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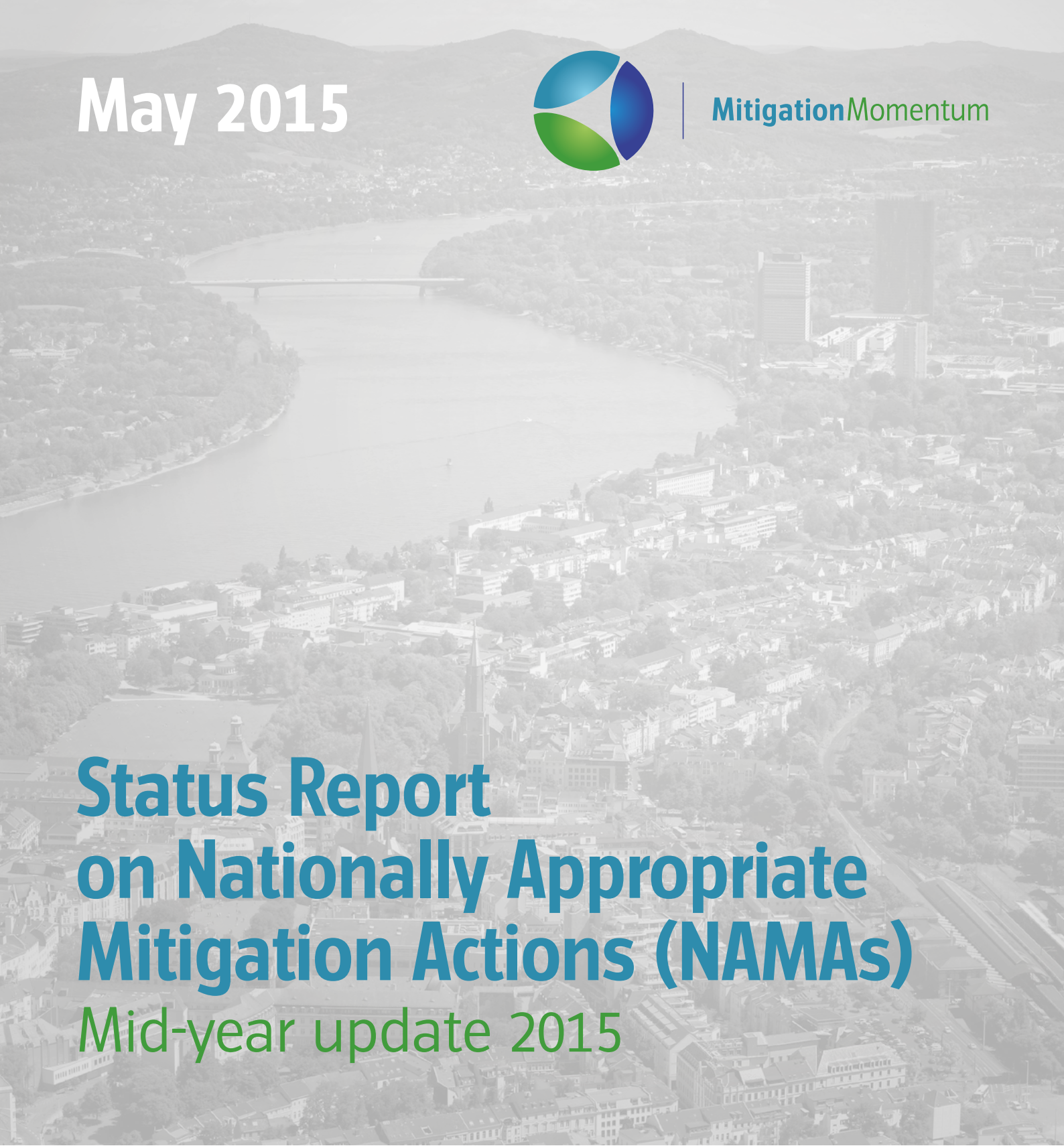
MitigationMomentum

Status Report on Nationally Appropriate Mitigation Actions (NAMAs)

Mid-year update 2015



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Status Report on Nationally Appropriate Mitigation Actions (NAMAs)

Mid-year update 2015

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This report is prepared and published as part of the MitigationMomentum project, a collaboration between ECN Policy Studies and Ecofys Germany. The project aims to support the development of Nationally Appropriate Mitigation Actions (NAMAs) by contributing to the concrete development of NAMA proposals, and foster cooperation and knowledge exchange within the NAMA community.

The project is part of the International Climate Initiative (ICI) of the Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety.

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List of Abbreviations and Acronyms

ADB	Asian Development Bank
BMUB	Federal Ministry for the Environment, Nature Conservation, Building, and Nuclear Safety
BRT	Bus Rapid Transit
BUR	Biennial Update Report
CCAP	Center for Clean Air Policy
CDM	Clean Development Mechanism
COP	Conference of Parties
CSE	Centre de suivi écologique
DECC	Department of Energy and Climate Change (UK)
DFI	Development Finance Institution
ECN	Energy research Centre of the Netherlands
EDA	Enhanced direct access
EUR	Euro
ICEX	Spanish Institute of Foreign Trade
ICI	International Climate Initiative
IFI	International finance institutions
GCF	Green Climate Fund
GEF	Global Environment Fund
GHG	Greenhouse Gas
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
INDC	Intended Nationally Determined Contribution
KfW	Kreditanstalt für Wiederaufbau
LDC	Least Developed Country
LECD	Low-Emission Capacity Building Programme
LEDS	Low Emission Development Strategy
LSE	London School of Economics and Political Science
MCEB	Danish Ministry of Climate, Energy and Building
MRV	Measurement, Reporting and Verification
NAMA	Nationally Appropriate Mitigation Action
NDA	Nationally Designated Authorities (NDAs)
ODA	Overseas Development Assistance
PROFONANPE	Fondo de Promoción de las Áreas Naturales Protegidas del Perú
PSF	Private Sector Facility
SARI	South African Renewables Initiative
SIDS	Small Island Developing States
SME	Small and medium-sized enterprises
SPREP	Secretariat of the Pacific Regional Environment Programme
SSRI	Self-Supply Renewable Energy Systems
SUTRI	Sustainable Urban Transport Initiative
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
USD	United States Dollar

List of Tables and Figures

Foreword

This latest Annual Status report on Nationally Appropriate Mitigation Actions (NAMAs) mid-year update 2015, provides a snapshot of the current state of play of NAMAs. The first section looks at the latest statistics on NAMA development worldwide, drawing from the UNFCCC NAMA registry and the NAMA Database. In addition to providing a general overview, we also highlight some recent developments relevant to NAMA development and support.

The second chapter is a guest contribution from CCAP and takes a close look at recent developments around the Green Climate Fund (GCF) and its relevance for NAMAs. Chapter three is especially timely as it looks at emerging insights on the work countries are undertaking in formulating their mitigation ambition and contributions, with reflections on the role of NAMAs in relation to Intended Nationally Determined Contributions (INDCs).

The Status Report closes with a section on the Future of NAMAs which builds on the main conclusions of the previous Status Report and the insightful discussions of an expert panel at the 'Future of NAMAs' side event, held in parallel to COP20 negotiations in Lima last December. The closing section argues that we expect countries to consolidate their NAMAs and work toward a (more) strategic approach to mitigation action. After Paris, INDCs will show the extent of transformational change needed, and we expect that NAMAs will be broadly used to design bottom-up government action to show how this can be achieved. We continue to see a bright future for NAMAs with focus broadening to, for instance, further detailing INDCs, working on (sectoral) mitigation action plans, and articulating benefits and securing domestic support and buy-in.

A full Annual Status Report will be published in time for COP21 in Paris, France. In contrast to this abridged mid-year update edition, the full Report will again be a comprehensive review of the state of play of NAMAs including a discussion of key emerging topics, based on a collaborative effort of various organisations active in the NAMA space.

Findings of the NAMA Status Report

Mid-year Update 2015

MitigationMomentum

1 The coming year is crucial

We have reached a critical point in the build up to a 2015 climate agreement in Paris.

2 We still observe increasing activity on NAMAs

Currently 72 NAMAs are registered in the UNFCCC NAMA Registry and the NAMA database counts 151 NAMAs.

3 But finance for implementation is still moving too slowly

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 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.

5 We need to understand the role of NAMAs in relation to INDCs

INDCs will show the extent of transformational change needed, and we expect NAMAs will be used to design bottom-up government action.

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

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

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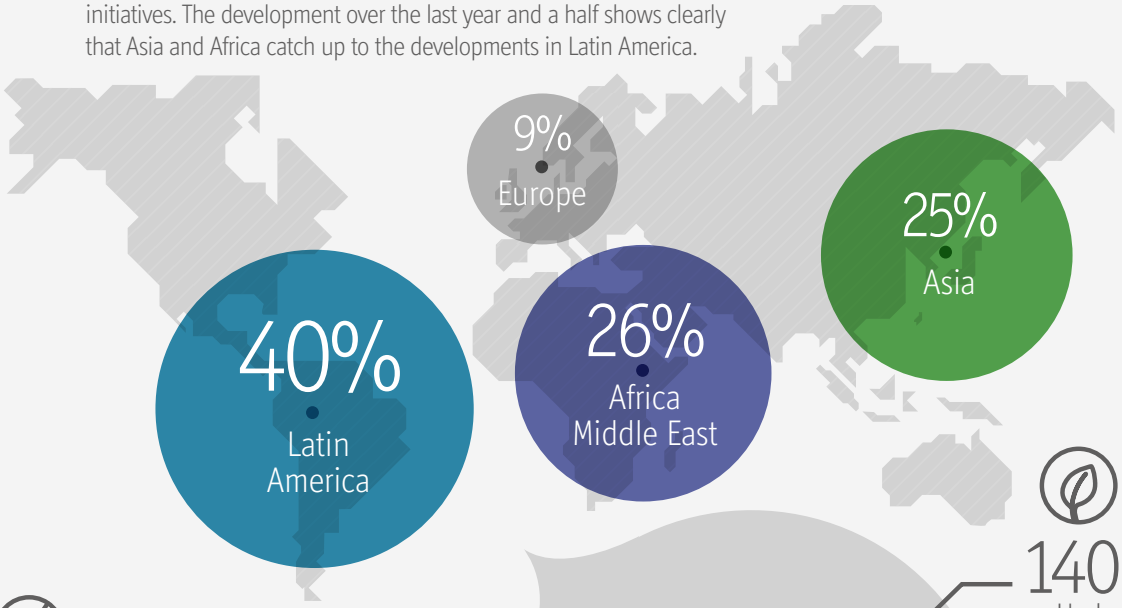
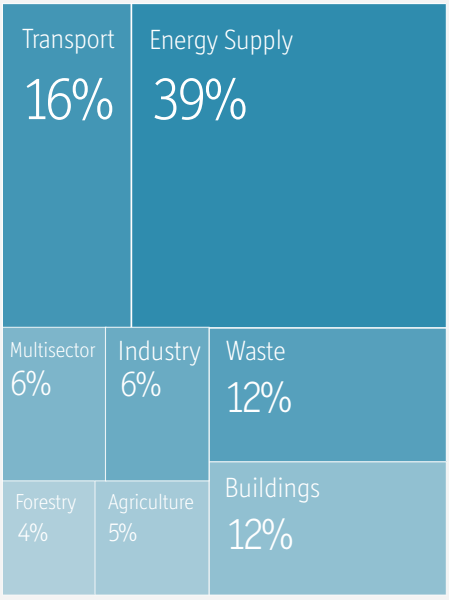
What is happening in the world of NAMAs?

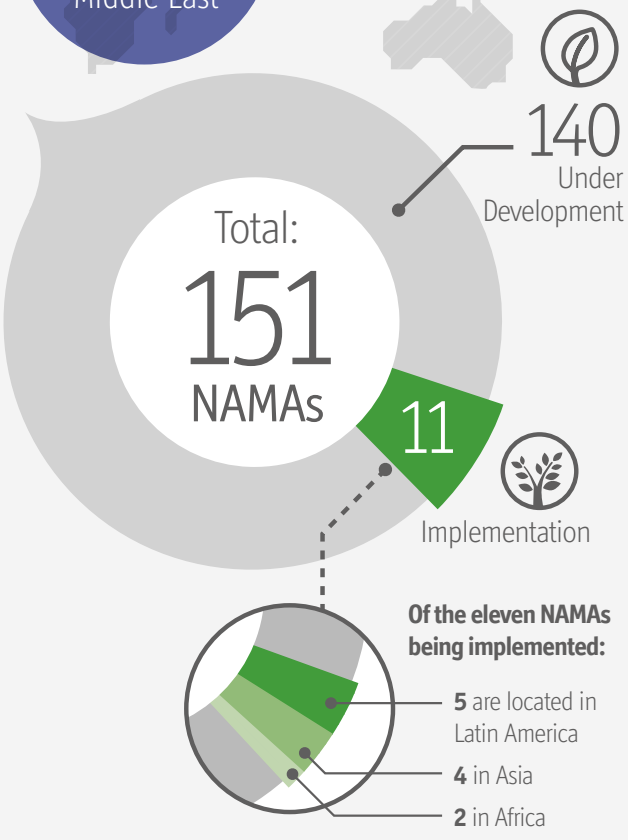
Regional Overview

As in previous years, Latin America remains the region with most NAMA initiatives. The development over the last year and a half shows clearly that Asia and Africa catch up to the developments in Latin America.



Sectoral Overview





Contents

1. NAMA Development

Lara Esser, Angélica Afanador, Ecofys

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

The UNFCCC NAMA Registry

In 2013 the UNFCCC Secretariat created the NAMA Registry (hereafter the Registry), a public online platform to foster mitigation actions in developing countries. The Registry aims to facilitate matchmaking between planned NAMAs and funding sources by: (i) providing a platform to recognise national actions that have received domestic support; (ii) recording NAMAs that are currently seeking international support for preparation and implementation; and (iii) registering international sources of funding available to support mitigation actions (UNFCCC, 2014a).

The listing of NAMAs in the Registry is voluntary; hence its data is based only on the information provided by NAMA proponents and funders. Furthermore, information recorded in the Registry does not imply commitments to take mitigation actions, nor to provide support.

The Registry classifies NAMAs in three categories: (i) seeking support for preparation, (ii) seeking support for implementation, and (iii) seeking recognition. Since this report focuses on internationally supported NAMAs, those seeking recognition (domestically funded) are not considered in this analysis.

At the time of writing, the Registry contains information on 72 NAMAs seeking international support. The fast growth of initiatives seeking support for preparation is positive and indicates interest in the NAMA concept as a tool to address climate change mitigation activities.

To date, nine NAMAs listed in the Registry have found support in the form of financial, technological and capacity building assistance (UNFCCC, 2014b). The financial and technology assistance adds up to approximately USD 27,5 million, and it is provided by the governments of Austria and Japan, the Global Environment Facility (GEF), the Inter-American Development Bank, the NAMA Facility[1] and the Spanish NAMA Platform[2]. Since the Registry does not provide the allocated amounts for capacity building, and in few cases for financial assistance, the total support is expected to be larger.

[1] The NAMA Facility is a joint programme of the German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB), the UK Department of Energy and Climate Change (DECC), recently joined by the Danish Ministry of Climate, Energy and Building (MCEB) and the European Commission. The Facility currently provides EUR 120 million support for the implementation of 9 NAMAs in developing countries and has launched its third competitive call for proposals with additional funding of up to EUR 85 million. For more information, see: http://www.nama-facility.org/no_cache/about-us.html

[2] Led by the Spanish Institute of Foreign Trade (ICEX, an agency of the Ministry of Economy and Competitiveness) in cooperation with other institutions, such as the Spanish Climate Change Office and the Spanish Agency for International Development Cooperation, the Platform aims to catalyse the implementation of NAMAs. ICEX analyses the potential for public-private cooperation, tools and solutions that could match NAMAs at different stages. Recently, the approach led to support for Uruguay's wind power programme. For more information, see: http://www4.unfccc.int/sites/nama/_layouts/un/fccc/nama/InformationOnSupportAvailable.aspx?ID=69&viewOnly=1http://newsroom.unfccc.int/clean-energy/spain-tailors-nama-strategy-approach/

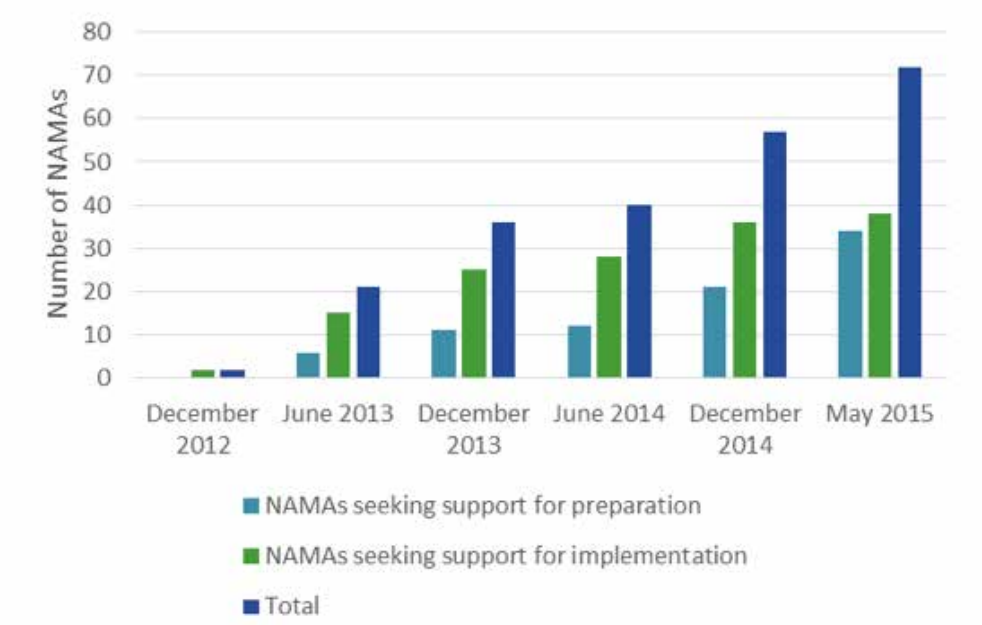


Figure 1: NAMAs submitted to the UNFCCC NAMA Registry

Current status of supported NAMA development

This section provides an update of on-going NAMA activities and trends worldwide since 2011. The information presented is based on the NAMA Database (Ecofys, 2015), an "open access wiki" intended to compile information for all supported NAMAs for which public information is available.

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

The NAMA Database includes initiatives classified under two phases of development: NAMAs under development and NAMAs under implementation. In order to add NAMA initiatives into the database they must meet all of 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.

The NAMA Database also includes feasibility studies which describe potential NAMAs that do not yet have official government backing. These feasibility studies are excluded from the statistics presented in this report[4].

[3] The NAMA Database is managed by Ecofys. It does not represent official NAMA submissions and may not reflect the priorities of the respective country governments. The Database can be accessed online at: www.nama-database.org

[4] The NAMA Database currently records 29 feasibility studies from 25 countries and 1 region.

There are currently 140 NAMAs under development and eleven NAMAs[5] under implementation across 37 countries (Figure 2). This shows an increase of approximately 28% from the total NAMAs registered in the NAMA Database up to November 2014 (van Tilburg et al., 2014), equivalent to 30 additional NAMAs under development and three under implementation.

Regional distribution of NAMAs

As in previous years, Latin America continues to be at the forefront of NAMA initiatives. The region has 60 NAMAs initiatives, five of which are at the implementation stage. Half of the NAMAs are carried out in Africa and Asia with an almost even distribution in these two regions; however, four NAMAs in Asia and only two in Africa are under implementation (Figure 3 and Table 1). Serbia and Armenia are the only two countries in Europe that are seeking support for NAMAs (9% of NAMA initiatives), all of which are still at the development stage[7].

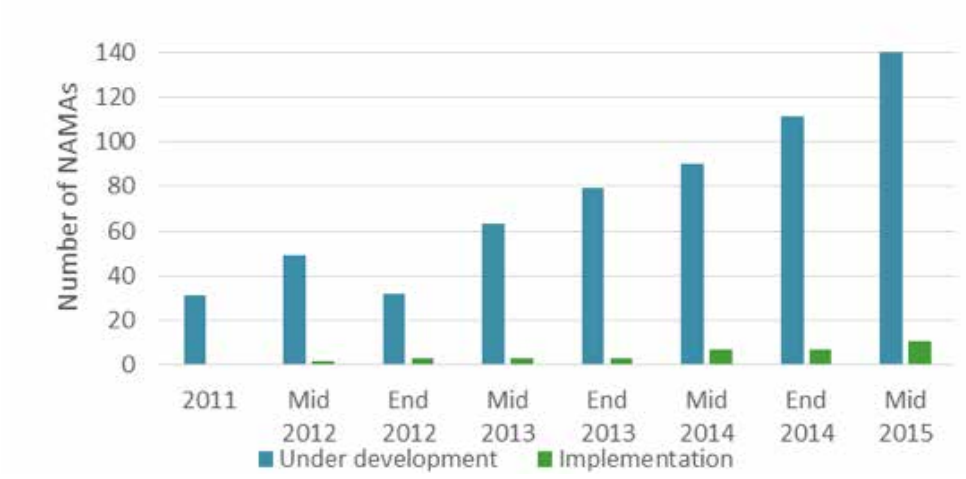


Figure 2: Development of NAMAs 2011-2015[6]

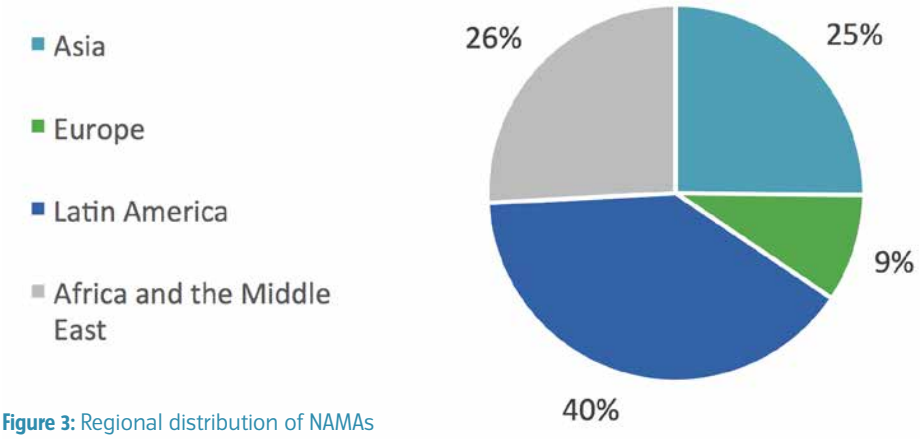


Figure 3: Regional distribution of NAMAs

[5] This includes 9 NAMAs currently supported by the NAMA Facility (see above). While the categories used by the Facility to describe the stages of NAMA development differ from those used in the Database, all NAMAs that receive financing from the Facility are considered to be 'under implementation' for the purpose of this report, as the Facility specifically provides funding for the implementation of NAMAs. In addition to the nine NAMA Facility actions, the Database gives information on two NAMAs in South Africa and Georgia that receive bilateral funding, the latter of which is also registered as a supported NAMA in the Registry (Table 1). For a more detailed look at the NAMA Facility portfolio, see: http://www.nama-facility.org/projects/portfolio.html

[6] 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.

[7] Serbia has 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.

NAMA title	Country	Sector
Biomass Energy NAMA	Burkina Faso	Energy
Expanding self-supply renewable energy systems in Chile (SSRE)	Chile	Energy
Transit-oriented development	Colombia	Transport
NAMAs in the Costa Rican coffee sector	Costa Rica	Agriculture
Adaptive Sustainable Forest Management in Borjomi-Bakuriani Forest District	Georgia	Forestry
Sustainable Urban Transport Initiative (SUTRI)	Indonesia	Transport
NAMA for sustainable housing in Mexico	Mexico	Buildings
Transport NAMA in Peru	Peru	Transport
South African Renewables Initiative (SARI)	South Africa	Energy
Tajikistan Forestry NAMA	Tajikistan	Forestry
Refrigeration and Air Conditioning NAMA	Thailand	Energy

Table 1: NAMAs in the implementation stage

As in earlier reports of this series, there is a broader geographical distribution of NAMAs than in the case of CDM projects. The participation of African countries and least developed countries (LDCs) is particularly noteworthy: here there are 38 NAMA initiatives, from which 20 are being developed by LDCs in various sectors, including transport, energy supply, forestry, agriculture, and waste[8].

Overview of sectors

NAMAs continue to be developed across all sectors as in previous years. The top two preferred sectors are energy and transport, and both buildings and waste make the third place. Most of the energy activities focus on biomass, solar, wind, and geothermal. Out of the 59 energy initiatives only four are under implementation in Burkina Faso, Chile, South Africa and Thailand. Unfortunately, most of the energy NAMA documents do not report the potential emission reductions and hence it is difficult to assess their potential impact. As in previous years it is difficult to find detailed public information on these initiatives which limits learning and could suggest that NAMA designs are less progressed than they actually are.

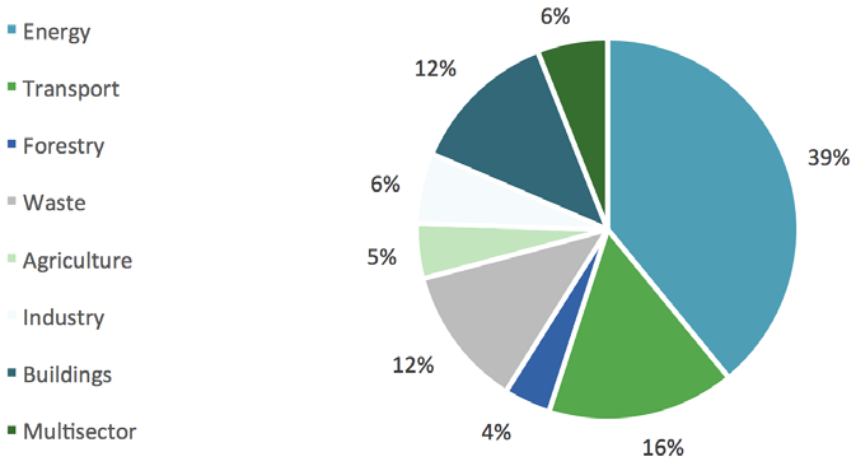


Figure 4: Sectoral distribution of NAMAs

[8] This report uses the United Nations' definition of LDCs. From this group Ethiopia, Gambia, Mali and Uganda are developing NAMAs

Types of activities

NAMAs can include a wide range of activities. The NAMA Database categorises NAMAs according to "strategy/policy" and "projects". Policies and strategies have a broader scope than projects, often both in terms of geography and time, and are likely to include longer-term objectives leading to transformational impacts. Nearly two-thirds of all NAMAs intend to develop policies or strategies, while nearly one-fifth focus their efforts on projects. Nearly 20% of the NAMAs do not clearly define whether the activities will develop policies and strategies or whether they will implement a specific project.

Overall, NAMA activities over the last six months (since the last Status Report) reflect developing countries' increased interest in contributing to climate change mitigation efforts. To date there are more than 150 NAMAs, of which eleven are at the (early) implementation stage. The level of detail available to evaluate progress being made on NAMAs is still lacking, however. Improving sources of information on NAMA development and sharing needs, plans, implementation steps taken and lessons learned across developing countries increases transparency and may increase buy-in from international supporters.

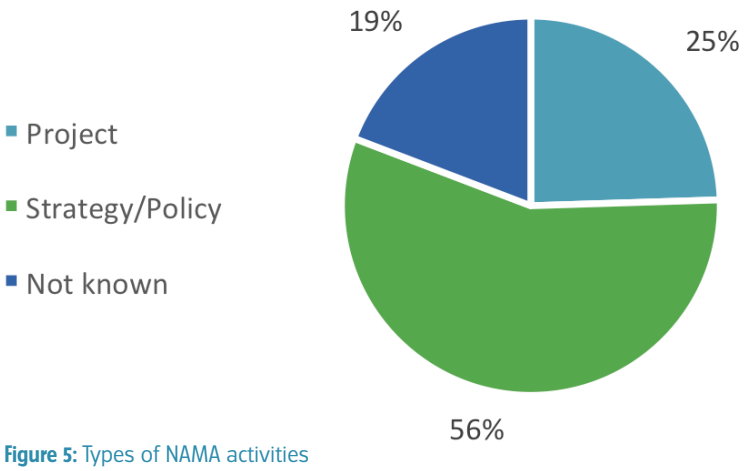


Figure 5: Types of NAMA activities

Box 2: NAMA typologies and examples

Strategy and Policies: long term comprehensive plan of measures and actions designed to achieve a common goal, and/or government led programmes that intended to become embodied in legislation. Examples include:

- Expanding self-supply renewable energy systems (SSRE) in Chile: the NAMA will develop a comprehensive programme of measures to remove barriers and incentivize SSRE investments.
- South African Renewables Initiative (SARI): it aims at scaling-up renewable energy in South Africa by integrating renewable energy into the national energy planning and creating incentives to foster industrial growth through renewable energy, increase grid infrastructure, and ensure a fair energy market, among other measures.

Projects: localized capital investments in infrastructure or machinery. Examples include:

- Bus Rapid Transit (BRT) for Kampala: the NAMA aims at reducing transport-related greenhouse gas emissions by building nine bus rapid transit (BRT) routes and non-motorized transport lanes linked to the BRT.
- Bio-energy generation and greenhouse-gases mitigation though organic-waste utilization in Pakistan: it seeks to develop and disseminate environment-friendly and cost-effective technologies and management practices of bio-energy generation from organic waste.

Opportunities announced over the past 6 months

This section provides a compilation of recent NAMA-related developments. The purpose is to highlight those news and events that provide information on opportunities for financing NAMAs and for increasing capacities of practitioners.

THIRD CALL FOR NAMA FACILITY APPLICATIONS OPEN UNTIL 15 JULY 2015. All developing and emerging countries seeking funding for NAMA implementation should take advantage of this opportunity. In order to help proponents shape proposals into attractive project outlines, the NAMA Facility published a guideline that explains the selection criteria and the type of support that is available[9]. Proponents should be aware that the template for NAMA proposals is different from the one used in the NAMA Facility's second call. For the current call, the NAMA Facility updated the template and communicated the most relevant changes to avoid confusion[10]. Proponents should send the proposals to contact@nama-facility.org no later than 15 July 2015.

THE GREEN CLIMATE FUND EXPECTS TO START FUNDING PROJECTS BY THE END OF OCTOBER 2015. On its last meeting the board accredited seven organisations which can now support developing countries in project preparation and submission. The accredited institutions vary from local and regional to international bodies, including: Acumen Fund, Inc. Asian Development Bank (ADB), Centre de suivi écologique (CSE), Fondo de Promoción de las Áreas Naturales Protegidas del Perú (PROFONANPE), Kreditanstalt für Wiederaufbau (KfW), the Secretariat of the Pacific Regional Environment Programme (SPREP), and the United Nations Development Programme (UNDP). Applications for accreditation must be completed via the Online Accreditation System[11]. At the time of writing this report the GCF had already secured actual contributions of USD 5.5 billion out of the USD 10.2 billion in pledges. The Fund expects to increase the actual contributions through binding agreements in order to serve as many developing countries as possible. The GCF expects developing countries to start working with accredited institutions in preparing and submitting proposal. Proposals will be considered at the 11th GCF board meeting, tentatively scheduled for the end of October 2015. Countries and accredited institutions should note that the GCF Secretariat is open for informal discussions of concept notes to light the preparation process and align with the Secretariat's expectations.

ASIA PACIFIC AND EASTERN EUROPEAN COUNTRIES RECEIVE FEEDBACK ON NAMAS FROM THE PRIVATE AND PUBLIC SECTOR. The UNFCCC Secretariat held a NAMA market place in March 2015 to facilitate a conversation between NAMA proponents and the private and public sector. Representatives from nine countries presented NAMAs seeking funding for implementation to a group of public and private institutions. The latter provided constructive inputs from the financial stand point to improve the NAMAs and increase the likelihood of getting funded. The participant countries included: Bosnia and Herzegovina, Cambodia, Indonesia, Iran, Laos, Macedonia, Philippines, Vanuatu and Vietnam. And the private and public sector institutions included Syndicatum Sustainable Resources; Overseas Environmental Cooperation Centre, Japan; Energy Changes, Austria; Mitsui Global Strategic Studies Institute, Japan; and the International Emissions Trading Association.

NEW HANDBOOK LAUNCHED ON MEASURING, REPORTING, AND VERIFICATION (MRV) FOR DEVELOPING COUNTRIES. The handbook published in March 2015 by the UNFCCC Secretariat includes a chapter dedicated to MRV of NAMAs. The objective of this chapter is to guide developing countries in setting up domestic MRV for domestically supported NAMAs (UNFCCC, 2014c). Though the application of the guidelines is voluntary, they are available to help countries set up their national MRV frameworks for policies and measures based on existing domestic processes, arrangements, methodologies and expertise.

[9] The guideline is available online at: http://www.nama-facility.org/fileadmin/user_upload/pdf/NAMA_Facility_General_Information_Document_2015.pdf
[10] For more information on the specific changes check online at: http://www.nama-facility.org/fileadmin/user_upload/pdf/3th_call/Changes_Outline_template_3rd_call.pdf
[11] Access the application system online at: http://www.gcfund.org/operations/accreditation/applications.html

CASE STUDIES OF EFFECTIVE MITIGATION ACTIONS IN DEVELOPING COUNTRIES. The International Partnership on Mitigation and MRV and the UNDP Low Emission Capacity Building Programme developed an online tool for effective mitigation actions. The tool provides good practices and concrete examples of low emission development strategies, NAMAs, and MRV systems; it also analyses the factors that determine the success of mitigation actions. The examples touch upon mitigation actions carried out worldwide and across various sectors, in order to give a wide spectrum of cases. The analysis is available in English, Spanish and French[12].

IRENA PUBLISHED THE SECOND EDITION OF ITS HANDBOOK ON RENEWABLE ENERGY NAMAS. The handbook provides practical guidance to policy makers and NAMA practitioners on the process to develop renewable energy NAMAs (IRENA, 2014). It also presents case studies that illustrate the potential role of renewable energy NAMAs in various countries, assessing the barriers for development and implementation. The handbook is an update to the edition published in 2012, and it is available in English and Spanish.

FREE E-LEARNING COURSE ON NAMAS AVAILABLE AT THE GIZ GLOBAL CAMPUS. The International Partnership on Mitigation and MRV developed this on-line course for anyone who wishes to acquire basic knowledge on NAMAs and use NAMAs to foster mitigation actions in any sector. The course will help the users understand what NAMAs are, how to select the most attractive NAMA ideas, and how an idea is developed into a NAMA ready for implementation. To access the course the user has to register at the GIZ Global Campus[13].

[12] Access the tool online at: http://www.mitigationpartnership.net/gpa
[13] Register for the course online at: https://gc21.giz.de/ibt/eacad/area=portal/style=eacad/paint=eacad/en/opt/sico/core/public/user/selfregisterInput.xjsp?workflowid=141345489740248801

2. NAMAs and the Green Climate Fund

Stacey Davis and Hannah Pitt (CCAP)

Established as the financial mechanism of the UNFCCC, the Green Climate Fund (GCF) is intended to support developing country efforts to limit or reduce their emissions and adapt to the impacts of climate change. Decisions taken at the 9th board meeting in Songdo, South Korea in March 2015 put the GCF Board on-track to begin selecting projects and programs for funding by October 2015. Key decisions were the accreditation of the first round of institutions through which the funds will be disbursed and agreement on a process to review funding proposals. Both of these decisions open the door for developing countries with ambitious, country-driven NAMA proposals to gain access to the Fund.

Accreditation of institutions for fund disbursement

The first round of accreditation represents a first step toward establishing a network of diverse institutions that can secure and deliver funding for transformational NAMA proposals, prepared by or in partnership with national governments. In addition to multilateral and bilateral organisations, four out of the seven institutions accredited in March are national or regional entities that can access the Funds directly, including organisations from Senegal, Peru, and the Pacific Islands, as well as a development-focused impact investment fund. Although both accredited institutions and Nationally Designated Authorities (NDAs) can submit funding proposals, Fund resources will be disbursed and managed exclusively through accredited entities. Developing country institutions accredited by the Fund will therefore serve as important partners for national governments seeking to access GCF funding for NAMAs. In order to accelerate direct access, the Board decision calls for a balanced representation between national and international institutions in the list of entities considered for accreditation at the 10th Board meeting in July 2015, and a strengthened role for NDAs as the accreditation process continues.

Proposal review process

The process for reviewing proposals adopted by the Board lays the groundwork for a transparent and competitive selection process. Within the Fund's mitigation window, this approach supports proposals that achieve significant emissions reductions in the context of sustainable development, making ambitious NAMA proposals well-suited to secure GCF funding. Project proponents will need to demonstrate performance across newly-adopted sub-criteria and assessment factors that elaborate on the Fund's six main investment criteria in order to win support. Under the agreed approach, the Secretariat and Independent Technical Advisory Panel will use minimum benchmarks to conduct an initial screening, and assign a scale of low, medium or high based on expected performance of the proposal for each of the six selection criteria for projects and programs. Both benchmarks and scoring will take into consideration the needs of countries most vulnerable to the adverse impact of climate change, including African, Small Island Developing States (SIDS) and least developed countries (LDCs). Often unable to achieve the same mitigation impact as higher income developing countries, these provisions can encourage the most vulnerable countries to bring forward mitigation proposals to the GCF board, including NAMAs.

Despite progress, further work remains to be done before the review process can be fully operationalised. The final decision gives the Secretariat until the 13th meeting, likely in the summer of 2016, to develop benchmarks. The assessment scale will be applied initially to a subset of proposals in the first round, to be recommended by the Investment Committee.

In addition, the following important design elements of the Fund will require further development in future Board meetings.

Enhanced direct access pilot

Enhanced direct access (EDA) refers to a stronger devolution of decision-making to the national level, where governments or (sub)national institutions receive and manage climate funds and their allocation (Berliner et al., 2013). Although no decision was taken, the Board made progress on a TOR for an EDA pilot phase. Under EDA, a program of activities and project selection criteria would be approved by the Board, giving recipient country institutions the authority to select specific projects for funding. The EDA pilot can provide a model for how the Fund can move beyond the financing of individual, bankable projects toward more comprehensive national programs, including NAMAs. Devolving decision making to the national level bolsters country-ownership and builds capacity of developing country institutions, and can allow for a cost-effective way to scale-up GCF funding. Beyond the proposed pilot, further work must be done to mainstream this kind of country-driven, programmatic approach into the core of the Fund.

Private Sector Facility (PSF)

The PSF is intended to enable the Fund to directly and indirectly finance private sector mitigation and adaptation activities. Operationalising the PSF will be critical to support transformational NAMAs that couple national policy reform with financial instruments to leverage donor funding. At the 9th meeting, the Board affirmed that the PSF should be open for business along with the rest of Fund. It also requested the GCF Private Sector Advisory Group to recommend options for a pilot program to engage local small and medium-sized enterprises (SMEs) and for mobilising private sector finance, including a request for proposals for accredited private sector entities. The Advisory Group is expected to outline the recommendations on the 10th board meeting in July 2015. In the coming meeting, the Board must provide further clarity to private sector actors on the operating modalities and structure of the PSF in order to encourage significant and early engagement with the Fund.

Programming the Fund's investment portfolio

An analysis conducted by the Secretariat to identify priority investment opportunities–an effort to develop a strategic approach to programming the Fund's investment portfolio–was largely rejected by the Board. The Board took note of the analysis, but did not adopt the five illustrative investment areas identified in the paper. Setting investment priorities could offer useful guidance to national governments in identifying opportunities and developing NAMA proposals that could obtain GCF funding. However, many Board members were concerned that a "top-down" approach, particularly the geographic targeting suggested in the paper, would interfere with a "bottom-up" process driven by country priorities. The Board agreed to review the Fund's portfolio and take "needed actions" to balance its composition when the portfolio reaches USD 2 billion or after two years, whichever comes first.

NAMAs offer a template for broad-based climate actions that achieve emissions reductions at a sector-wide or national scale while achieving national development objectives. In the next six months, the Board must address remaining design features needed to provide a pathway for NAMA finance, including accrediting developing country institutions, ensuring an objective and transparent proposal review process, promoting enhanced direct access and a programmatic approach, and operationalising the PSF.

3. NAMAs in a World of INDCs

Lachlan Cameron, ECN

A 2015 climate change agreement should ensure that all Parties make contributions to addressing climate change. Whether this agreement is successful can, at its simplest, be broken down into two key questions (Marcu, 2014):

1. What does everyone promise to do through INDCs?
2. How do we achieve what we promise to do?

Regarding this second question, it is too early to know what mitigation approaches will find their way into a future climate agreement. Yet it can be recognised that for many countries, either due to circumstance or negotiating position, non-market-based approaches will be preferred for achieving mitigation. This chapter concludes that bottom-up efforts, such as NAMAs, are a key implementing tool for a Paris agreement and its associated INDCs.

Within that context, it becomes important to understand the potential role of NAMAs in the INDCs that are being delivered for COP21. The following sections explore these linkages and implications for NAMAs, drawing on the responses to a survey provided by BMUB, CCAP, GIZ, New Climate Institute and UNDP[14].

Introduction

It is fair to say that the meaning of the term NAMA has evolved from that used in the first years of discussions and submissions following COP13 in 2007. Signed into life through the Bali Action Plan, NAMAs were broadly described as actions by developing countries in the context of sustainable development, supported and enabled by technology, financing and capacity-building, in a measurable, reportable and verifiable manner. This description still holds true, but the submissions of NAMAs in response to a call under the Copenhagen Accord, and subsequently in response to a call under the Cancun agreements, did little to further define the term. Some 57 countries submitted a mixture of pledges and actions over the three years following COP15 in a variety of formats and with differing levels of detail (UNFCCC, 2013).

These are referred to by the UNFCCC as so called 'National Level' NAMAs; formal submissions by Parties declaring their intent to mitigate GHG emissions in a manner commensurate with their capacity and in line with their national development goals (UNFCCC, 2014d). Yet this broad national definition of NAMAs has fallen out of favour in recent years. In fact, many of those original national level submissions could be seen as early precursors of INDCs, with their sectoral or economy wide targets and/or lists of proposed actions.

Instead we now typically talk of NAMAs as individual actions, or perhaps groups of measures within a single action. These are still diverse, ranging from project based mitigation actions to sectoral programmes or policies, but are clearly more discrete than where the concept started from. These are the NAMAs that are submitted to the UNFCCC NAMA registry, or to the NAMA Facility for support, and it is this current definition of individual NAMAs that is most useful to think about with regards to INDCs.

[14] Ecofys and ECN thank those organisations for their contribution, but emphasise that the responsibility for the information and views set out in this chapter lies entirely with the authors. Those contributions will be developed into a position paper in the coming period in the frame of the Enhanced NAMA Coordination group.

The concept of NAMAs as specific actions has also evolved in practice in two main ways. First, in regards to the level of ownership by government and their central role in implementation. NAMAs listed with the UNFCCC registry are mostly government led interventions with national implementing organisations that are typically ministries or other public agencies. In many cases they stress the importance of stimulating private sector investment, sometimes with an additional emphasis on the concept of transformational change. The role of government as a catalyst for private investment stems from a focus on policy as a basis for implementation and a desire for out-sized impacts; making scarce public budgets go further. It is a definition that is fostered by some sources of support, such as the NAMA Facility, as well as the guidance and publications produced by many practitioners, for example in the pages of these Status Reports.

Second, a focus on supported NAMAs has emerged out of the efforts of countries and development organisations. There are very few actions registered only for recognition in the NAMA registry. This is partly the result of many domestic efforts not being prepared for formal registration, but also a tendency for the design of actions to centre around those that would need international support. This is understandable from a political standpoint and to make use of limited assistance, but has created a paradigm where the discussion around NAMAs is often focused on support. Attention to the idea of calling domestic efforts 'NAMAs' has been somewhat lost and, arguably, the added value of such an approach is not clear to countries[15]. However, INDCs may provide an impetus for countries to seek more formal recognition for their domestic mitigation actions. As discussed later, NAMAs offer a clear means to achieving this.

NAMA development has often been approached opportunistically, without a clear strategy for the economy or sector. This can be due to limited resources/capacity, a lack of an existing overarching framework to operate under, but also development partner priorities/programmes. In many countries it can be observed that there is no comprehensive approach to climate change in general and sectoral mitigation specifically, which can necessitate pragmatic choices. However, we also observe that NAMAs are often focusing on areas where previous approaches, such as CDM, were less effective. Their flexible nature and resulting breadth in terms of types of action, can therefore been seen as a positive feature. Additionally, the central role of government in developing NAMAs has meant that countries that have engaged with NAMA development have built valuable institutional awareness and capacity.

This then is the status today: approximately 150 NAMAs under development or implementation, with a large and growing community of domestic stakeholders and international experts with experience in the design of mitigation actions. Furthermore, they are the only tried and tested approach for bottom-up government action available in the new climate regime. This leaves open an important question of how the concept of NAMAs should be anchored in a 2015 climate agreement. Understanding links with INDCs is a first step in answering this.

INDCs: a recap

During previous climate negotiations, countries agreed to publicly outline what level of mitigation ambition they intend to offer under a global agreement before the Paris COP. These indications of ambition are known as Intended Nationally Determined Contributions (INDCs). They will largely determine whether the world achieves an ambitious agreement in 2015 for a post-2020 climate regime, putting it on a path toward a low-carbon future. A country's INDC should signal to the world that they are doing their part to combat climate change and limit future climate risks (WRI, 2014).

[15] Contributing to this has been a stance at the negotiations by a number of countries not to formally engage with the label of 'NAMAs', often while maintaining large programmes of low-carbon actions domestically.

The Lima Call for Climate Action proposes some basic information to be included in INDC submissions. At the same time, the language of that document leaves a lot of room for countries to set their own priorities when developing their INDCs. What the text does say, is that contributions "will represent a progression beyond the current undertaking" of that country. The actual level of ambition is left to each country to determine themselves, with the hope that these efforts, when aggregated, will be sufficient to tackle climate change globally (or at least provide a valuable starting point for increased ambition in the future).

The final form of submitted INDCs will be varied, with countries possibly choosing to offer absolute GHG targets, reductions below some type of reference level, non-GHG objectives (such as renewable energy targets), or specific projects and policies. Countries might also address other issues, such as how they will adapt to climate change impacts, and what support they need from, or will provide to, other countries. The upfront information that was discussed in Lima does not ask countries to explicitly link their INDC to individual bottom-up actions, but does seek information on planning processes and assumptions.

How are NAMAs and INDCs linked?

INDCs and NAMAs are different in their intent; the former represents a country's ambition at an aggregate national level, while the latter is a specific voluntary action, typically within a single sector. However, they share some characteristics. Both INDCs and NAMAs are nationally-driven processes, which require broad stakeholder engagement and political buy-in from governments. Both are meant to be framed within broader national/sectoral development priorities. In practice, the two concepts can be closely linked and have much to offer each other, although that interaction will be influenced by the approach taken to developing an INDC.

Guidance for INDC development describes two main categories of contribution: actions and outcomes (or possibly a contribution of the two). For the former, a country may package its existing, planned, and potential future mitigation actions and present them in its INDC. For the latter, a country could assess the collective impacts of possible actions and put forward outcomes. Outcomes can be framed as GHG outcomes – a commitment to reduce GHG emissions by a certain quantity by a certain date – or non-GHG outcomes – such as quantity of renewable energy generated or share of electricity generated with renewable sources (Levin et al., 2015). Outcome-based contributions will often be the result of an economy or sector wide analysis and this is something we see in practice in early INDC submissions.

One possibility is that NAMAs, as individual bottom-up actions, can directly be part of an action-based contribution or an outcome-based contribution that aggregates individual actions. Building on bottom-up efforts, such as NAMAs, in this way can make the achievement of INDC targets more tangible and offer a clear approach to implementation.

A second, perhaps more likely possibility, is that NAMAs play a role in meeting targets that have been cascaded down from a high level outcome-based INDC. These types of contributions can be the result of a top-down modelling exercise or a more visionary level of ambition that has been informed by global estimates of effort sharing[16]. High level outcomes will need to be assessed in order to determine where action should be taken within an economy (i.e. sectors) and in what ways (i.e. specific actions). NAMAs and other bottom-up efforts will ultimately be the implementation tool to achieve sectoral goals and thereby meet INDCs.

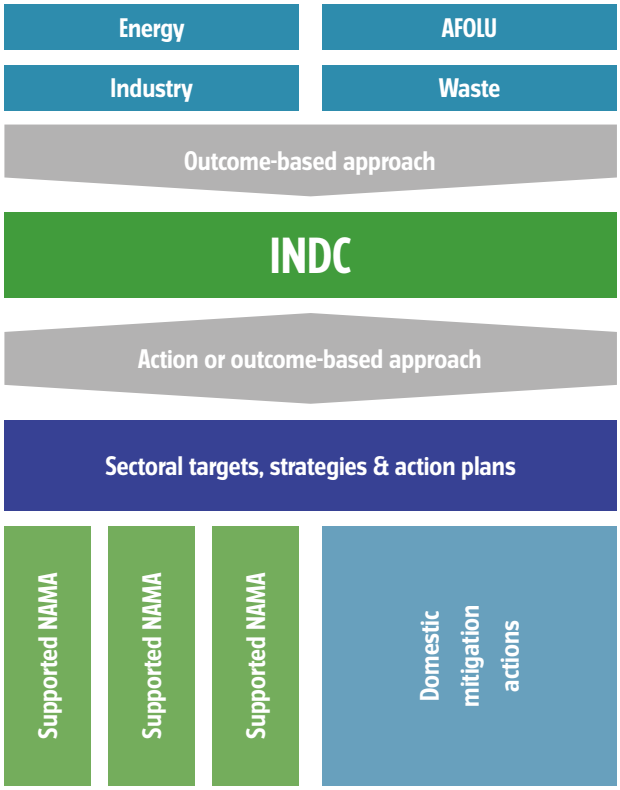


Figure 6: NAMA potential for INDCs

This is not a new challenge in the field of climate policy. The EU's experience in working towards it's 2020 climate and energy targets was an illustration of how to successfully cascade high level targets down to sectors and specific government measures that would eventually lead to increased low-carbon action by private entrepreneurs and consumers (and, in this case, different EU countries as well).

The potential of NAMAs, as an input to action-based or aggregate output-based INDCs or as an implementation tool for more top-down output-based INDCs is conceptualised in Figure 6. It shows how contributions can be built up from, or broken down to, sectoral plans and individual actions.

One specific question on the relationship between INDCs and NAMAs relates to timing. Should INDCs, which describe post-2020 mitigation ambition, include NAMAs that were initiated pre-2020 and may already be in early implementation stages, or would these be considered "business as usual"? As noted earlier, the Lima Call does not require any strict form of additionality, only that there is a 'progression' in aggregate ambition from current efforts. NAMAs that have already been proposed or started are therefore expected to be considered in the development of many countries' INDCs.

Under the Bali Action Plan, NAMAs were formally framed until 2020. However, the expectation is that they will need to continue as an implementation mechanism and to channel support. In support of this, the following sections discuss some of the main opportunities for each concept to complement or inform the other.

What can INDCs offer NAMAs?

PURPOSE AND HIGH LEVEL SUPPORT: INDCs can offer an overarching target for all ministries and agencies to strive towards, along with high level commitment from government (partly through international scrutiny). This can help to build support for bottom-up actions and sectoral strategies.

A SENSE OF URGENCY: countries are encouraged to communicate their INDCs together with information about the timeframe for implementation. This can help to set deadlines for mitigation efforts.

AN INTEGRATED APPROACH: INDCs offer the opportunity connect mitigation ambition that is communicated internationally to sectoral action in line with domestic priorities and drivers. Implementing INDCs could therefore enhance coordination and transparency at the national and sub-national level on climate policy.

[16] The 40% target reduction by 2030 target of the EU might be considered to be of this type.

FRAMEWORK FOR PRIORITISATION: INDCs provide countries with an opportunity to look at opportunities across sectors and evaluate them in terms of a variety of dimensions, including aspects such as mitigation potentials, costs and national impacts. This process can give countries a consistent framework for determining which NAMAs to prioritise.

BROADENING THE NAMA CONCEPT: the ambitions expressed in outcome-based INDCs may act as a trigger for countries and development partners to apply the concept of NAMAs to more than just supported actions and broaden the focus to domestic actions in order to get recognition for mitigation efforts.

What can NAMAs offer INDCs

IMPLEMENTATION TOOL: the main opportunity for NAMAs, is for them to directly serve as an implementation tool for INDCs to achieve mitigation targets; a practical mechanism to materialise the contributions on the ground.

INPUTS FOR INDC DEVELOPMENT: NAMAs can provide valuable information on mitigation potentials, measures to achieve emissions reductions, costs/savings and other aspects. INDCs that are output-based and aggregate individual actions, or action-based, may directly build on NAMAs.

MRV SYSTEMS AND AWARENESS: capacity has been built and systems put in place for the MRV of NAMAs. These can have important benefits for the eventual assessment of progress on achieving INDCs. In particular, assessing the level of mitigation achieved versus BAU will require a robust understanding of the GHG impacts of different measures and actions.

CHANNEL FOR ACCESSING FINANCE: some countries may seek financial support for achieving the ambition in their INDCs. Supported NAMAs offer a channel for accessing international finance, including the GCF.

DEMONSTRATION OF BENEFITS/IMPACTS: Robust INDCs should be the result of a process that generates domestic cross-sectoral buy-in, by showing how the proposed contribution connects with various stakeholders priorities. However, the domestic benefits of high level mitigation ambition can be challenging to adequately demonstrate at the national or economy-wide level. Assessing the impacts of individual NAMAs is an opportunity to illustrate benefits for a domestic audience in a way that connects with their priorities.

INSTITUTIONAL AND INDIVIDUAL CAPACITY: last, but not least, the capacities which have been built and the knowledge acquired in NAMA development could serve as a good foundation for preparing and implementing INDCs.

What does this mean for achieving mitigation?

NAMAs have mostly signified voluntary government actions whose implementation depends on external sources of funding. This has at times, along with other factors, limited their acceptance and domestic buy-in. The national and highly visible nature of INDCs has the potential to increase buy-in for sectoral action plans and individual bottom-up measures, including NAMAs.

In return, NAMAs can directly serve as an implementation tool for INDCs to achieve mitigation targets; a practical "mechanism" to materialise the contributions on the ground. In addition, the more clearly defined scope of individual NAMAs is an opportunity to illustrate benefits for a domestic audience. Engaging with a high level target is difficult for stakeholders, but understanding the impacts of a specific action is more feasible.

That being said, the NAMA concept needs to continue to evolve. NAMAs do have value as a concept and label, but they run the risk of becoming piecemeal efforts promoted by development partners. For the concept to be most impactful, 'NAMA' needs to become a term that is synonymous with bottom-up government actions of all kinds and to be thought of in a more integrated way within sectoral plans/strategies, instead of as standalone efforts. Such a formulation offers an opportunity to engage more fully with financial institutions and key large economies who may have

seemed reticent to date. At the same time NAMAs will need to demonstrate in the short to medium term that they can represent a viable and scalable means to achieve emission reductions in a cost effective manner.

We should avoid a repeat of the CDM, a situation where a lot of capacity and energy for a mitigation approach was lost or scattered as that mechanism became less central in a changing climate regime. The skills and learning on NAMA development can be seen more fundamentally as capacity for bottom-up action design and attention should be paid now to ensure that this is maintained in the future, no matter what happens in Paris.

4. The Future of NAMAs

Xander van Tilburg, Natalie Harms, ECN

In the previous edition of the NAMA Status Report (van Tilburg et al., 2014), prior to COP20 in Lima, we signalled that 2015 is a crucial year for NAMAs: COP21 Paris is expected to reach an agreement on the new international climate architecture and NAMAs could play a key role in mitigation implementation. We observed increasing activity on NAMAs, but also that finance for implementation is still moving slowly and suggested that acceleration requires structural engagement by international finance institutions (IFIs). We argued that these finance institutions should indicate the requirements that would allow them to embrace NAMAs, clearly acknowledging that this is not without challenges, and that the time is right for countries to seek dialogue with IFIs on progressing mitigation finance.

The 2014 NAMA Status Report also highlighted some remaining tension: finding the right balance between the opportunity NAMAs present for securing implementation finance, funders' ambition for short term visible impact, and long term transformational change remain an ongoing challenge. We concluded that NAMAs can be a robust building block for a future climate regime if they continue to be a serious and accepted approach for the delivery of climate (mitigation) finance. As argued in the preceding chapter, it will be important to understand the role of NAMAs in relation to the overarching INDCs that are being delivered for COP21 in Paris, irrespective of what other types of mechanisms might be adopted or planned in the 2015 agreement.

Lima side event on the future of NAMAs

During COP20 in Lima, we asked a panel of thought leaders[17] to reflect on the Future of NAMAs: 1) how do you see NAMAs and their role in a post-2020 climate regime, 2) where is progress most needed to facilitate this role, and 3) what will the short term agenda have to be? The panel was unanimous: NAMAs are here to stay and have the potential to play an important role. But there was also agreement that, as a concept, NAMAs are in an early stage and are just beginning to display the contours of their future potential. The section below highlights some of the topics covered in the panel discussion.

Over the past years, NAMA development has facilitated unprecedented engagement of developing countries in climate change mitigation and has provided a space for 'learning by doing'. It is fair to say that the current formulation of INDCs for COP21 is benefitting significantly from the process of NAMA development and NAMAs have created the momentum for mitigation action in many developing countries; they continue to be a great learning exercise to discover the type of government actions that make sense, to identify priorities, and to articulate (co)benefits. The panellists emphasised that NAMAs and INDCs can be viewed as different but complementary concepts: INDCs are ambitions and NAMAs are actions. Yet INDCs and NAMAs share the challenge of balancing ambition with feasibility, albeit on different scales.

NAMAs and INDCs are both concepts with a strong political dimension directly related to choices on targets and viability in the face of scarce domestic resources and competing priorities. In that sense NAMAs are inevitably political from a national perspective: after all, choosing appropriate interventions and balancing social, economic, and environmental trade-offs is what policy-making is all about. But there are differences: where INDCs are at the centre stage of international negotiations on sharing the mitigation challenge, the political aspects of NAMAs are largely domestic. Where INDCs present aggregate or top-down ambitions.

[17] The side event took place on December 8th 2014 in the West-in Hotel in Lima, with a panel consisting of NAMA experts from BMUB, CCAP, GIZ, UNDP, LSE Grantham Institute, Linköping University, and the UNFCCC Secretariat and was moderated by ECN Policy Studies and Ecofys Germany.

NAMAs constitute the bottom-up actions needed to achieve these ambitions. NAMAs can provide a wealth of information as input for INDCs, but the link should be established cleverly and international politicisation of NAMAs should be avoided.

"NAMAs are all about building political support, about identifying win-win situations. People get re-elected over realising benefits associated with NAMAs"

(Ned Helme, CCAP)

The side event panel also discussed the often talked about role of the private sector and acknowledge that engaging with the private sector has proven to be one of the most challenging practical aspect of NAMAs. The role of private investments in a shift towards low-carbon development is undisputed, but currently there seems to be too much focus on bankability and leveraging private investments and too little attention to the bigger picture of structural change towards low-carbon development. Changing the enabling environment for private sector investments and sending credible long term signals does not happen overnight: There are trade-offs between bankability of initiatives, where finance institutions rightly have strict criteria, and national appropriateness. Panellists warned that without careful framing and communication, some private sector stakeholders may get the feeling that NAMA development has too narrow a focus, chasing donor money and pursuing 'pet projects.' The way forward here might be to put more emphasis on learning, piloting, and partnerships with private sector front runners rather than treating 'the private sector' as a homogeneous anonymous entity.

"Collaboration between governments and private actors requires trust and a process of learning together without fear of premature judgement. NAMAs are in a way policy experiments and that's a good thing."

(Alina Averchenkova, LSE / LECB project)

The opinion that that finance for implementing NAMAs is moving too slowly, was widely shared. Building on the pioneering efforts of the NAMA Facility - and the promise of substantial Green Climate Fund support for mitigation - the experts argued that moving to low-carbon development pathways requires the full collaboration of international finance institutions, both multilateral and bilateral, but as yet there seems to be a mismatch between needs and requirements. NAMAs, by their very definition, express country-driven demand for mitigation action. At the same time, it may be difficult to see how NAMAs can support low-carbon transformation as there are currently too few success stories and examples of how NAMAs add value beyond traditional supported development interventions with a mitigation component. There is a limited role for practitioners here – the dialogue will need to take place between governments and development finance institutions (DFIs). And it is necessary to remain realistic: moving from a predominantly project mode to integrated planning will not happen straight away.

"Finance for NAMAs is moving too slow, and international finance institutions seem hesitant to embrace the concept, but we need to manage expectations [for governments]: it takes two to tango."

(Claudio Forner, UNFCCC)

Transformational change is arguably one of the most abstract and intellectually challenging aspects of NAMAs. Its meaning can only be realised in specific cases and in relation to overarching national ambitions, sectoral strategies and action plans. Even though transformational change – or paradigm shift as it is also referred to – is about longer term impacts that may not be easily attributable to individual NAMAs, several panellists argued that it should be one of the key criteria for policy makers.

"Low-carbon transformation will not happen with projects alone – the NAMA Facility recognises this and funds 'NAMA Support Projects'. When is a NAMA able to contribute to transformation, that should be on the agenda" **(Vera Scholtz, GIZ)**

What's next for NAMAs?

Currently all eyes are on INDCs, but this does not mean that the importance of NAMAs has diminished. The current focus on contributions is logical and necessary in the run-up to Paris, but afterwards the attention is likely to shift back to NAMAs as a tool to bridge the gap between targets and implementation; between ambition and action.

After the first round of INDCs, we expect (and encourage) more emphasis on domestic NAMAs and less on focus on international support only. This resonates with the notion that there is a wealth of mitigation actions taking place that currently don't go sufficiently noticed in the NAMA debates. Acknowledging and showcasing the many situations where low-carbon technologies are the preferred choice because they make sense for reasons other than mitigation, can encourage more emphasis on development benefits. This will contribute to domestic buy-in for NAMAs and INDCs and is a requirement for replication and scaling up action. NAMAs are a key tool in this regard - they allow stakeholders to engage and understand impacts at a tangible level, rather than with high-level targets.

The concept of nation-wide low-emission development strategies (LEDS) has been discussed extensively in literature as an overarching strategic framework to coordinate and guide action, but it must be recognised that as of yet the number of countries with a strong and convincing LEDS that leads to real action is limited. Without passing judgement on the value of pursuing an effective LEDS, in the short term many countries may instead choose a more pragmatic approach to establishing the interface between INDCs and NAMAs in the form of sectoral strategies and action plans. This sectoral focus can then be used to explore what transformational change looks like in specific contexts and give both INDCs and NAMAs more substance.

To give transformational change practical significance in a sectoral context, stakeholders may need to take a step back and rethink what low-carbon transformation would mean for them; it will require governments to consider mitigation policies and actions that go beyond immediate leveraging of private investments and put emphasis on fostering longer term engagement with donors, DFIs, and private sector pioneers to jointly develop strategies for transforming markets and mobilising private sector investments.

One of the major lessons learned in climate change policy planning - whether it concerns mitigation, adaptation, or resource efficiency - is that there is no need to get it right the first time: expect iteration and learning. Governments might want to embrace the opportunities INDC and NAMA development pose to engage with stakeholder and jointly define what transformation means and how NAMAs can be used to achieve the INDC ambition. All stakeholders will need to develop a basis for trust and foster good examples, expect learning, and allow for a certain degree of failure in the process.

After Paris, with a first understanding of what each country can contribute to the global mitigation challenge, and the continued importance of a paradigm shift towards low-carbon development, we expect countries to consolidate and work towards a strategic approach to mitigation action. INDCs will show the extent of transformational change needed, and we expect that NAMAs will be broadly used to design bottom-up government action to show how this can be achieved. Next steps could, for example, comprise a combination of further detailing INDCs, working on (sectoral) mitigation action plans, and articulating benefits and securing domestic support and buy-in.

Critics may say that progress is slow, and that ambition and action are currently insufficient to meet the global mitigation challenge. Nevertheless we would like to point to the fact that the prevailing approach of connecting top-down and bottom-up processes under the UNFCCC seems to be successful and inspire action like never before: both NAMAs and INDCs show that a focus on national appropriateness works.

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