

NAMA Facility Webinar:

“Lessons Learnt from the 5th Call of the NAMA Facility”

17 July 2018



The NAMA Facility Webinar Team



From left to right: Zac, Mabel, Ash and Natasha

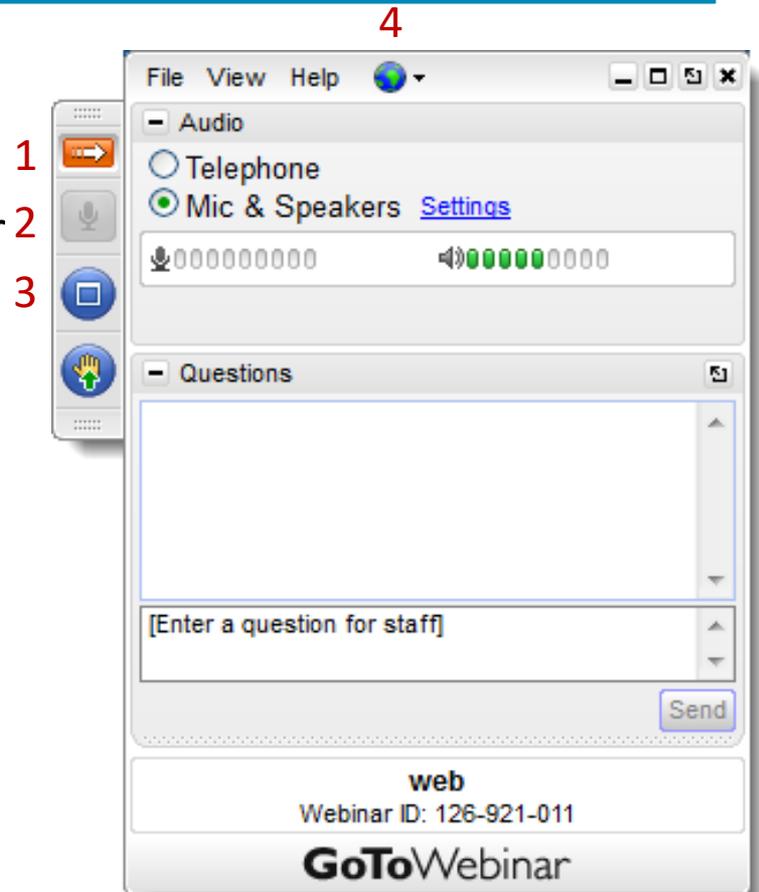
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Structure of the Webinar

- I. **Introduction to the NAMA Facility**

- II. **5th Call overview:** A short review of the applications received for the NAMA Facility's 5th Call, selection process and general findings to date.

- III. **5th Call analysis and lessons learnt:** General findings on ambition and feasibility and an analysis of project designs and business models.
 - I. Q&A

- IV. **Sectoral observations:** Lessons learnt from the assessment of Outlines from specific sectors and technology types.
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I. Introduction to the NAMA Facility

Aim

Support developing countries and emerging economies in implementing ambitious NAMAs. NAMAs can function as an important vehicle to implement nationally determined contributions (NDCs) under the Paris Agreement.

Who we are

- A multi-donor fund supported by Germany, the UK, Denmark and the European Commission
- Total funding made available through the NAMA Facility since its inception: approximately EUR 347 million.
- Secretariat (Technical Support Unit) based in Berlin.

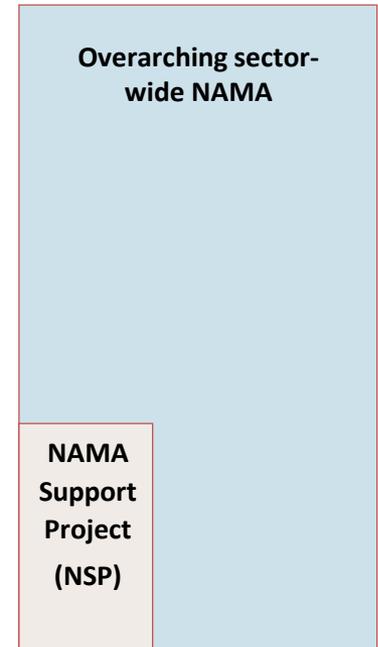
I. Introduction to the NAMA Facility

What we support

- NAMA Support Projects (NSP) as the most ambitious part of the NAMA. NSPs are selected in annual Calls for NSPs.
- Funding for a combination of financial and technical measures.
- Key data of suitable NSPs: 3-5 years implementation period, NF funding budget of EUR 5-20 million.
- No regional or sectoral focus.
- In four Calls, 22 NSPs have been funded.

Key requirements for project selection

- Implementation readiness
- Mitigation potential
- Transformational change



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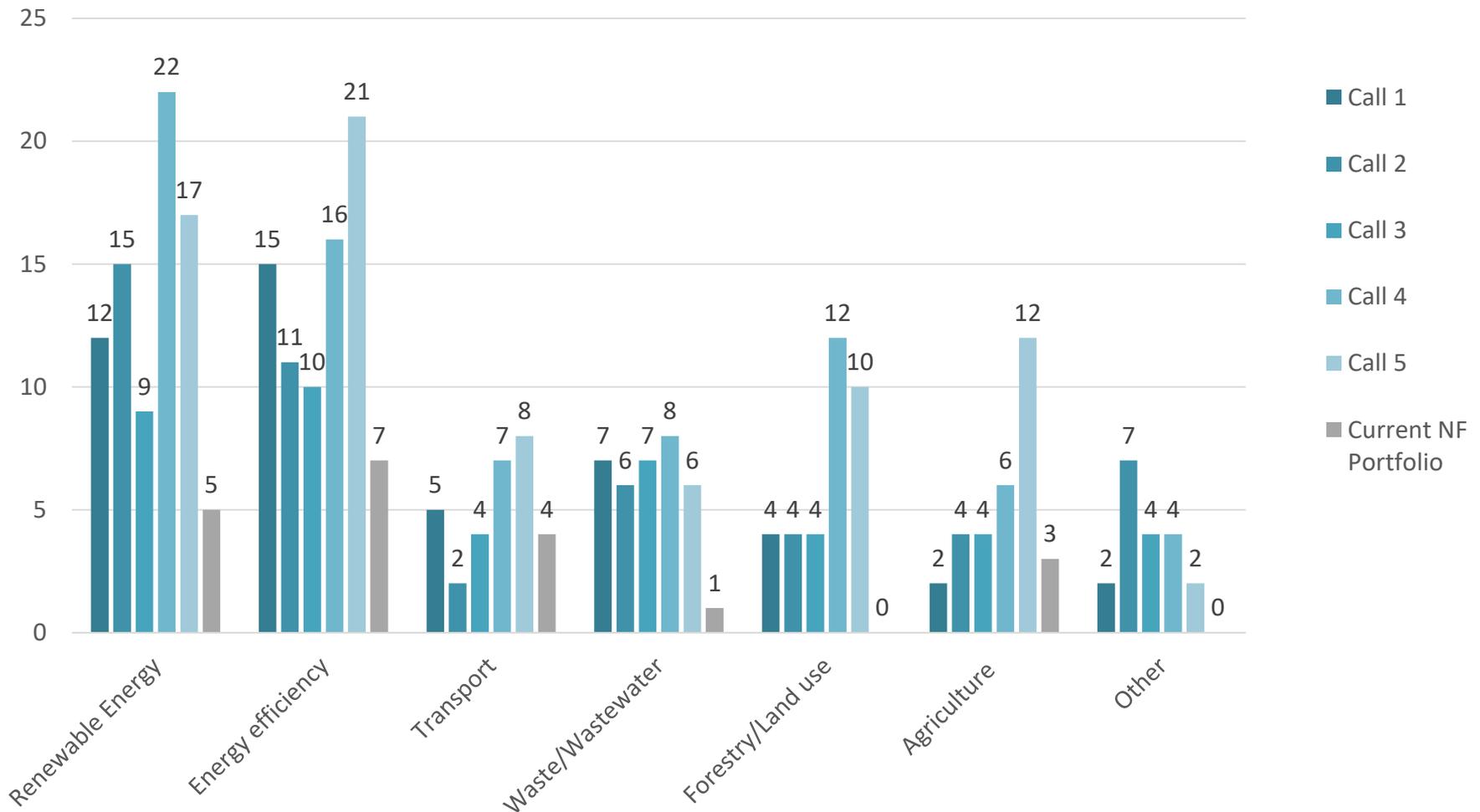
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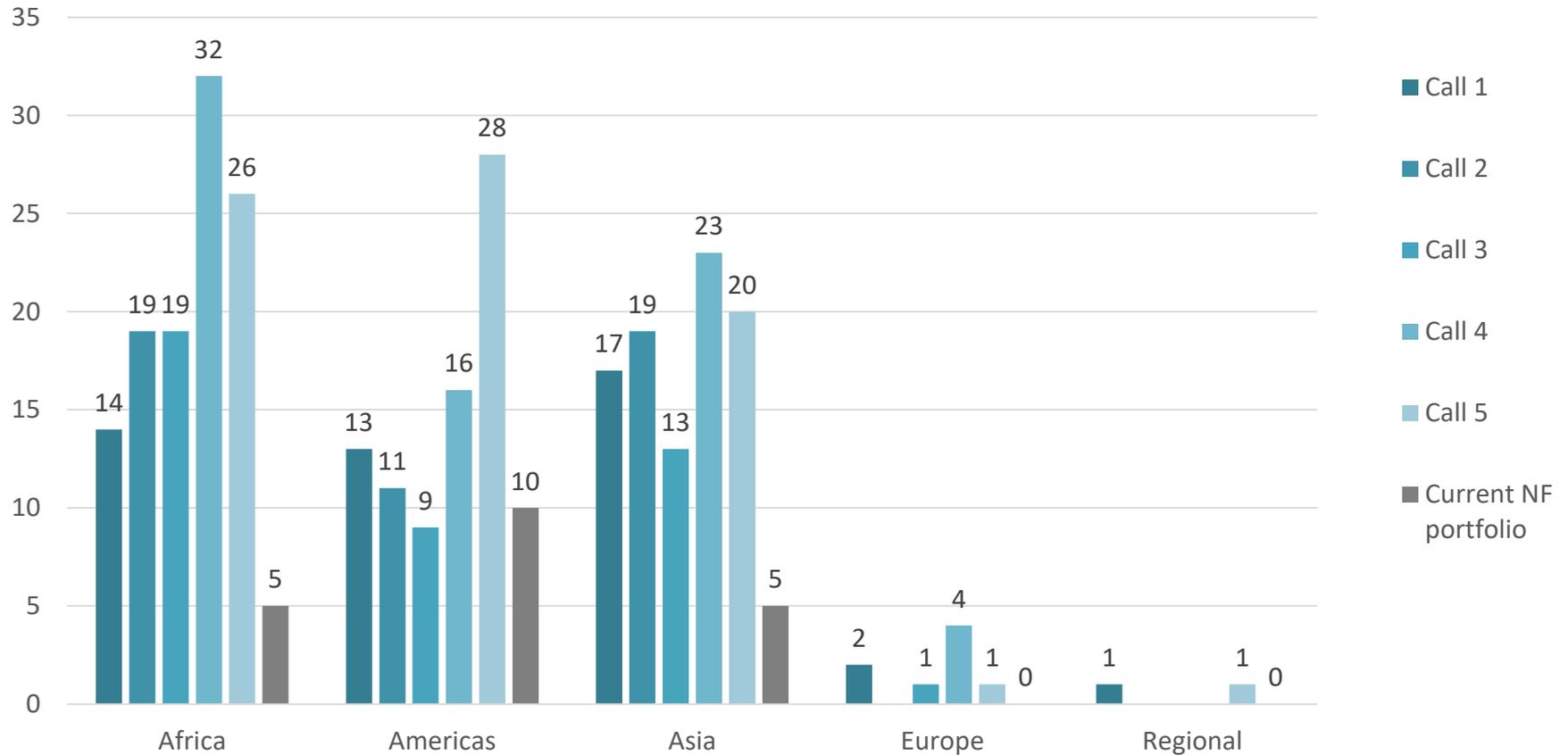
5th Call Overview: Outlines Received

- 76 Outlines received (compared to 75 in the 4th Call)
- 16 re-submissions (compared to 15 in the 4th Call)
- 2 Outlines assessed as ineligible (compared to 7 in the 4th Call)
- 74 Outlines materially assessed (compared to 67 in the 4th Call)
- 23 Outlines from 15 LDCs
- 13 Outlines from 9 SIDS, all projects receiving SIDS upstream support sub
- In total EUR 1,096m (EUR 984m in 4th Call) funding requested, on average EUR 14.4m per Outline(EUR 13.9m in 4th Call)

5th Call Overview: Outlines Received by Sector



5th Call Overview: Outlines Received by Region



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III. 5th Call Analysis: What Are We Looking For?

General factors for success :

- High rating with regard to ambition and feasibility of the proposed NAMA support Project
- High financial ambition e.g. high leverage of public and private funding
- High potential for transformational change
- Significant mitigation potential in absolute or relative terms
- Linkage between NAMA and NDC is a critical success factor

III. 5th Call Analysis: Submitted Outline Observations

- **GHG calculations:** Applicants should provide as much detail as possible.
- **Logframe:** Applicants should ensure that the logframe includes all five indicators (M1, M2, etc.). Indirect emissions often were not considered.
- **MRV:** Some projects did not include M&E or MRV in their logframe.
- **Financial table:** Many applicants appeared confused by the financial table in Section 4.1.

III. 5th Call Analysis: Project Design Issues from 5th Call - 1

- **Implementation:** ensure that implementation issues are addressed in detail to ensure a credible understanding of how the project will operate and deliver emission reductions.
- **Synergies:** demonstrate awareness of lessons learned from pilot activities and related initiatives and clearly state how these have informed the design of the proposed NSP.
- **Appropriate technology selection and application:** demonstrate awareness of current good practice in their sector / technology.
- **Enforcement issues:** if proposing regulatory reforms in response to low compliance, include specific activities to address and track enforcement.

III. 5th Call Analysis: Project Design Issues from 5th Call - 2

- **Ability to pay:** Feasibility needs to be addressed where models assume revenue from user fees – verified in pilot projects or via field surveys.
 - After the transitional support of the NF, the new technology should be priced within the affordability of target group.
- **Risks:** Often omitted from project logframes – risks and assumptions are not the same thing.
- **Community linkages:** NGO/CSO involvement seldom considered.
- **Behavioural change:** Livelihood issues and behavioural change need to be addressed in barrier analysis, particularly in projects that displace traditional lifestyles.
- **An integrated approach:** Consider the value chain in its entirety, from technology adoption issues to disposal.

III. 5th Call Analysis: General Findings on Ambition

- 1

- Outlines that scored the highest demonstrated strong government commitment and embeddedness:
 - relationship to the relevant NDC
 - significance of the sector in terms of GHG emissions
- Transformational change: demonstration of the government's willingness to effect an irreversible change towards a low-carbon pathway, faster than a business as usual technological development, as evidenced by
 - policy reforms and fiscal regulatory instruments (including relevant enforcement measures)
 - going beyond a conventional project scenario

III. 5th Call Analysis: General Findings on Ambition

– 2

- Financial ambition is best evidenced by :
 - Leveraging of private sector capital, through e.g. investor equity, bank loans, user fees/tariffs; and/or
 - Significant mobilisation of verifiable domestic, public sector funding e.g. budgetary allocation
 - Co-financing from ODA/other donors is a “nice-to-have” criteria
- Mitigation potential is a key aspect of ambition :
 - Often overestimated or poorly substantiated
 - Indirect mitigation potential was often missing altogether

III. 5th Call Analysis: General Findings on Feasibility

- Importance of a plausible project rationale and scope
- Implementation readiness should be demonstrated, taking into account the DPP and up to five years of NSP implementation.
- Analyse lessons learnt from pilots and predecessor initiatives: which strategies/mechanisms worked well.

III. 5th Call Analysis: Business Models - 1

- Economic viability of project concept for the target group, end users or other market actors and/or producers or suppliers
- Most convincing outlines addressed the following key issues:
 - Economic and other motivations of each group should be adequately described
 - Is the project rationale cost effective / profitable for users/suppliers?
 - Describe incentives to change behaviour, investment/capital flows, taking into account market conditions, competitiveness and prices
 - Demonstrate using calculations and evidence on issues such as price differential between current and low-carbon technologies, operating costs, using investment appraisal (IRR, break even point, pay back times etc.) as appropriate
- Applicants should endeavor to complete Annex B to the fullest extent possible.

III. 5th Call Analysis: Business Models - 2

- Business cases built on capital cost/CAPEX subsidies are rarely considered viable, and typically offer a low leverage rate
 - NF support should only be a minor share of CAPEX.
 - Avoid market distortions such as preferential treatment of one or a few private actors/investors, with fair and transparent selection procedure.
- Demonstration projects are commonly proposed on basis of proof of concept, implying a self-sustaining business model thereafter.
- A “bankable” business case should be made to show how the NSP will replicable and scale given that the supported projects has received a high share of grant/subsidy in the absence of “real life” financing conditions.

III. 5th Call Analysis: Financial Mechanisms - 1

- Degree of concessionality is important relative to country context.
- A clear rationale for the selection of the financial instrument(s) should be presented with the Outline (compared to alternatives).
- The financial mechanism should be based on the business model and take into account an analysis of the (financial) market conditions.
- Market distortions must be avoided or characterised and mitigated.
- A comprehensive risk assessment should be included.

III. 5th Call Analysis: Financial Mechanisms - 2

- The phase-out concept and sustainability beyond the five-year frame of the NSP also applies to the financial instruments.
- Institutional and governance arrangements are important.
- The financial entity must apply fair and transparent selection criteria for allocating financial support.
- It should demonstrate good governance i.e. oversight of the funds and fiduciary responsibility.
- Transaction costs should be described and be reasonable.
- The phase out concept and sustainability beyond the 5 year frame of the NAMA Support Project also applies to the financial instruments.

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IV. Sectoral Observations: Transport Sector - 1

- Public transport requires stakeholder consultations and involvement of municipalities.
- Transport initiatives are long-term infrastructure projects, and have long gestation times, so plan realistically for preparation timelines.
- Take a comprehensive approach to M&E including progress metrics, performance indicators and economic co-benefits.
- Developing robust M&E capacity takes time, so develop a plan to gather essential short-term data and to build capacity for comprehensive measurement.
- Coordination among ministries is essential to align policies: investments can have the potential to conflict

IV. Sectoral Observations: Transport Sector - 2

- Regarding e-mobility programmes:
 - Infrastructure, such as loading stations, is crucial
 - Scrappage scheme for old vehicles important for direct mitigation impacts
 - Assumptions with regard to price parity crucial. Reducing import tariffs can play a crucial role to trigger change, additional subsidy not always necessary
 - Communication/awareness is also important; taxis and public vehicles can play an important role

IV. Sectoral Observations: Energy Efficiency in Buildings

- Clearly identify the subsector in which the particular intervention is tailored in order to achieve the real impact.
- Owner/user dilemma needs to be considered. If the interests are not aligned, this raises questions of cost/benefit sharing.
- Holistic (“whole building”) approach to buildings covering building envelope should be used instead of covering only low-hanging fruit (light, air conditioners, boilers).
- The quality of equipment and performance enhancement to be adequately described.
- Rebound effects need to be considered, which lead to under-achievement of efficiency gains, such as scrappage schemes for old appliances

IV. Sectoral Observations: Waste Management

- The waste management hierarchy is a guiding principle: the focus should be more on upstream than “end-of-pipe” activities such as landfill only.
- Sustainability of financing model to ensure cost coverage is critical.
- Information is needed on the composition of waste streams.
- The Outline should be technology-neutral or otherwise demonstrate feasibility of certain technologies, based on an assessment of alternatives.
- Social aspects of workers / inclusion of traditional waste pickers should be considered.
- The timescale should adequately address site selection of waste treatment facilities, permits and licenses, environmental and social impact assessments and public procurement.

IV. Sectoral Observations: Renewable Energy

- Show how the NSP triggers a sectoral change instead of simply financing a single or a few projects.
- The technological solution should be analyzed with regard to alternatives in terms of CAPEX, ownership and operation, OPEX, availability of water or other resources (biomass, wind)
- Some comments on mini-grids:
 - Geographical spread of connected households and businesses is a key cost factor.
 - Ability (and willingness) to pay of the target group must be demonstrated,
 - Anchor clients should be identified even at outline stage.
- The effect of fossil fuel subsidies (if applicable) must be analyzed as well as other relevant regulations like national energy tariffs etc.

IV. Sectoral Observations: Supply Chain Approaches

- The rationale or narrative of an integrated supply chain project must be clear.
- Present an analysis of all relevant sectors of the supply chain, not only the main sector the NSP is focusing on.
- Avoid over-complexity of working in too many different sectors, each with different regulatory authorities, implementing partners, policies etc. as this impacts the feasibility of the NSP.
- Undertaking only pilots in different sectors in order to cope with complexity is sub-optimal, because the pilots *per se* may not transform the sector.

IV. Sectoral Observations: Agriculture and Forestry

- Provide rationale for labelling and certification.
- Environmental issues and biodiversity warrant specific consideration.
- How are rebound effects considered and addressed?
- Upscaling may be difficult: farmers live in different regions makes information sharing difficult -working with cooperatives a way forward as more organised.
- Justify the appropriateness of pilot regions to introduce new farming practices.
- Information about the target group is crucial but usually incomplete (socio-economic situation, break down to individual cases and country).
- Sustainability of technologies or practices after NSP is completed.
- Forestry: Could the NSP also use REDD+? What is the additionality to applying the REDD+ mechanism? How is the leakage problem addressed?
- How does the NSP engage relevant stakeholders including local communities and how are “polluters” (e.g. wood, agri-industry) engaged?

IV. Sectoral Observations: Improved Cookstoves

- Provide a convincing market assessment that addresses both the economic and non-economic barriers.
- Address affordability: What are the maintenance provisions to ensure that the stoves remain efficient and generate emission reductions reliably?
- Explain how the NSP differs from existing cookstove programmes.
- Stove “stacking” issues need to be addressed.
- A credible sales, marketing and distribution plan is required for scaled up dissemination of improved cook stoves.
- Demonstrate the sustainability of fuel sources addressed by the NSP and beyond the scope of the NSP.

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NAMA Facility – Future Events

- The NAMA Facility as a learning hub is constantly improving processes and adding materials available to be shared from the lessons learnt.
- We strive to distribute lessons learnt from the 5th Call widely – starting with today’s webinar.
- The NAMA Facility organised an open technical workshop on lessons learnt that took place on **4 May 2018 in Bonn, Germany**, during the Subsidiary Body for Implementation (SBI 47) Meeting. Outputs from the workshop [here](#).
- A special webinar on lessons learnt regarding the use of innovative financial instruments will be prepared in autumn 2018.
- Dissemination event at COP24, Katowice, Poland (TBC).

NAMA Facility

On behalf of



Federal Ministry
for the Environment, Nature Conservation
and Nuclear Safety



Department for
Business, Energy
& Industrial Strategy



Danish Ministry
of Energy, Utilities
and Climate



For further information about the NAMA Facility, contact the Technical Support Unit at contact@nama-facility.org

Thank you for your attention