could be useful (see Sections 3.2 and 3.3).

[8] http://www.ghgprotocol.org/policy-and-action-standard

Developing countries will need to continue building capacity to transition from NAMA concepts to implementation. Given the focus on national and government ownership, lower institutional capacity in many developing countries remains a key barrier. In many cases, there is simply not enough experience on the ground to ensure a smooth transition from development to implementation. This also hints at an expanded role for NAMA design or assistance programmes to build this capacity in anticipation of implementation. Better coordination of NAMA (and other development) activities within government is also important: setting up a central body or focal point for NAMA coordination is proving to be effective in some countries. In the past, climate change has often been the mandate of a small subset of individuals or institutions in developing countries. In moving to a model where countries will design and implement their actions, the need to involve finance ministries and other relevant institutions early on in the NAMA development process cannot be overemphasized.

Tensions remain between the opportunity of governments and technical assistance organizations to secure NAMA implementation finance, funders' ambition for short-term visible impact, and proof of ownership and buy-in that typically requires an inclusive stakeholder process. Again, we stress that it is up to the countries, funders and implementing organizations to define their NAMAs appropriately.

What do the experts say?

Can the **Green Climate Fund** build on NAMAs?

Can the **Joint Crediting Mechanism** contribute?

Which **public finance instruments** are needed?

Can **emerging economies** escape the waiting game?

How to engage the **private sector?**

What to do with the **NAMA Registry?**

How are **INDCs and NAMAs** linked?

Can NAMAs bring **transformational change?**

How to close the gap between **readiness** and implementation?

What is the role **of MRV?**

"The Green Climate Fund: a new opportunity for NAMA Support in 2015"

Authors: Stacey Davis, Leila Yim Surratt, and Hannah Pitt (CCAP)

"Moving NAMAs off the shelf: How to engage private sector?"

Author: Alina Averchenkova (Grantham Institute)

"It's the finance, stupid..."

Author: Søren Lütken (UNEP DTU)

"How to close the gap between NAMA readiness and implementation"

Author: Hendrikje Reich (NAMA Facility TSU)

"Getting the NAMA Registry's Flawed Incentive Structure Right"

Authors: Mathias Friman and Björn-Ola Linnér (Linköping University)

"Implementation of NAMAs through the Joint Crediting Mechanism (JCM)"

Authors: Jiro Ogahara and Makoto Kato (OECC)

"How are INDCs and NAMAs linked?"

Authors: Hauke Broecker and Tobias Dorr (GIZ)

"What role can MRV of NAMAs play in a post-2020 climate regime?"

Authors: Kelly Levin and Jared Finnegan (WRI)

"NAMAs and emerging economies in the post-2020 climate regime"

Manish Kumar Shrivastav (TERI)

"NAMAs and transformational change: Design them to be better!"

Authors: Timon Wehnert and Florian Mersmann (Wuppertal Institute)

3. Expert opinions: NAMAs in a post-2020 climate regime

For this Status Report, we invited ten leading organizations active in the NAMA-space to contribute two-page opinion pieces. Two questions connect the contributions: 'What role can NAMAs play in a post-2020 climate regime?' and 'What needs to be put in place in the coming years?'. The answers cover a variety of topical angles[9].

Expecting the first NAMA funding to materialize from the Green Climate Fund as early as next year, CCAP advocates the use of a combination of scorecards and benchmarks for a transparent GCF selection process for funding NAMAs. The Grantham Institute argues that effective connection with the private sector – crucial for investing and applying low-carbon activities – will require countries to rethink and reframe their engagement. UNEP DTU Partnership points out that the focus on financing should shift towards the requirements for a sustainable financial structure and use of the most efficient financing instruments. The NAMA Facility, among the most important agents for NAMA learning, signals that convincing NAMAs need to work with finance experts to ensure that countries are actually ready for the implementation of the (financial) mechanisms they propose. Linköping University calls on the UNFCCC to move the NAMA Registry to the centre stage and (re) claim a central role for matching initiatives with funding.

NAMAs are not an aim in themselves – they are building blocks for a climate regime to ensure that we stay on track to limit global temperature change to 2 degrees (at most). OECC highlights the need for support mechanisms to enable a transition to a low-carbon society and makes the case for NAMAs to co-exist alongside other mechanisms such as the Joint Crediting Mechanism (JCM). With all eyes on Intended Nationally Determined Contributions since the last COP, GIZ asks whether INDCs are the new NAMAs – and answers 'no'. NAMAs will remain relevant as tools to forward the mitigation aspect of commitments, and WRI reminds us that MRV for NAMAs is teaching us how to keep track of progress on our global commitment. TERI pleads for urgent action and warns that we cannot play a waiting game: both industrialized countries and emerging economies need to facilitate aggressive and immediate implementation of NAMAs in emerging economies. Finally, the Wuppertal Institute assesses the promise of NAMAs to facilitate transformational change and calls on countries to design truly transformational interventions.

[9] Although the text above refers to the institutional affiliations of the experts, the views are personal opinions of the authors and do not necessarily reflect those of their institution.

3.1 The Green Climate Fund: a new opportunity for NAMA support in 2015

Stacey Davis, Leila Yim Surratt and Hannah Pitt, Center for Clean Air Policy (CCAP)

In the coming year, developing countries can position NAMAs to benefit from the first round of funding from the Green Climate Fund (GCF) by developing proposals that combine unilateral actions and international finance to achieve significant emissions reductions in the context of sustainable development. Created as a financial mechanism of the UNFCCC, the GCF is intended to be a primary means of supporting climate-change initiatives in the developing world. Pledges to the GCF by Germany, France, USA, Japan and others amount to US$ 7.5 billion to date. With decisions on the first round of proposals expected in the autumn of 2015, this represents a substantial new source of support for NAMA programmes in the coming year.

NAMA proposals that meet the investment criteria approved by the GCF Board will be well placed to benefit from GCF funding. These criteria (detailed further in Box 2 above) align well with a vision for transformational, country-driven NAMA programmes, focusing on:

1. impact potential
2. paradigm-shift potential
3. sustainable-development potential
4. recipient needs
5. country ownership
6. efficiency and effectiveness.

As the GCF prepares for operationalization, it will be important to communicate clearly to developing countries and donors how proposals will be assessed against these six criteria. The GCF Board is currently developing metrics to evaluate the relative merits of proposals on a competitive basis, and to encourage more ambitious proposals from applicants by communicating preferred outcomes and best practices within a sector. As detailed below, CCAP recommends two methodologies to support fair and objective evaluations: (i) weighting of the Fund's selection criteria; and (ii) use of benchmarks.

Weighting the criteria

One way to compare proposals on a competitive basis uses scorecards for the six investment criteria for assessing proposals. While the GCF Board could decide to weight all criteria equally, CCAP recommends weighting criteria to guide the secretariat and outside reviewers in achieving the objectives of the Fund. The GCF's methodology for evaluating proposals should emphasize a preference for funding 'transformational' actions that represent a paradigm shift to low-carbon development. The weighting of evaluation criteria should also recognize the importance of country ownership and sustainable-development potential because such proposals are most likely to attract the public support required to sustain transformational programmes when funding ends. In assessing efficiency and effectiveness, the Board should take into account the ratio of co-financing leveraged, coupled with a proposal's score on paradigm-shift potential. Assessing co-financing leverage ratios alone could reward business-as-usual projects, whereas truly transformational proposals will couple policy changes with financial mechanisms to address barriers to low-carbon investments.

Benchmarks

Benchmarks can be used in tandem with the weighting methodology discussed above to develop a transparent scorecard to evaluate proposals. CCAP is particularly interested in the application of sector-specific benchmarks to evaluate impact potential and paradigm-shift potential.

Investigators can select appropriate performance indicators by examining best practices that define preferred mitigation activities within a sector. The waste-management hierarchy, for example, prioritizes policy actions in the waste sector (Figure 6). A benchmarking analysis can be used to define performance goals based on best practice achievements in the applicable sector. In the waste sector, for example, countries that have achieved high recycling rates can set the benchmark for recycling. Proposals can then be scored based on the ambition of the proposed action relative to sector benchmarks. The evaluation of proposals against sector-specific benchmarks should take into account countries' circumstances in terms of advantage or disadvantage in achieving transformational outcomes.

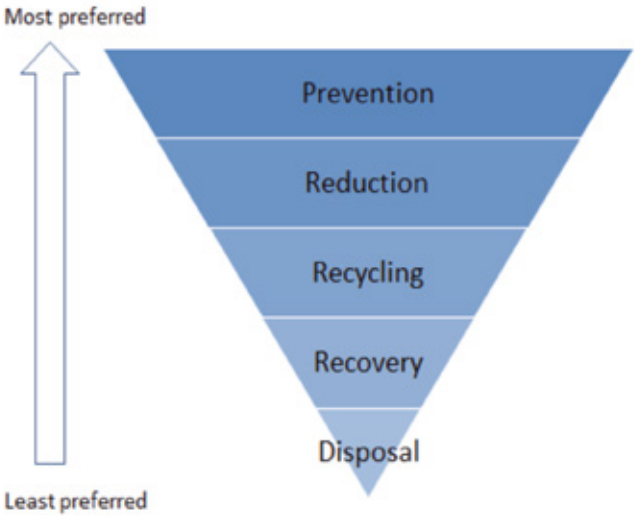


Figure 6: Waste management hierarchy (CCAP)

Conclusion

Weighting of the investment criteria and use of benchmarks can support a competitive selection process for proposals that ensures funded programmes fulfil the ambitious objectives laid out by the GCF. These assessment methodologies can provide guidance to policy-makers in the developing world on funding priorities and sector best practices, contributing to the development of transformational NAMA proposals well positioned to benefit from GCF finance. A pipeline of strong NAMA proposals over the coming year will build confidence in the potential impact of the GCF and persuade the international community to step up its financial contributions.

3.2 Moving NAMAs off the shelf: how to engage the private sector?

Alina Averchenkova, Grantham Institute on Climate Change and the Environment; LECB Programme Global Support Unit

Why engage the private sector in NAMAs?

Without serious interest and participation of the private sector, NAMAs would be destined to remain at the level of scattered policy experiments and fail to induce the required transformational change towards low-emission development. To get up and running, a scalable NAMA requires at least participation of debt and equity finance providers, project owners and technology providers that develop and implement project ideas, and service providers in project development, financial and GHG modelling and MRV. Catching the interest of these players however is not straightforward.

The private sector has already contributed US$224 billion of US$359 billion climate financing to date[10]. According to the NCE report, an additional US$4.1 trillion would need to be invested in low-carbon infrastructure up to 2030[11]. Clearly, a large share of this would come from private sources. There are however a number of barriers that need to be addressed. Most of these have to do with the risk-reward relationship of the investment itself, or with the country's wider investment climate. Others are related to low capacity levels and lack of information.

NAMAs offer an opportunity to address the barriers through policy frameworks and incentives for low-carbon technologies. Early engagement with the private sector in the process of developing NAMAs therefore becomes crucial for success.

Experience to date

To date there has been limited experience of engaging the private sector in mitigation activities, particularly NAMAs. According to a recent study on the experiences within the UNDP's Low Emission Capacity Building programme[12], the primary challenges are the lack of understanding of the role of the private sector in relation to NAMA development and implementation, no clarity as to what types of players should be involved and uncertainty as to when and how to go about engaging.

The primary focus of engagement so far has been direct outreach to companies operating in the sectors affected by a NAMA. Development of NAMAs has included consulting companies, CDM project developers and traders and in some cases, local commercial banks. A frequent challenge is that ministries of environment have limited contacts with decision-makers in the companies. Sectoral ministries, such as those of energy, transport, industry and agriculture, are therefore often better suited to reach out, given their contact with companies in their sectors.

Most private-sector engagement until now has been done through local business associations, since they provide a single point of contact and there are usually reflect established relationships. The downside is that this limits the outreach to only the active members of the associations and may exclude some sectors. Furthermore, representatives in the associations normally come from environment and safety departments, with limited power to influence investment decisions. In the future, it will be important for governments to extend the outreach to potential champions in the relevant sectors and to non-environmental business departments. In particular, there has been little engagement of the financing and investor communities so far.

[10] Buchner et al. (2013).
[11] GCEG (2014).
[12] Averchenkova (2014).

Actions on the road to Paris

Policy-makers and negotiators need to recognize the crucial role of the private sector in achieving low-carbon transition and focus on creating enabling conditions for investment through the post-2015 framework internationally and in their respective countries. At the international level, it is important that the frameworks for mitigation actions, finance and technology cooperation are sufficiently flexible to allow for a variety of policy solutions and incentives at the national level to suit the circumstances of particular countries and sectors. Financial institutions, including the GCF through its Private Sector Facility, should prioritize leveraging private finance through public funding.

In this context, recognition of the private sector as a key stakeholder, and greater engagement by governments with the private sector to draw on its expertise and technical knowledge, should be one of the critical steps on the road to Paris. At the national level, engagement of the private sector is required at the development stage of a NAMA or INDC proposal for 2015 to ensure their greater feasibility and stronger domestic support.

The private sector includes various types of actors, with different roles, economic interests and modes of operation. Governments should carefully identify the appropriate actors to engage and consider the entire value chain to determine the full spectrum of barriers to low-carbon investment. Developing countries will require assistance with understanding the value chains, facilitating interaction with the private sector and presenting information in the right way.

To attract the attention of private companies, such engagement should be focused and targeted. It is essential to develop trust and a sense of co-ownership. Governments should make clear the benefits of investing and demonstrate the emergence of: a reliable and transparent policy framework; clearly structured financial incentives and measures to remove barriers; long-term commitment; and clarity on potential returns to the private sector from the interventions. Governments need to communicate by using the language of the private sector and speaking to its concerns, while not raising unrealistic expectations. Getting it right with the private sector is a decisive factor in whether NAMAs will stand to their purpose.

3.3 'It's the finance, stupid...'

Søren Lütken, UNEP DTU Partnership

No Nationally Appropriate Mitigation Action (NAMA) will materialize without financial support. But the financing of NAMAs is too often treated as an afterthought and not considered at the beginning of the NAMA development process. Over the coming year, the focus on financing needs to shift towards requirements for a healthy and sustainable financial structure and not least towards the most efficient financing instruments. This is far from current practice.

Roles of the public and private sectors

Most investments with GHG emission consequences happen in a context with public-sector regulation. That context and its affiliated budgets for investments and recurrent spending reflect a particular mode of operation and preferences for certain technologies. 'Nationally appropriate' investments must integrate with recurrent spending budgets, which dictate preferences and influence stakeholder behaviour. And behavioural change, including change in preferences expressed through our purchases, is central to emissions reduction.

Because NAMAs are country-led actions, their financing is naturally related to NAMA host countries' national budgets. Fees and charges for services with climate impact already pass through public or semi-public entities. But the private sector is also involved. Private financing, however, comes with a profit motive – even if also in support of a public good. Therefore, 'NAMA financing is the financing that has to be engineered to allow the private sector and its banking partners to do its business as usual'[13].

Here, 'business as usual' refers to investing for profit. This renders NAMA financial structuring a public-sector exercise. The public sector, by structuring the framework within which the private sector is to operate, is responsible for creating conditions that are sufficiently encouraging for private investment in provision of either public-sector services (energy, water supply or transportation) in a climate-friendly manner, or in lowering their own emissions.

The public sector has several instruments at its disposal. Taxes and levies may be recycled for specific purposes in the form of subsidies, depreciation rules or tax exemptions directed at preferred technologies or processes. All this is already happening – it just doesn't sufficiently encourage the behaviour and the preferences that are desired in support of emissions reduction.

An argument against such refocusing of current national budgets is that the desired alternatives are more expensive. In many cases they are. This is where international support comes in – and is equally of public-sector origin. Structuring NAMA finance, therefore, is about redesigning incentive structures in the national budget, topping up where necessary with international support. Following the above definition of NAMA finance, the international financial support for NAMAs should be directed towards the creation of framework conditions sufficiently attractive for the private sector – and its banking partners – to invest.

Reducing risk to appeal to banking partners

Adding banking partners to the equation is essential, because the banks – and not the private investors – provide the bulk of the financing, but only if they trust the private investors to be able to run a profitable business. This entails acceptable risk/return ratios, which may be difficult to achieve in many prospective NAMA host countries. Risk cover, therefore, is an essential intervention area for national and international

[13] From 'Financing Nationally Appropriate Mitigation Actions' (Lütken, 2014).

public entities alike. Current risk-cover instruments only insufficiently address the relevant risks, e.g. risks faced by the local private sector or by the national public sector interacting with private concessionaires[14]. Reducing the risk, or providing access to risk cover, is the most cost-efficient way to encourage private banks to participate in financial structuring of the private sector's investments. De-risking investments not only brings non-bankable projects into bankability – it also reduces the demand for return in the risk/return equation. This, again, reduces the required recurrent spending for the public-sector entity looking for concessionaires to adopt public investment responsibility.

Changing investment conditions

Is this what we are seeing, then? Unfortunately not. Many donors respond to their financing obligation related to NAMAs by allocating support, e.g. to the Green Climate Fund, as happened during the UN Climate Summit in New York in September 2014. These funds may be available for private-sector facilities that can co-invest with, or provide loans to, the private sector, or for facilities that, in the same manner as the Global Environment Facility (GEF), can soften investments through simple grant financing. Or, the funds may be only for studies that design NAMAs, but do not address the fundamental financing requirements for NAMA host countries' recurrent spending budgets, which, as mentioned, is what dictates preferences and influences behaviour. Such allocations do not change investment conditions for the private sector. If conditions were right, investments would flow with already existing financing. Providing more financing without changing conditions will obviously not bring more investment – only pile up financing.

It may be that such financing will be made available with a less risk-averse profile – although this seems not to be the general experience with public-sector investment vehicles. And with good reason. Maintaining a generally higher risk profile than the market will leave a public investor with very few co-financiers and thus seriously at odds with the idea of leveraging. Instead of incentivizing other investors, the investor would be left with the entire investment. Therefore, although donor countries have an interest in flagging their contributions to climate finance, they should consider what to finance and how to apply their financing first. The piled-up financing will come back to haunt them once it becomes evident that financing doesn't flow. And, they will have to come up with second- or third-best options for deployment just to demonstrate action, but without ever having reached the root causes of current and undesirable conduct in prospective NAMA host countries that want to do the right thing, but remain without the necessary instruments to do so.

[14] For further discussion of risk instruments and their role in climate and NAMA finance, see Lütken (2014).

3.4 How to close the gap between NAMA readiness and implementation

Hendrikje Reich, Adviser to the Technical Support Unit of the NAMA Facility

By now, the second call of the NAMA Facility[15] has been finalized and the calls allow insight on where we are with the development of a global project pipeline of ambitious and transformational NAMAs. Two main areas have been identified so far that require our attention: the need for enhanced NAMA readiness and the need for an early involvement of financial actors. The NAMA Facility receives a high level of international attention, which clearly reflects the strong interest of national governments to take their work on NAMAs to the next level. In both calls, nearly 50 projects were received, looking for tailor-made support for the implementation of ambitious NAMA Support Projects. NAMA Support Projects are meant to form the most ambitious part of an overarching sector-wide NAMA and are not likely to be financed by conventional channels.

Submissions have been received from all geographical regions, addressing a large variety of sectors. During the second call, NAMA Support Projects address renewable energy, followed by energy efficiency and waste management. As during the first call, proposals covering complex sectors such as agriculture and transport were also received. The submitted NAMA Support Projects generally showed a high level of ambition. Mitigation aspects are thoroughly addressed, and co-benefits – often of key relevance in the national context – play a strong role in the NAMA concepts presented.

Learning from the first two calls of the NAMA Facility

Lessons from the first call have been reflected in the documents and resulted in more detailed guidance, as well as in additional sub-questions to facilitate the use of templates. However, some of these lessons also relate to shortcomings of the global project pipeline for NAMAs and provide some valuable insights for guiding our future work in developing an ambitious global project pipeline of NAMAs being ready for climate finance.

Need for enhanced readiness

With the NAMA Facility, we are entering a new phase of NAMA development. Until now the focus of support for NAMAs has been centred on NAMA readiness, supporting countries in defining their national priorities for nationally appropriate mitigation actions and in establishing an adequate institutional framework. With the provision of international support, criteria such as the ambition as well as the overall feasibility of the NAMA, including the financial concept, gain in relevance. NAMA Support Projects are assessed on their ambition for transformational change, mitigation and sustainable development co-benefits, as well as on their financial ambition. The financial ambition captures the size of the additional financial contributions foreseen from the domestic budget and/or the private sector. In order to be able to attract private investments, the economic and technical viability of the NAMA proposals needs to be demonstrated, which points to the feasibility of the NAMA concept. At the same time, it is important that the proposals are able to make the most of the scarce public funding available. This means that the financial support mechanisms proposed in the outlines are closely scrutinized. Questions considered include: 'Why have they been selected?', 'Are they able to alleviate the barriers for low-carbon investments in the sector of activity?' and 'Are private-sector investments encouraged?'

Next to feasibility aspects of the financial ambition, a well-defined coordination structure needs to be in place. Roles and responsibilities need to be clarified within the government as well as between the government, implementing partners and delivery organizations. In addition, it needs to be clearly worked out how the NAMA Support Project relates to the overarching NAMA and how different elements such as financial cooperation and technical cooperation elements are working together and supporting each other to strengthen the transformational potential of the NAMA in striving for a low-carbon development path in line with the 2-degree limit.

[15] For further information: www.nama-facility.org

Early involvement of financial expertise

After the evaluation of the project pipeline of the first and second calls, it became clear that for a large number of NAMA Support Projects submitted to the Facility, the design of adequate financial support mechanisms remains a challenge, and that most projects need to undergo additional work to clarify these before being ready for implementation. It seems there exists a gap between NAMA readiness programmes and the implementation-ready NAMAs the Facility aims to support. It is a global task to address this gap and to develop more ambitious and transformative NAMAs in line with the 2-degree limit, ready for implementation – this is equally important for the NAMA Facility as for the Green Climate Fund (GCF). A possible way to ensure this is the early involvement of financial experts with their distinct expertise on financial support mechanisms and instruments on how to make public-policy approaches attractive for mobilizing additional private investments.

Comparing the submissions of the first and the second call, the quality of the submissions to the NAMA Facility has improved and a global learning with regard to NAMA development seems to have taken place. The NAMA Facility is only one of many vehicles to provide support for the implementation of NAMAs. Different views and perspectives enrich our understanding and strengthen the global learning experience. Please share your experiences and contribute to the global challenge.

3.5 Getting the NAMA Registry's flawed incentive structure right

Mathias Friman and Björn-Ola Linnér, Centre for Climate Science and Policy Research (CSPR) Linköping University

Opportunities for an enhanced governance framework

The UNFCCC NAMA Registry will most likely become a sidelined remnant in the future NAMA landscape unless the flawed incentive structure for making submissions is addressed. The main disincentive for filing NAMAs in the Registry is plain: its matching function is failing, so far. The potential of the Registry as a site of learning, trust building and efficiency will be hard to realize without addressing this disincentive.

Here, we suggest ideas to actualize the Registry into a central node for both matching NAMA proposals with support and information sharing. We centre the argument on making the Registry a submission portal for NAMAs seeking support. The suggestions imply a number of consequential issues that we also outline in brief.

The Registry: identifying and overcoming disincentives

The Registry was established with three objectives: to enable recognizing domestically supported NAMAs as a contribution to the UNFCCC, to record NAMAs seeking international support, and to facilitate the matching of NAMA proposals with support. We envisioned it as the international vortex for activities relating to NAMAs. However, all three objectives have largely failed, particularly the matching function. The successful and encouraging matching of NAMA proposals and support occurs outside the Registry, even if sometimes acknowledged ex-post.

Today, developing countries seeking support for NAMAs have little incentive to use the Registry; filing NAMAs in the Registry does not notably increase the chances of attracting international backing. However, it does make information on NAMA design publically available. As a result, in a landscape of constrained financing opportunities, not sharing information can give a competitive advantage over those that do share. As long as information sharing does not become a collective effort, the risk of spill-over provides disincentives for filing NAMAs in the Registry.

Further, uncertainty about how NAMAs will be put to use in a new agreement produces another disincentive. NAMAs stimulate curiosity in many developing countries because of their flexible, voluntary and un-politicized nature. Registered NAMAs can become official, and can be drawn into political wrangles over, for example, Intended Nationally Determined Contributions (INDCs).

Linking the NAMA Registry to support functions

Thus, three disincentives currently hamper submissions to the Registry: (1) the failing matching function, (2) risk of leaking information to competitors, and (3) wariness about the role of NAMAs in future agreements. The first two are easier to address. To improve the matching function, the COP could advise the Green Climate Fund (GCF) Board to use the Registry as a submission portal for NAMAs seeking support from the Fund, as well as a platform to showcase its available support. We are aware that this would entail restructuring the Registry to allow the entering of more information to enable the GCF Board to take funding decisions. A level of discretion would also be required for sensitive information. However, following this suggestion would be a major step towards operationalizing the Registry's matching function and, thus, would incentivize submissions that in turn would make information sharing a collective effort.

If the Registry can showcase this function vis-á-vis the GCF – i.e. enabling the GCF to tailor the submission format to its specific information requirements – other government-controlled NAMA support functions could be encouraged to follow suit. Besides improving the matching function, this would lower several transaction costs, and increase transparency.

Providing clarity on the role of NAMAs

The lack of clarity on the role of NAMAs in future agreements is harder to address. However, if the Registry develops into a matching platform, the incentive to use it would increase and at least counterbalance some of the existing wariness. Further, to the extent that current NAMA practice can inform the negotiations on a new climate agreement, we suggest that the COP seeks agreement on the following specifications: (1) pursue NAMAs in non-forestry sectors; (2) allow project NAMAs to draw on a less strict application of – or even be replaced by – CDM methodology; (3) replace strategy/plan NAMAs with Low Emission Development Strategies (LEDS) or treat them under INDCs; and (4) replace target NAMAs with commitments under a future climate regime.

This would mirror similarities between the sector distribution and timeframe patterns of project NAMAs and CDM projects. It would also reflect the reluctance of support providers and NAMA developers to peruse strategy/plan as well as forestry NAMAs. Placing NAMAs in the context of LEDS would also greatly increase the possibility of making NAMAs effective and attractive to support providers.

Moving the Registry from periphery to centre stage

There is no value in maintaining the Registry unless it provides an added user value. We argue that, if the matching function remains flawed, the Registry will become a side-lined remnant of the early days of international NAMA governance. Failing to materialize the original objectives of the Registry would be a missed opportunity. Consequences could include a fragmented landscape, dotted with dispersed entry points for NAMAs seeking support, decreased learning opportunities by a reduced amount of publically available information on NAMAs, and obstacles to an overview on NAMA designs and available support.

While mindful of the need to balance international governance and national sovereignty concerns, we recommend that the international community explores the following options for getting the NAMA Registry's flawed incentive structure right.

- Ensure the use of the Registry as a submission portal for NAMAs seeking support from the GCF.
- Encourage governments to recommend that their support institutions also use the Registry as their submission portal.
- Give the Secretariat a mandate and budget to improve the interactivity of the registry vis-á-vis funding institutions.
- Provide clarity on how NAMAs interlink with and are distinct from REDD+, CDM, LEDS and INDCs.
- Explicitly avoid tying NAMAs to future commitments other than on a voluntary basis.

3.6 Implementation of NAMAs through the Joint Crediting Mechanism (JCM)

Jiro Ogahara and Makoto Kato, Overseas Environmental Cooperation Center, Japan (OECC)

NAMAs and different kinds of finances, including market mechanisms

In the UNFCCC on NAMAs, finances to be mobilized for their implementation attracted enormous attention. Through several sessions of negotiation, especially COPs 13, 15, 16 and 17, the Parties intensively discussed and agreed on the issue of finance and related MRV. In the Copenhagen Accord, ideas of internationally and domestically supported NAMAs, with a focus on origins of finances, were reflected. Paragraphs 61 and 62 of 1/CP.16 articulate different MRV for internationally and domestically supported NAMAs. One interpretation of this is that finance of NAMAs should be divided into domestic and international finances a priori (Figure 7). At the same time, some others argued that the use of certain source of finances, such as those mobilized through market mechanisms, was prohibited.

However, in reading the relevant articles of COP16, as well as COP17, what they articulate is only different kinds of MRV; they do not require the Parties to separate international and domestic finance a priori. In practice, it is often the case with mitigation actions that most planning precedes fundraising. In such a case, mitigation actions should be for different kinds of finance, including those from domestic and international sources. In other words, the contents of mitigation actions should be decided first, based on national policies rather than available finance. To enable such actions, finance should be sought that is suitable for such mitigation actions, including finance from national and local government budgets, international support such as ODA and other official flows, market mechanisms and mobilization of private finances.

Then, as a consequence of selecting finances, the Parties should conduct MRVs that meet the requirements of COP decisions. The NAMA Registry of the UNFCCC, in the form for NAMAs for Implementation, also recognizes this strategy of identifying different financing sources – it lists different kinds of finances including grant, loan (sovereign), loan (private), concessional loan, guarantee, equity, carbon finance, and others.

The Joint Crediting Mechanism (JCM)

The JCM is an alternative mechanism, aiming towards building a low-carbon society. While the JCM is placed in a negotiation space for the Framework for Various Approaches (FVA), it may be said that the scheme has been derived from a market mechanism. And this can also be used for the implementation of NAMAs.

Currently the JCM functions as a project-based scheme aiming to support developing countries in their efforts to mitigate climate change through introduction of low-carbon technologies. To date, 12 have countries joined the process. Some host-country governments have officially mentioned that they will use the JCM as part of their implementation of NAMAs. Of course, it is extremely important to ensure the transparency of emission-reduction results, as well as the process, together with the transparency measures within the JCM scheme. Thus, relevant Parties are expected to provide information in their reports to be submitted to the UNFCCC.

Introducing new alternative mechanisms can bring doubts, but this should not excuse inaction. NAMAs and alternative mechanisms such as the JCM are of vital strategic importance to allow developing countries to follow robust pathways towards low-carbon societies. The JCM is intended to be a transparent and effective tool to support these efforts.

Possible impact of the JCM for creating a low-carbon society in developing countries

The introduction of low-carbon technologies is at the core of the JCM, while at the same time contributing to the 2°C goal of the UNFCCC. This scheme is based on a process of technology transfer, which is inherently accompanied by transfer of knowledge. In order to support this process successfully in developing countries, it is necessary to spread this knowledge appropriately (tailored to local conditions) with the right provision of finance and capacity building, and the JCM contemplates these components.

Although the JCM's different schemes provide various kinds of support, aiming at the introduction of leading low-carbon technologies, it is necessary to clarify that the JCM was not created to conduct this process through NAMAs, despite the clear similarities. It would be more appropriate to say that the JCM is a mechanism that promotes the implementation of 'mitigation actions'. As a reflection of this, some JCM signatory countries such as Mongolia and Cambodia have officially stated that they intend to conduct JCM projects through NAMAs, which supports the idea that the experience of NAMA implementation through JCM may help in the transformation to low-carbon societies.

Nevertheless, in addition to provision of finance and capacity building, the JCM can contribute in many other ways. These include: supporting consensus building among stakeholders in developing countries, guiding the institutional arrangements necessary to implement such actions in a transparent and efficient manner, expanding the network and establishing partnerships with the private sector and academia. It is the opinion of the authors that 'mitigation actions' such as NAMAs and use of the JCM are and will be strategically important for developing countries to become low-carbon societies and move towards the path of sustainable development.

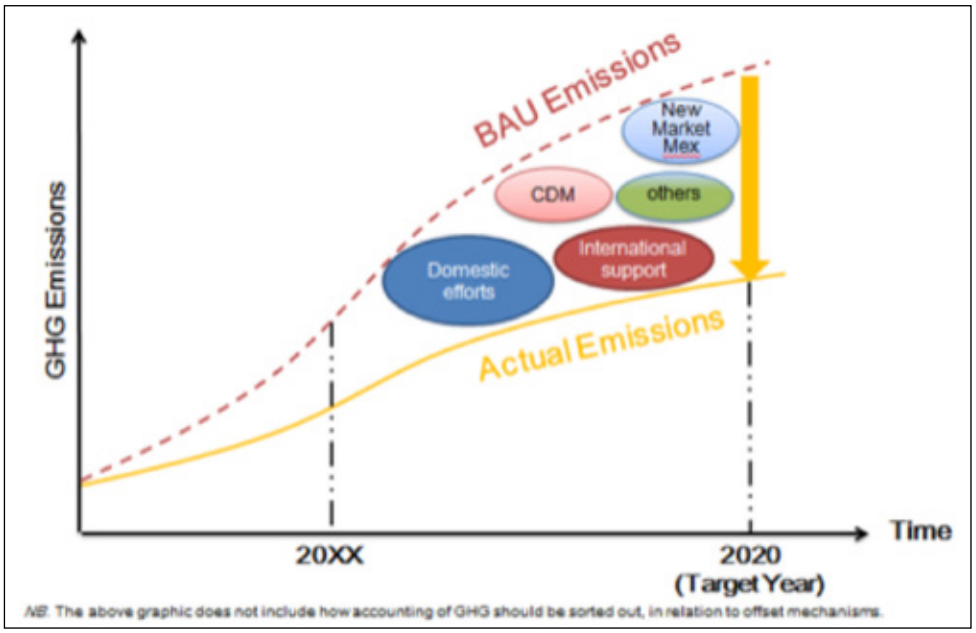


Figure 7: Mitigation Actions in relation to BAU (OECC)

3.7 How are INDCs and NAMAs linked?

Hauke Broecker and Tobias Dorr, GIZ Indonesia and GIZ India

Since Intended Nationally Determined Contributions (INDCs) were introduced at the COP 19 in Warsaw, there has been uncertainty as to how they will differ from NAMAs and Low Emissions Development Strategies (LEDS). Policy-makers in developing countries are wondering whether INDCs replace NAMAs or repackage LEDS. They do not: INDCs build on NAMAs within the broader climate policy architecture, and NAMAs will remain as a platform supporting mitigation through INDCs[16].

The UNFCCC includes the principle of Common But Differentiated Responsibilities and Respective Capabilities (CBDR & RC), and acts as the basis for equal burden-sharing among all countries. However, the global economy has shifted. Spiking emissions from emerging economies such as China, India and Brazil mean that greater efforts are urgently required to limit climate change. All countries need to make a commitment to act, while considering historic responsibilities and evolving respective capabilities. The Bali Action Plan (BAP) adopted at COP13 in 2007 represented a breakthrough by calling for scaled-up mitigation actions through the implementation of NAMAs. NAMAs aim to reduce emissions below a business-as-usual (BAU) scenario in the context of sustainable development, with support from international or domestic resources.

In the context of the negotiations for a new post-2020 agreement, applicable to all Parties, Decision 1/CP19 adopted at COP19 in Warsaw invited all Parties to prepare INDCs until spring 2015. INDCs will show whether the aggregate contributions of Parties are sufficient to reduce GHG emissions to achieve the internationally agreed goal of keeping the temperature increase below 2 degrees Celsius above pre-industrial levels.

How can NAMAs and INDCs work together?

The loose definition of NAMAs and INDCs has allowed each country to interpret them according to different national contexts. For both concepts, measurement, reporting and verification (MRV) will be crucial. Nonetheless, there are key differences. NAMAs focus on mitigation and relate to a specific action, policy or strategy to reduce GHGs. These activities are intended to contribute to an overarching goal such as commitments reported through INDCs or LEDS. By contrast, it is still being debated whether INDCs may include mitigation, adaptation, finance, technology and capacity building[17]. They may describe planned national contributions, emission reduction targets[18] and budget allocations, and how countries aim to reduce emissions. This could be converted into a legally binding mitigation commitment or other outcome with legal force in the 2015 agreement.

[16] See UNEP DTU Partnership and GIZ (forthcoming).
[17] The draft text by the co-chairs on INDCs contains all these elements.
[18] A target could consist of: absolute, economy-wide emissions target; deviation from BAU scenario; intensity target or a set of policies and actions.

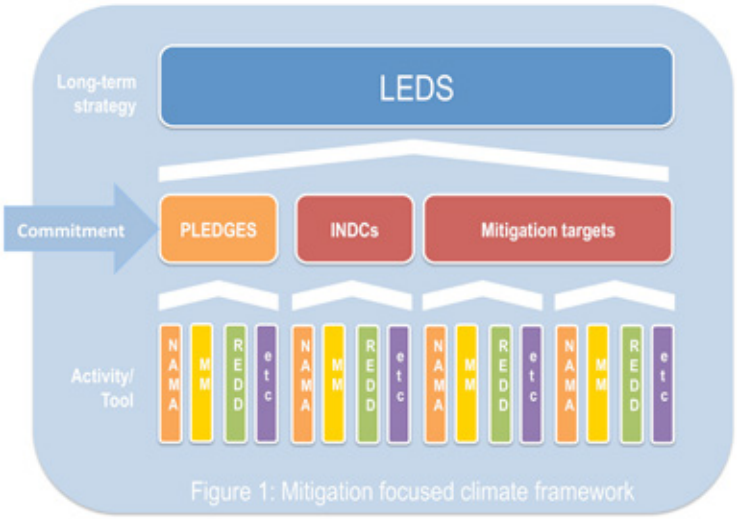


Figure 8: Mitigation-focused climate framework (GIZ)

As Figure 8 illustrates, INDCs are bundles of activities, while NAMAs are tools to fulfil those mitigation ambitions. Another current debate concerns whether to introduce a 'cycle of commitments' to update INDCs, perhaps every five or ten years, to increase mitigation ambition over time. For now, it is expected that INDCs will be aligned with national development planning and capacity. Developing countries are also likely to use planned and implemented NAMAs as one means of reaching the target outlined in their INDC. NAMAs can stimulate ambitious mitigation action post-2020 by setting up institutions, building capacity, testing and evaluating different approaches. INDCs and NAMAs can work within existing reporting structures, for example by featuring prominently in Biennial Update Reports (BURs).

What is left for NAMAs post-2020?

NAMAs currently cover a range of approaches, including policies, research and development, and sector-level activities. This is unlikely to change before 2020. A post-2020 climate framework could unite COP19 decisions and the Bali Action Plan. INDCs will take over the commitment and pledge elements, while NAMAs, among other policy instruments, will focus on implementing mitigation activities in national commitments driven by developing countries. Nevertheless, given shifts in production, consumption and present responsibilities, it is necessary to adapt the CBDR principle as well as the Annex-I and non-Annex-I classification to new circumstances. This recommendation reflects proposals made by some developing and developed countries during the interim climate change negotiations in Bonn in October 2014.

INDCs could streamline mitigation activities nationally, and embed them into an overall climate policy framework. INDCs allow aggregation and tracking of progress towards domestic as well as global targets. Hence, they clearly define the role and possibilities of NAMAs. INDCs essentially bundle national commitments into a broader national framework over a limited timeframe. In contrast, LEDS map out a long-term national strategy, while NAMAs remain a tool to achieve both.

What do we expect in 2015?

INDCs need to be devised using a step-by-step process analyzing mitigation potential based on recent GHG inventories. They involve identifying promising mitigation action and outlining national coordination and implementation. INDCs offer the opportunity for integration of past commitments and action through LEDS, NAMAs or even REDD+ projects. To provide the initial information required, individual countries should initiate bottom-up and top-down consultation nationally and locally. This will help countries in defining the most promising mitigation actions and the support needed for capacity building and finance. It will also answer key questions, such as on the type of target to submit, how to coordinate, account for and report on INDCs in the context of BURs, and how to integrate implemented and planned NAMAs. NAMAs must retain their flexibility because of their national relevance. However, to ensure comparability, further work is required on the scope, and timeframe of INDCs.

3.8 What role can MRV of NAMAs play in a post-2020 climate regime?

Kelly Levin and Jared Finnegan, World Resources Institute (WRI)

Experience with the measurement, reporting and verification (MRV) of NAMAs to date suggests that different types of mitigation actions have different implications for the measurability of associated emissions reductions. Countries need to keep these in mind as they design their contributions for the post-2020 period and negotiate guidance for tracking commitments.

Measurability of the effects of NAMAs

Under the Copenhagen Accord, non-Annex I Parties committed to implementing mitigation actions in the context of sustainable development. These Nationally Appropriate Mitigation Actions (NAMAs) have taken a variety of forms, including projects, policies and economy-wide and sectoral goals (including base-year emissions goals, fixed-level goals, intensity goals and baseline-scenario goals). Furthermore, NAMAs have been developed in numerous sectors and can be unilateral or supported, with unilateral NAMAs financed and implemented by the host country alone and supported NAMAs financed by third parties.

To determine NAMA type, Parties have considered a range of factors beyond MRV, such as political feasibility, cost, mitigation potential, and trends in emissions drivers. However, the ease with which emissions and emissions reductions associated with the NAMA can be measured, reported, and verified is critical for enhancing transparency, accountability, comparability, domestic GHG management and accurate tracking of global emissions reductions. Because of a variety of GHG accounting characteristics, some NAMA types better facilitate measurable reductions, compared to others.

Lessons to apply in future

Based on the two-year international multi-stakeholder development process for the GHG Protocol Mitigation Goals Standard and GHG Protocol Policy and Action Standard, several lessons have been learned about the measurability of various types of mitigation actions, as follows.

- Actions framed as economy-wide goals are more measurable than sectoral goals, policies and projects, all else being equal.
- For similar reasons, actions framed as sectoral goals are more measurable than policies and projects, all else being equal.
- For both economy-wide and sectoral goals, actions framed as base-year emissions goals and fixed-level goals are more measurable than intensity and baseline-scenario goals.
  - For those countries that need to accommodate short-term emissions increases, actions framed as base-year or fixed-level goals should still be adopted, even if they are framed as an increase in emissions from a base year (as opposed to a reduction from a base year).
  - If actions framed as base-year intensity and baseline-scenario goals are under consideration, base-year intensity goals should be adopted rather than baseline-scenario goals, given the many challenges related to measuring, reporting, and verifying baseline-scenario goals.
- Given the challenges inherent in MRV of actions framed as policies and projects, countries should undertake efforts to adopt standardized methods to attribute and report changes in emissions to individual policies and projects, as well as assessing and reporting leakage from policies and projects, where relevant.

To be sure, effective MRV is a function of mitigation action design as well as strengthened MRV capacities, systems and plans. In all cases, MRV of emissions reductions requires implementing MRV methods and collecting data (Table 1). The next set of national mitigation commitments for the post-2020 period will determine whether the world is on track towards a low-carbon economy. Parties should use experience with NAMAs to date to inform the design of their INDCs and related international MRV guidance so that contributions can deliver the measurable emissions reductions needed to meet the goals of the Convention.

Table 1: Measurement methods and data requirements (WRI)

MRV of?	Measurement	
	Method	Data requirements
Goals	• GHG Protocol Mitigation Goals Standard	• GHG inventory • Other data requirements may include data on emissions and removals from the land sector and data on transfers of transferable emissions units (e.g. carbon credits and tradable allowances)
Policies	• GHG Protocol Policy and Action Standard	• Defined by GHG quantification method and the policy type • Typically include activity data, emission factors, and socioeconomic data
Projects	• CDM • GHG Protocol Project Standard • Gold Standard • Verified Carbon Standard (VCS)	• Defined by GHG quantification method and the project type • Typically include activity data, emission factors, and socioeconomic data
Non-GHG effects (e.g. health or employment)	• No international standard • Specific methods based on type of non-GHG effect • May use guidance from relevant standards such as GHG Protocol	• Defined by type of non-GHG effect under consideration • Typically include socioeconomic data related to employment, health, and air quality
Progress of implementation	• No universal standard • WRI Policy Implementation Framework	• Policy administration (rules for permitting, licensing, and/or procurement) • Finance (extent to which adequate financial resources are available to support policy implementation) • Compliance and enforcement (clear definition of compliance/non-compliance, authority responsible for ensuring compliance) • Monitoring (authority responsible for monitoring, information that indicates that monitoring is being carried out)

3.9 NAMAs and emerging economies in the post-2020 climate regime

Manish Kumar Shrivastava, The Energy and Resources Institute (TERI)

Chicken or egg? NAMAs could help

Climate negotiations for a post-2020 agreement face a chicken-and-egg problem. The political build-up to COP-21 is such that an effective post-2020 climate regime will be possible only if there is considerable:

a) aggregate global ambition, as indicated through Intended Nationally Determined Contributions (INDCs)
b) feasibility of, and determination to implement INDCs
c) participation of emerging economies.

Ironically, industrialized countries will not raise their mitigation ambition unless emerging economies take comparable action. The willingness of emerging economies to increase the intensity of mitigation actions depends upon additional support by industrialized countries. Who should break the cycle then? The answer lies with both groups of countries facilitating aggressive and immediate implementation of Nationally Appropriate Mitigation Actions (NAMAs) in emerging economies.

Bridging the pre-2020 ambition gap is the first step towards a meaningful post-2020 agreement. All Parties need to step up their contributions. Progress is hindered by the unresolved question of equitable burden sharing. This deadlock can be broken through implementing NAMAs without imposing any significant new commitments.

According to Paragraph 1b(ii) of the Bali Action Plan, NAMAs are as much a developing-country action as a developed-country commitment. The industrialized countries have already committed US$100 billion to support developing countries, and this has not yet been implemented. Realizing this commitment and directing a sizeable part of it to support NAMAs in emerging economies by 2015 may result in higher, and more accountable, pre-2020 pledges from emerging economies. The experience and capacity gains from implementing NAMAs before 2020 are likely to have positive impacts on the mitigation impacts of INDCs in a post-2020 regime.

Obstacles to greater use of NAMAs

There are ample indications of increased synchronization between development planning and mitigation objectives in emerging economies. However, these countries have largely refrained from officially labelling their mitigation actions as NAMAs. One reason for this, it is argued, is the apprehension that the conditions of measurement, reporting and verification (MRV) will imply judging adequacy of national mitigation actions or may extend beyond the quantum of support, raising concerns of sovereignty.

Another argument, mostly voiced in the corridors of NAMA discussions, is that the few million dollars currently on offer to support NAMAs (e.g. through the NAMA Facility) is a small amount in comparison with the scale at which NAMAs in emerging economies are likely to be visualized. Moreover, this support is not yet available through the UNFCCC. That there are no internationally agreed decisions as yet on diversity of NAMAs and methodologies for setting baselines (a subject under discussions on the Work Stream 2 of ADP) makes Parties more cautious. Hence, some resolution on MRV issues is necessary. In the absence of a COP agreement on MRV issues, accepting bilateral implementation agreements, for example as the Indian collaboration with GIZ on NAMAs is expected to evolve, could be a temporary solution in the interest of bridging the pre-2020 ambition gap.

Another option would be for significant amounts of private foreign direct investment flows to emerging economies to be made predictable for NAMAs to scale up deployment of climate technologies. This may support emerging economies in relaxing the condition of additionality for the pre-2020 period. Whether industrialized-country governments can persuade their private sectors to make such commitments is a different issue. But then, the idea of including private finance in a US$100 billion commitment too becomes vacuous. Similarly, a formal COP decision that ODA support will not be accounted for as climate finance under the UNFCCC reporting mechanisms will make emerging economies more receptive to accept ODA-based support for NAMAs, such as that provided by the NAMA Facility.

Conditions to enable an effective post-2020 agreement

One may wonder if this will address the issue of limited financial support for bringing about transformative changes in emerging countries. The experience with the Clean Development Mechanism in emerging economies shows that, even with the promise of little additional finance, but with adequate demonstration, a favourable economic dynamism can be generated. The pre-2020 NAMAs should be seen as demonstration projects that, if successful, will set the economic processes of transformation in motion.

For the post-2020 agreement, comparable legally binding mitigation commitments will not be acceptable to emerging economies. NAMAs being non-binding, voluntary mitigation actions by developing countries, therefore, offers comparability as well as acceptability. Transparency and accountability will be critical in assigning NAMAs such a political role in a post-2020 agreement. To this end, clearly identified types of NAMAs, even a small list to start with, along with clearly laid out methodologies for baseline determination and MRV procedures will be required. The experience of pre-2020 NAMAs can play a vital role here. It is likely that the INDCs, due to be submitted in early 2015, will fully or partly consist of NAMAs to be implemented after 2020. The variety of NAMAs constituting INDCs can be another reference point for addressing methodological questions regarding MRV.

To conclude, any post-2020 agreement will be paralysed if pre-2020 agreements are not put into action. Increasing financial support to implement NAMAs by fulfilling the US$100 billion commitment through public finance by 2020, along with temporary political innovations on MRV and private finance, holds the key for the possibility of an effective agreement in Paris.

3.10 NAMAs and transformational change: design them to be better!

Timon Wehnert and Florian Mersmann, Wuppertal Institute

What makes one NAMA better than another? Funders face a bewildering variety of approaches in NAMA submissions. Taking two examples from Columbia alone: one NAMA on electric vehicles introduces a technology that is not yet market-ready, and another applies holistic planning for 'transit-oriented development'[19]. NAMAs can combine actions on different levels: substituting technologies, or developing policies or new finance concepts (such as the Chilean price-stabilization fund for renewable energy). NAMAs may contain capacity-building or information campaigns, and some NAMAs aim to support a country's transformation towards low-carbon development.

This last point may well be crucial in decisions on funding NAMAs in the future. Even now, the NAMA Facility explicitly asks for proposals that make a contribution to 'transformational change'. Further, the Green Climate Fund aims to support a 'paradigm shift'. But how can we appraise 'transformation'? How should we measure the impact of a new urban planning approach towards achieving a long-term, low-carbon goal? This is not restricted to reducing emissions of greenhouse gases in the next five years. Rather, this involves structural change, which has the potential to reduce emissions massively in decades to come.

Reconsidering transformational change

In our view, simple quantitative measurement alone cannot capture potential for transformational impact. When we try to assess the transformative potential of a NAMA, we consider three important issues.

1. Transformational change is a concept describing the intensity or degree of change (and not the direction). We may consider sustainable, low-carbon development as a positive change we want to achieve, and believe that this will often require transformational change as part of the process.
2. Transformation affects all aspects of a society, such as technologies, economic aspects (including business models), institutions (including laws and regulations) and culture (including lifestyles and habits). Many technological and economic changes can be quantified. In contrast, most changes in the institutional and cultural spheres need to be assessed qualitatively.
3. Clearly, one single project or NAMA will not be able to effect a full transformation in any sector of any country. This would require many interventions over a long time. The contribution of a single intervention within a transformation process is hard to isolate – there will be overlaps with other actions and often the impact occurs long after the intervention itself has ended.

[19] See NAMA Database at http://www.nama-database.org/
[20] Mersmann et al. (2014).

Based on these three key issues, we have developed guidance on how to design climate actions which aim at transformational impact *(Shifting Paradigms: Unpacking Transformation for Climate Action. A Guidebook for Climate Finance & Development Practitioners[20]).*
We believe that it is necessary to take a systemic perspective in order to maximize the potential for transformational change. Widening perspective beyond immediate project boundaries needs a new approach to viewing and appraising planned activities.

We suggest two key thoughts to bear in mind when working towards systemic change.

1. **Portfolio impacts are more important than single project outcomes.**
   When you try to assess a contribution towards transformational change, you should not assess a single project, but the range of activities in a certain field. Consequently, donors should ask proposals to spell out how the individual project links with other activities. This calls for a much more holistic perspective in the design process of NAMAs which aim at transformational change.
2. **The future is uncertain – and risk should be accepted.**
   Transformational change is about leaving the beaten track, about exploring fundamentally new solutions – but such new experiments may fail. As in venture capital, supporters of NAMAs with transformational ambition need to take the risk that some venture NAMAs will fail – while others may have considerable impacts long-term. However, we believe that the value of innovation and learning outweighs a sub-par outcome of a limited, secure number of activities.

NAMAs can be transformational instruments for the low-carbon future. They have the potential to leave the rigid project-by-project approach and become vehicles for more fundamental, structural changes, including transformation in worldviews, institutions, social practices – and technologies. They can remove persistent barriers that repeatedly limit the effectiveness of innovative low-carbon approaches. Design them right: present your vision for a low-carbon future, and you will have a better NAMA.

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