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“NAMA Facility – Lessons learned from providing finance for the implementation of early NAMAs” SB40 Side Event Report

Overseas Environmental Cooperation Center, Japan (OECC)
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This is a report of a side event held at the 40th Session of the Subsidiary Bodies of Implementation of the UNFCCC from June 4th to 15th 2014, in Bonn, Germany.

- Title : “NAMA Facility - Lessons learned from providing finance for the implementation of early NAMAs”
- Date : June 4, 2014 (13:15-14:45)
- Organizer(s) : NAMA Facility Secretariat
- Venue : Tram, Ministry of Transport
- Presenter(s) :
 - Dr. Karsten Sach, Ministry of Environment of Germany, (BMUB)
 - Mr. Ben Lyonn, DECC, United Kingdom
 - Ms. Hendrikje Reich, The NAMA Facility
 - Ms. Jutta Volmer, The NAMA Facility
 - Mr. Sudhir Sharma, UNEP-RISOE
 - Mr. Ned Helme, CCAP
 - Mr. Andres Pirazzoli, Climate Change Office, Ministry of Environment, Chile
- Abstract: The NAMA Facility realized a first call for project outlines in 2013. This side event focused on lessons learnt from the first call of the NAMA Facility and the early stages of project implementation. Different stakeholders of the Facility contributed to the event with their experiences.

Summary

1. Dr. Karsten Sach: “Lessons learned from providing finance for the implementation of early NAMAs”
- Dr. Sach gave a brief introduction of the NAMA Facility and summarized its purposes, which are to make concrete reductions, and to make a platform to create a joint learning opportunity.

- Dr. Sach remarked that the intention is to provide support for the implementation of NAMAs, in response to an increasing demand from developing countries. The NAMA Facility intends to support those ambitious projects with a high potential for transformation.
- He recalled that the second call is open through July 15 and that they are receiving proposals from all over the world.
- As for the budget, they were able to gather EUR 120 million and they are studying the expansion, since other donors have expressed their desire to join the initiative.

2. Mr. Ben Lyon: “Lessons learned from providing finance for the implementation of early NAMAs” (continuation)

- Mr. Lyon, as a representative from the donor side referred to some of the lessons learned about challenges faced in the conduction of NAMA projects. The feasibility of projects, early involvement of financial actors were named among others, and indicated that further readiness measures are required to enhance the bankability of the existing pipeline.
- He concluded by saying that it is a joint learning opportunity, and that they were looking forward to constructive feedback from all submitters and to share lessons learned in the process.

3. Mr. Andres Pirazzoli: (undetermined)

- Based on the Chilean experience conducting a project supported by the NAMA Facility, Mr. Pirazzoli referred to three main challenges in the process of designing a NAMA: 1) access of information, 2) timing, and 3) continuous improvement.
- As for access to information, he admitted that his country didn't have aggregated data, which means having hurdles establishing baselines. Both, the financial component and technical component required good level of information and for this NAMA, they didn't have all the information, hence they needed collaboration from other organizations such as CCAP and ECOFYS.
- As for timing, there are two components in the project: the policy level component and the technical component. Mr. Pirazolli explained that although they are redy to engage in the technical component, one phase is faster than the other which means to have some kind of challenges as well.
- As for the third component, MRV is a key issue. He admitted that renewable energy projects are not that complicated to MRV (eg. Wind farm or solar panels) but the problem lied with the funding. It was very clear that they need more resources to have a

more robust MRV.

4. Sadhir Sharma: “Facilitating implementation and readiness for mitigation (FIRM)”

- Mr. Sharma reflected on the relation of the NAMA Facility with a tool developed by UNEP-RISOE called FIRM.
- He complemented the NAMA Facility format since ambition is one of the factors that UNEP analyzes at the sector and subsector level, and consequently the degree of transformational level. He stated that it becomes useful for those who make decisions about the project and for those who fund it.
- As for the financial design, he indicated that having guidelines of finance could be helpful in guiding the discussions. Concept of financing innovativeness combined with sustainability criterion useful in focusing on financing approaches beyond grants.
- In relation to implementation arrangements, Mr. Sharma indicated that ministries responsible for climate change may not have roles/responsibility of addressing changes in sectors where NAMAs are implemented. Hence, putting line ministries in the driving seat important, since they are the prime drivers of creating the right enabling environment.
- Mr. Sharma concluded by indicating that there are still no guidelines and guidance from UNFCCC, but the Nama Facility guidelines constitute a good anchor. The template and criterion are helpful in adding the missing piece.

5. Mr. Ned Helme: “Lessons learned from the NAMA Facility for the Green Climate Fund”

- Mr. Helme praised the NAMA Facility by indicating that it has helped to lay the groundwork for the design of an effective GCF by providing early lessons. He believed that GCF is now making strong progress, and indicated that the fund aspires to be different than existing funds (paradigm shift).
- The transformational change promoted by the Facility also inspired a paradigm shift. Now it is necessary to consider an alignment with low carbon development strategies, work on promotion of national or sectoral policy changes, catalyzing private sector investment and blending other public funds.
- Mr. Helme indicated that early NAMA examples have helped the GCF Board to develop its investment framework with calls for projects to be evaluated on their potential for scaling up and/or replication. Ultimately, it is necessary to contribute to a low carbon development pathway consistent with the 2 degree goal.
- He concluded indicating that the NAMA Facility is kind of a pilot test for the GCF, because it provides an opportunity to demonstrate what a paradigm shift can be in

policy and financial design in various sectors.

■ Q&A

Q.1 (representative from South Africa): In relation to the design of proposals, can you elaborate more about feasibility of implementation.

A.1 (Jutta Volmer): When we evaluate projects we consider criteria of feasibility, the timeframe, and also the financial part. It can be feasible if it is embedded in the country. In relation to how to measure the results of the projects, a logical framework should outline all these information.

Q.2 (unidentified): The presenters talked about bankable NAMAs. What can be considered as bankable incentives. In the context of the Chilean NAMA, what are the incentives that you are providing to the funding organizations.

A.2 (Andres Pirazzoli): In relation to the incentives for the private sector, we have identified financial and technical barriers. Training about the benefits of renewable energy resources are critical. Incremental costs are the problem. In the first stage we tried to identify those barriers and put those barriers down. We had to analyze if projects are feasible under this criteria and then sustainable.

A.2 (Karsten Sach): From the design (stage) it has to be something that can be bankable. As financiers, we need security. But of course, there is room for improvement in relation to see how can we engage new sources of financing such as the private sector.

Q.3 (unidentified): What is the NAMA Facility doing about engagement of the financial sector?

A.3 (Karsten Sach): We are trying to engage more sectors. There is not a sustainable policy in the country if finished projects can not be continued by the country. It would be just a lost opportunity.

A.3 (Jutta Volmer): We will be pleased if you send the proposal to the Facility. We are going to check the funding. Please consider that the main effort must come from the country.

A.3 (Hendrikje Reich): It is important for us to provide information to the financial sector. We need to raise awareness. NAMAs are new. We found that we need to work more in this part.

A.3 (Andres Pirazzoli): CORFO is the unit in Chile dealing with the financial component of social projects, and currently we are working with other funding sources. The other funding source is GIZ.



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