



NAMA FINANCE

Presentation by Murray Ward at the

Summer School 2013

of the

International Partnership on Mitigation and MRV

Hanoi, Vietnam

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DEFINITIONS MATTER

- There is no agreed definition of climate finance
- As proposed in the IPCC AR5:
 - “climate finance is defined to consist of all financial flows whose expected effect is to reduce net greenhouse emissions or to enhance resilience to the impacts of climate variability and the projected climate change”*
 - This is a broad definition
- As generally discussed in the UNFCCC talks, climate finance has a much narrower meaning, stemming from commitments of Annex II governments in the Convention (in 1992, meaning OECD countries)

CLIMATE FINANCE FLOWS (Public)

- Related to the UNFCCC, for NAPAs, national communications and adaptation and mitigation activities, from:
 - the Global Environment Fund (GEF), including the Special Climate Change Fund
 - the Adaptation Fund
 - a range of donor country group funds via MDBs (e.g. CIFs)
 - a wide range of bilateral flows, direct and via BFIs
- Related to MDGs, sustainable development in general and disaster risk management
 - A very wide range of flows from all of the above donors via all the same (and more) intermediaries

LONG TERM FINANCE – Copenhagen & Cancun

- In the context of meaningful mitigation actions and transparency on implementation, developed countries commit to a goal of mobilizing jointly USD 100 billion dollars a year by 2020 to address the needs of developing countries. This funding will come from a wide variety of sources, public and private, bilateral and multilateral, including alternative sources of finance. New multilateral funding for adaptation will be delivered through effective and efficient fund arrangements, with a governance structure providing for equal representation of developed and developing countries. A significant portion of such funding should flow through the Copenhagen Green Climate Fund.

LONG TERM FINANCE – Copenhagen & Cancun

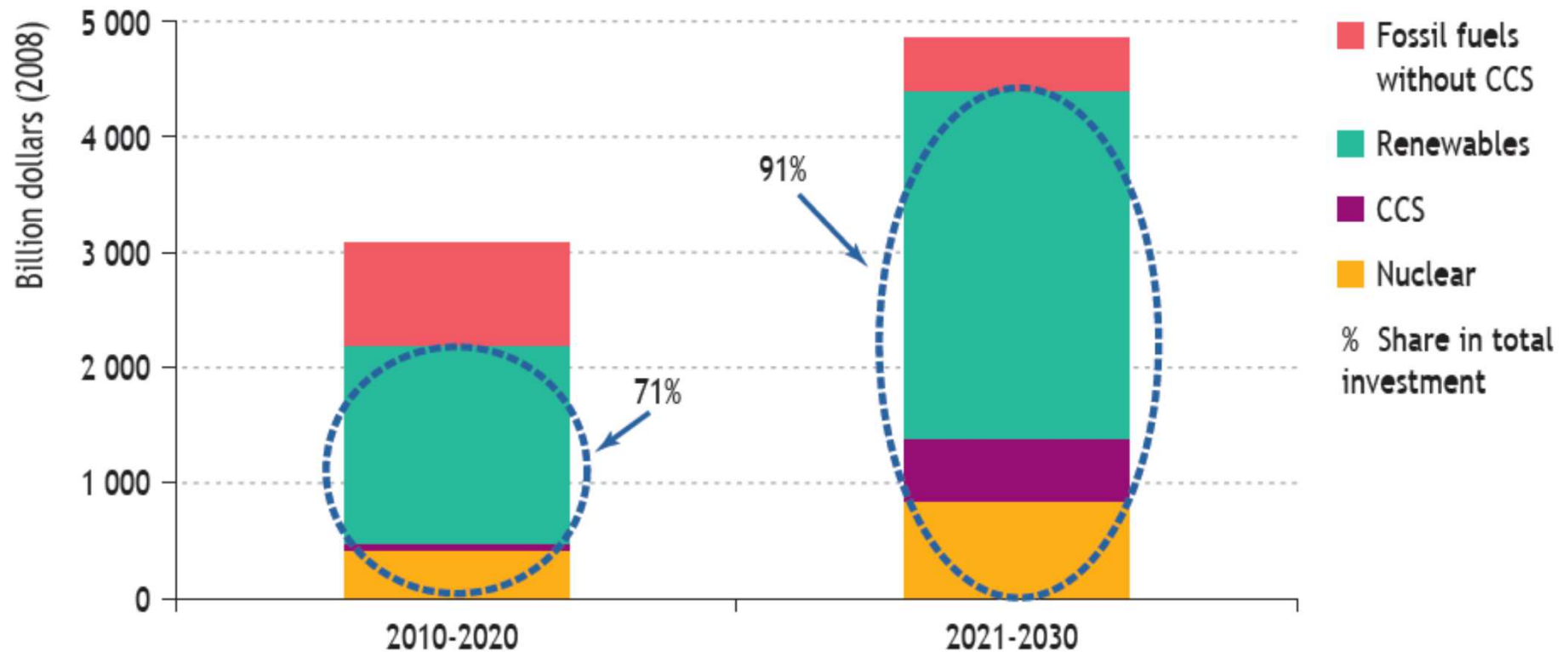
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INVESTMENT NEEDS ARE IN THE TRILLIONS

Total global investment for power generation in the 450 Scenario



Source: IEA WEO2009

FRAMING THE MITIGATION CHALLENGE

- **OVER \$4 TRILLION** from 2010-2020incl
 - 2.2 trillion in zero and low carbon power generation
 - Over 2 trillion in energy efficiency
- **OVER \$10 TRILLION** from 2021-2030incl
 - 4.5 trillion in zero and low carbon power generation
 - Over 5.5 trillion in energy efficiency
- **AND THIS JUST IN THE ENERGY SECTOR**
- **DOESN'T INCLUDE AGRICULTURE OR FORESTS**

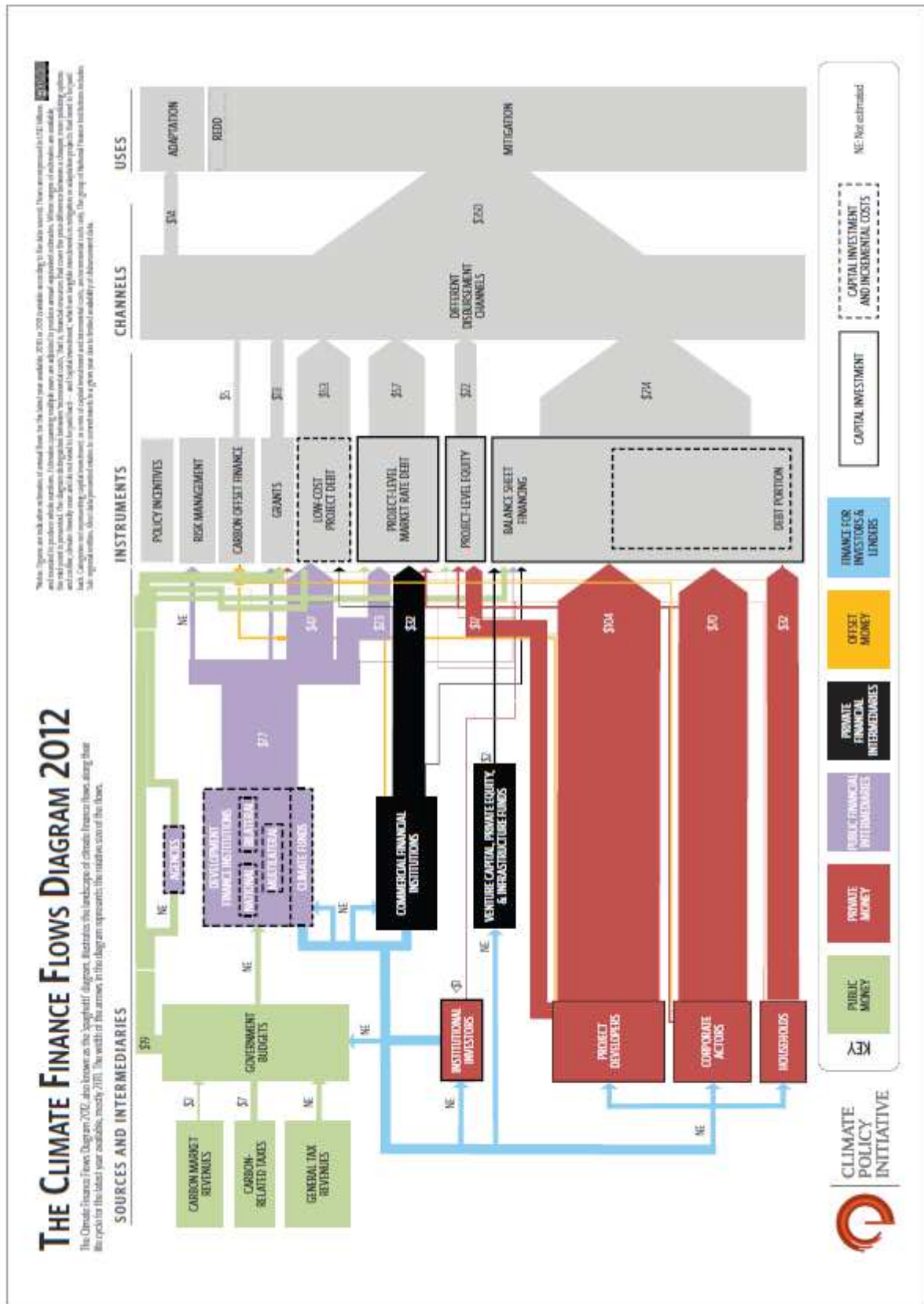
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SOME ILLUSTRATIVE STATS

- Current climate finance is estimated at USD 343 to 385 billion (2010/11 USD) per year globally, with mitigation finance at USD 350 billion
- Over 70% of the total is private finance
- The majority of intermediated public climate is distributed by BFIs, together with National and Sub-regional Development Banks
(for all above, Climate Policy Initiative, *The Landscape of Climate Finance 2012*)
- Investment in renewable generation technologies dominates the mitigation investment
(UNEP, *Global Trends in Renewable Energy Investment 2012*)

Figure 1: Climate Finance Flows Diagram 2012* (in USD billions)



GCF – A NEW KID ON THE BLOCK

- Decision at COP16 in Cancun in Dec 2010 for a new **Green Climate Fund** created under the UNFCCC. The Fund will be governed by the GCF Board
- The assets of the GCF will be administered by a trustee only for the purpose of, and in accordance with, the relevant decisions of the GCF Board.
- The GCF, in practice, will channel a portion of the public funds that are part of the “USD 100 billion per year by 2020” to be mobilized for mitigation and adaptation in developing countries “from all sources”

NAMAs – ANOTHER NEW KID ON THE BLOCK

- Cancun Agreements (UNFCCC December 2010):
 - Developing country Parties will take **nationally appropriate mitigation actions** (NAMAs), in context of sustainable development, supported and enabled by technology, financing and capacity building
 - Developing countries invited to submit information on NAMAs they intend to implement and, as well, information on those actions for which they are seeking support, along with estimated costs and emissions reductions, and the anticipated time frame for implementation
 - A **NAMA registry** to be set up to record NAMAs seeking international support and to facilitate matching of finance, technology and capacity-building for these actions
- This registry will serve to help introduce countries and potential support partners, so lead to bilateral financing discussions

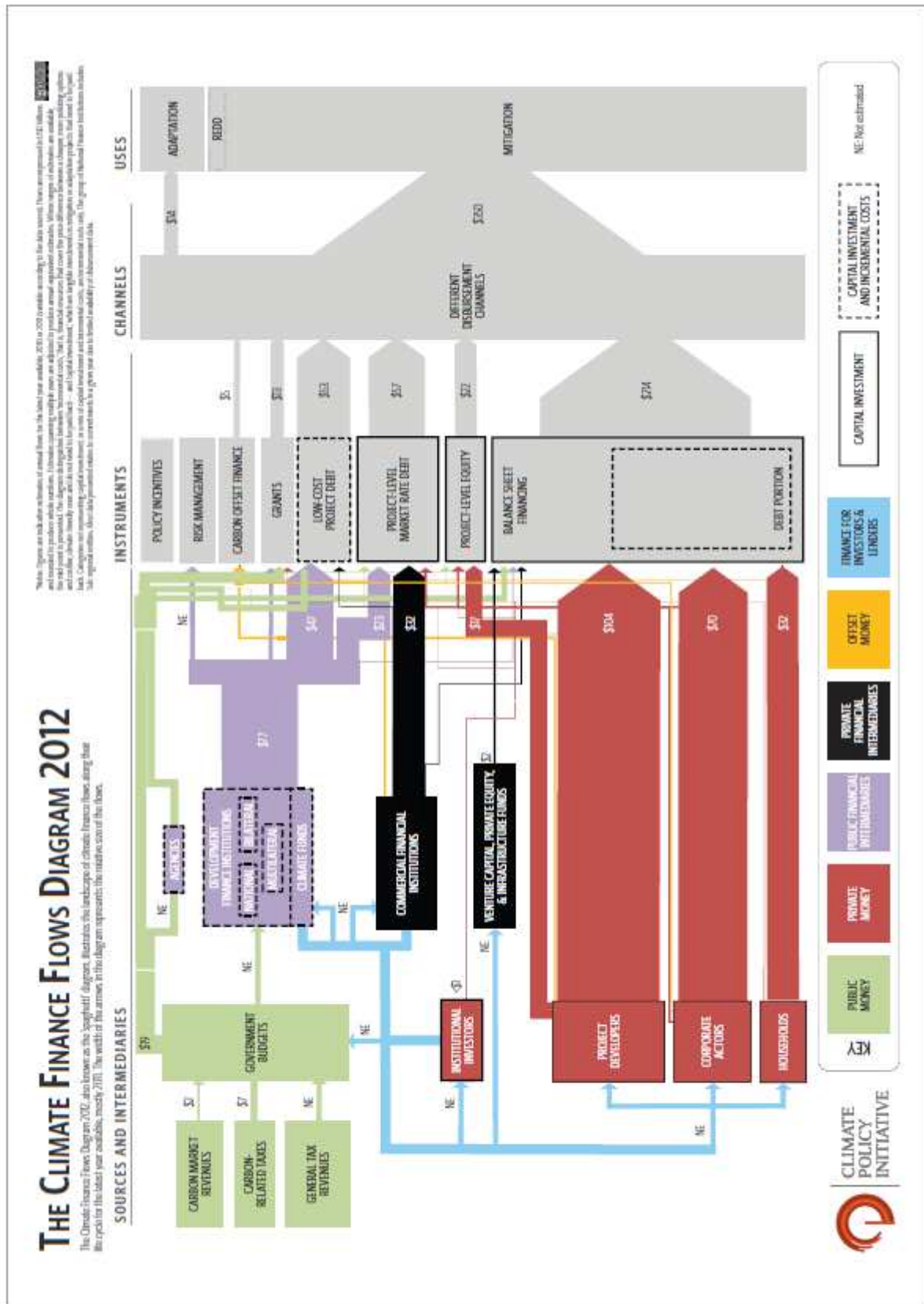
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NAMA FINANCE SUPPORT

- **Recent/New facilities:**
 - IKI (Germany)
 - NAMA Facility (Germany and UK) ... €70 million
- **Existing players:**
 - GEF
 - Climate Funds (CIFs/CTF)
 - BFIs
 - MDBs
 - Private sector (domestic and international)

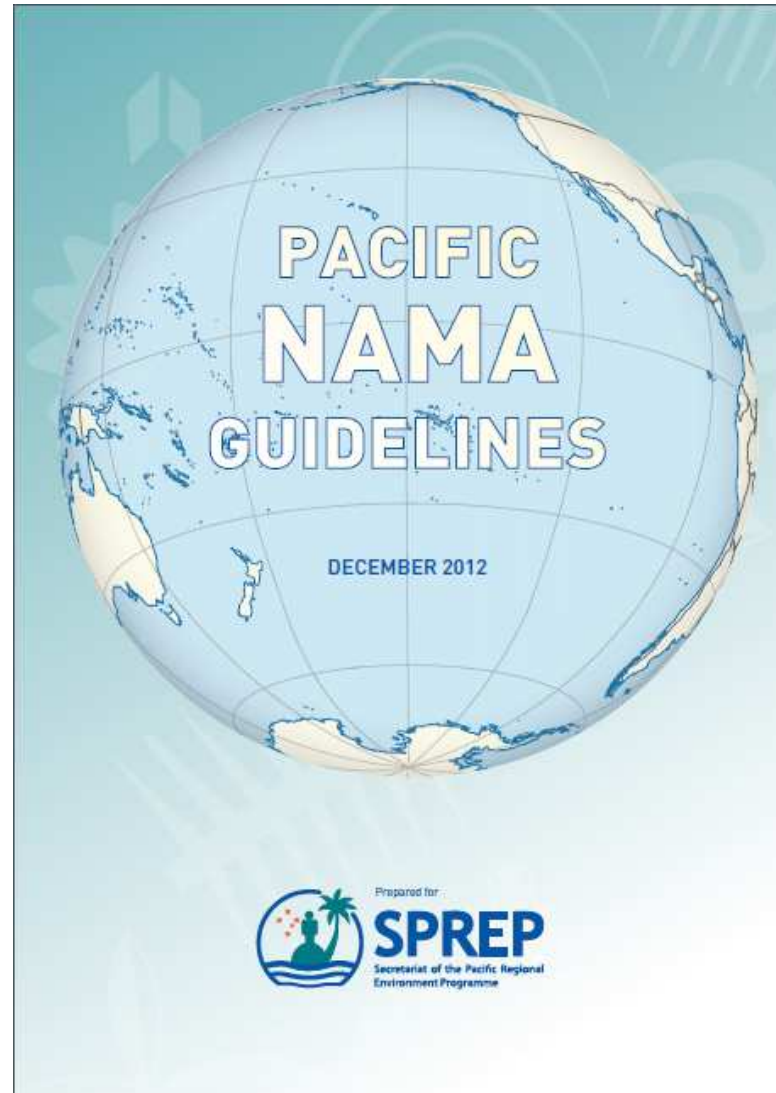
Figure 1: Climate Finance Flows Diagram 2012* (in USD billions)



NAMA FINANCE INSTRUMENTS

- **Grants**
- **Loans (debt finance)**
 - Concessional (rate and tenure)
 - Market Rate
- **Equity (investors)**
- **Guarantee facilities**
- **Insurance facilities**
 - Political risk, policy risk, technology risk
- **Debt relief**
- **Carbon Finance** including new market mechanisms

PACIFIC NAMA GUIDELINES



PACIFIC NAMA GUIDELINES

SECTION 6. Support needed

The information provided in this section should help prospective support partners get a clear understanding of the support that is needed to implement this NAMA (both types and amounts) and why this support, if provided, is expected to result in successful outcomes.

<p>Pre-implementation Phase</p>	<p>Capacity Building <i>Please identify the types of capacity building support needed in the pre-implementation phase using the categories below, and the amounts, e.g. in 'person-hours' or financial cost terms. For costs, identify any amounts included in the finance section below. Under 'human capacity' provide any relevant detail on gender issues.</i></p> <p><input type="checkbox"/> Institutional development <input type="checkbox"/> Human capital <input type="checkbox"/> Systemic (policies, legislative, regulatory, etc) <input type="checkbox"/> Other (Please describe here)</p> <p>Finance <i>Please identify the costs of activities needed to prepare for the implementation of the NAMA and the support required and nature of this support, e.g. grant, loan etc (see the detail provided under Implementation Phase below). Identify the currency that any such amounts are in.</i></p>
<p>Implementation Phase</p>	<p>Capacity Building <i>Please identify the types of capacity building support still needed in the implementation phase using the categories below, and the amounts, e.g. in 'person-hours' or financial cost terms. For costs, identify any amounts included in the finance section below. Under 'human capacity' provide any relevant detail on gender issues.</i></p> <p><input type="checkbox"/> Individual level <input type="checkbox"/> Institutional level <input type="checkbox"/> Systemic level (policies, legislative, regulatory, etc) <input type="checkbox"/> Other (Please describe here)</p> <p>Finance <i>In addition to the general narrative in this section which should identify the expected costs of implementing this NAMA, please include specific detail, if applicable and as available, on the following types of possible financial support. Where estimated amounts are provided, identify the currency that any such amounts are in.</i></p> <p><input type="checkbox"/> Grant <input type="checkbox"/> Loan (sovereign) <input type="checkbox"/> Guarantee <input type="checkbox"/> Carbon finance <input type="checkbox"/> Other (Please describe here)</p> <p><input type="checkbox"/> Concessional loan <input type="checkbox"/> Loan (private) <input type="checkbox"/> Equity</p> <p>Technological <i>Please elaborate on detail provided earlier in the check boxes in Section 2, including on the amounts of technological support needed and any costs of this included in the finance section above.</i></p>

ENGAGING THE PRIVATE SECTOR

ADB

Engaging Private
Sector Capital at
scale in Financing
Low Carbon
Infrastructure in
Developing Countries

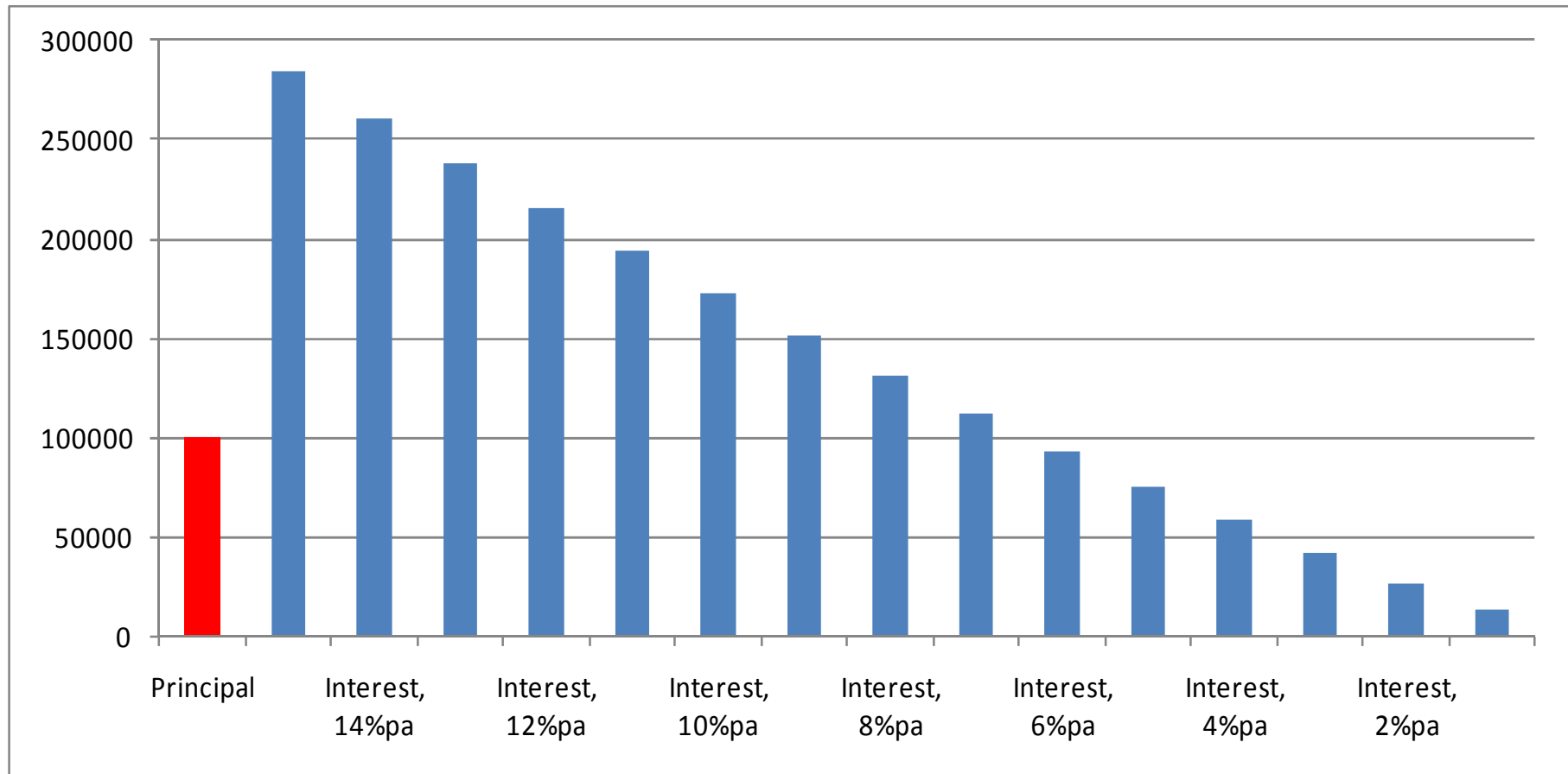
Asian Development Bank



ENGAGING THE PRIVATE SECTOR

- **Trillions of \$s are potentially available**
- **It's all about risk!**
 - Those who invest the trillions are very risk adverse
- **Cost of capital goes hand in hand with risk**
- **The public sector (and policy makers) can play a very large role in reducing (or increasing) investment risk**

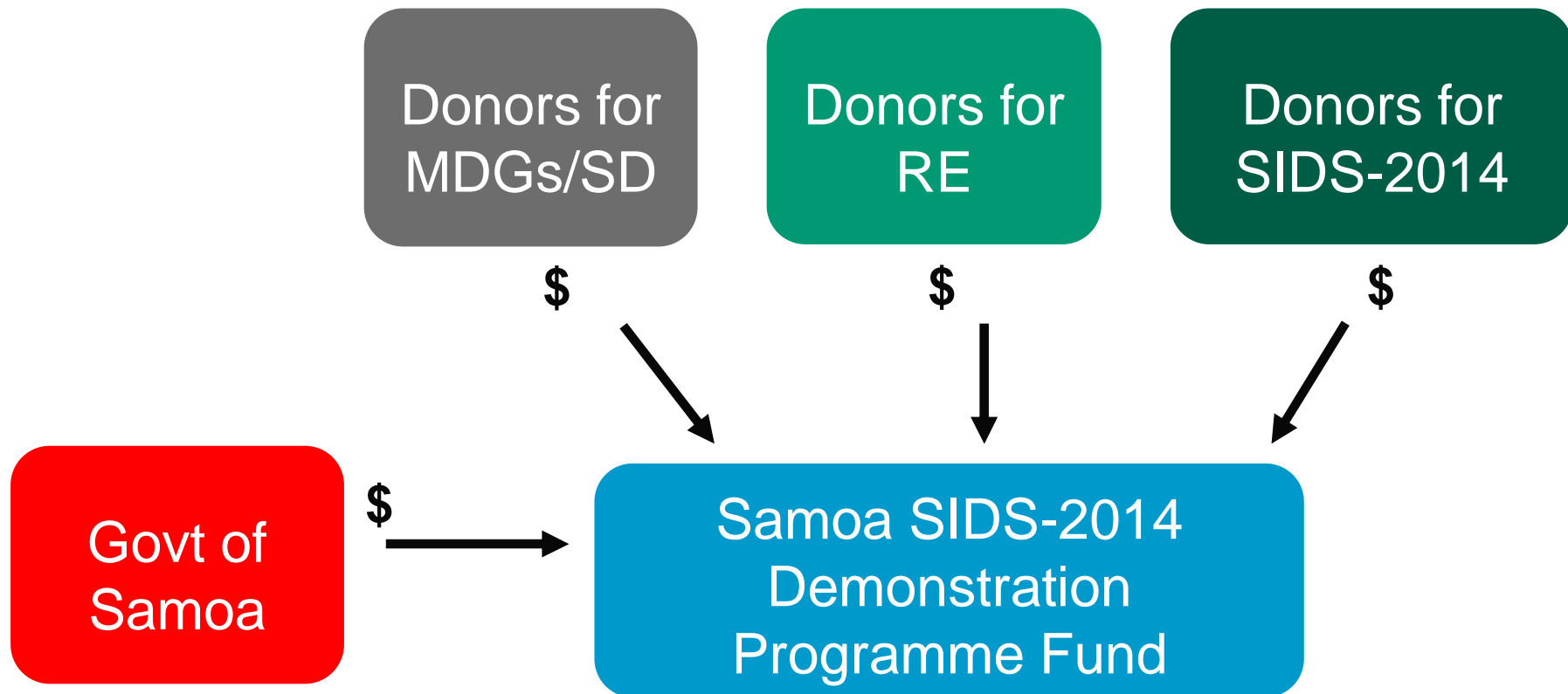
COST OF CAPITAL AND AFFORDABILITY



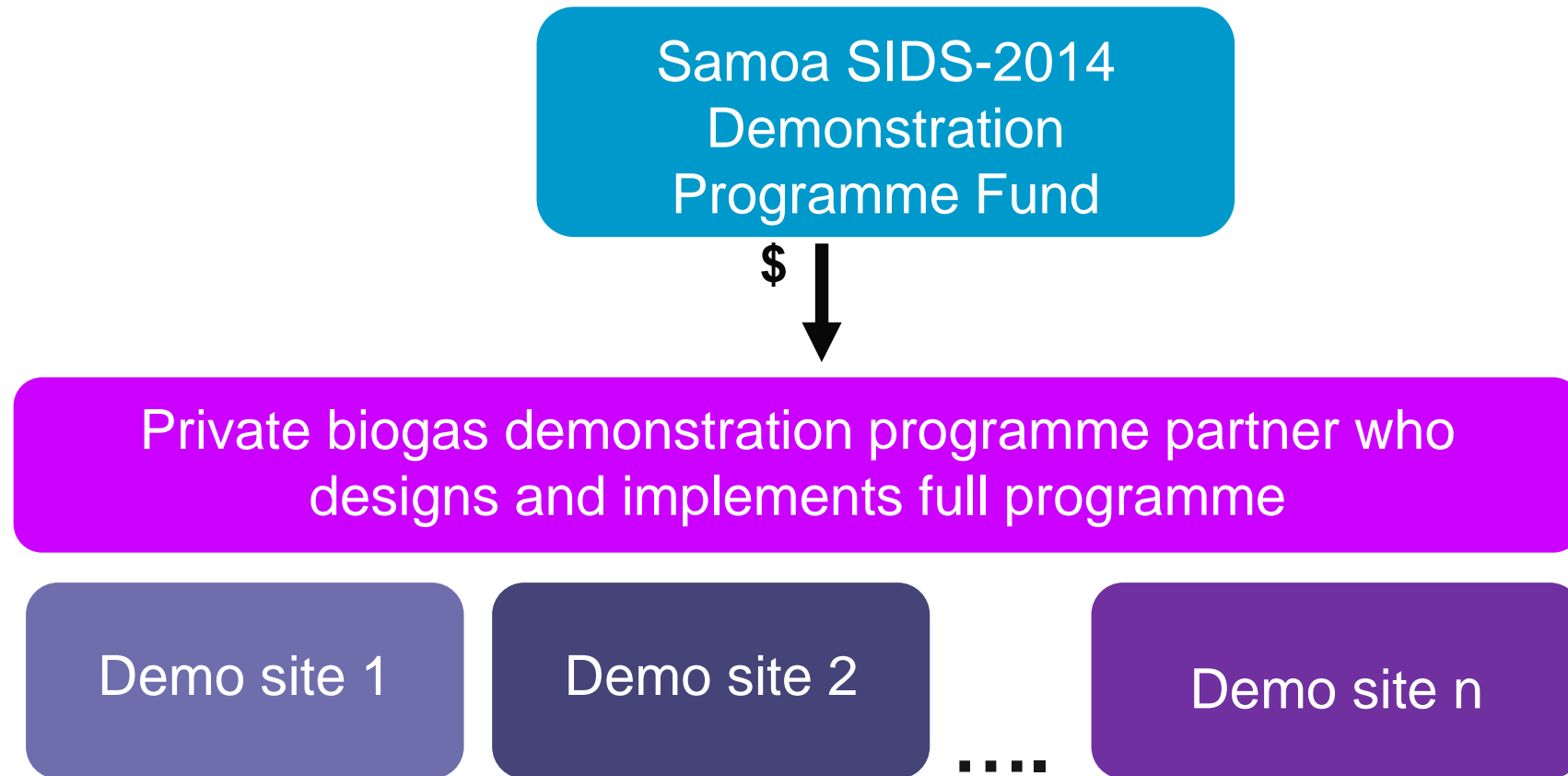
INNOVATIVE FINANCE DISBURSEMENT MODALITIES

Revolving Funds

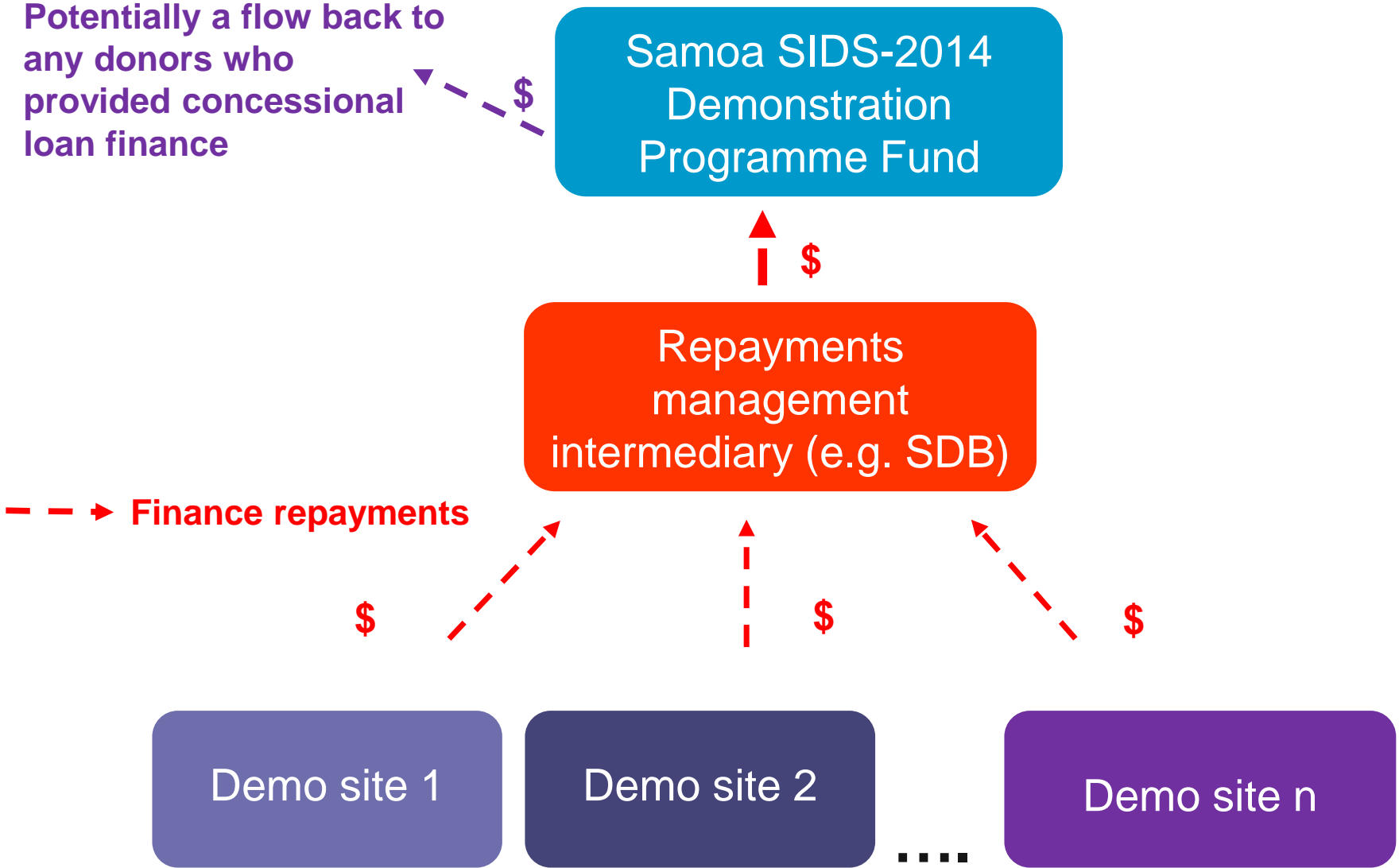
Example of a proposed idea in Samoa



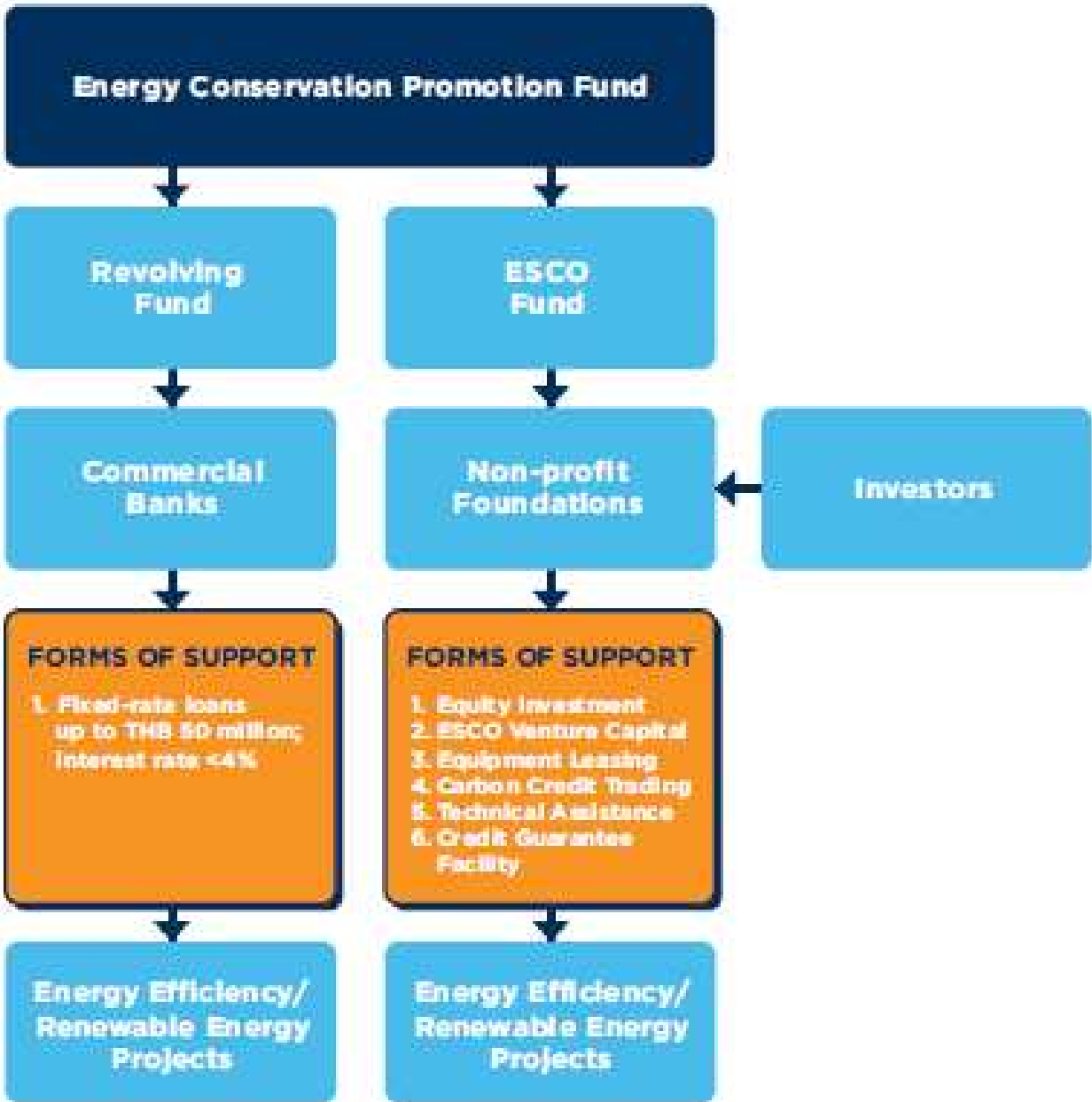
INNOVATIVE FINANCE DISBURSEMENT MODALITIES....2



INNOVATIVE FINANCE DISBURSEMENT MODALITIES....3



THAILAND ENERGY CONSERVATION PROMOTION FUND



THANK YOU

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