



Ambition Initiative Call FAQs and Clarifications

NAMA Facility Webinar

21 April 2021

Welcome to this Webinar

- Thank you for your interest in the Ambition Initiative Call of the NAMA Facility!

- **Today's objectives:**



Clarifications and FAQs for the Ambition Initiative Call



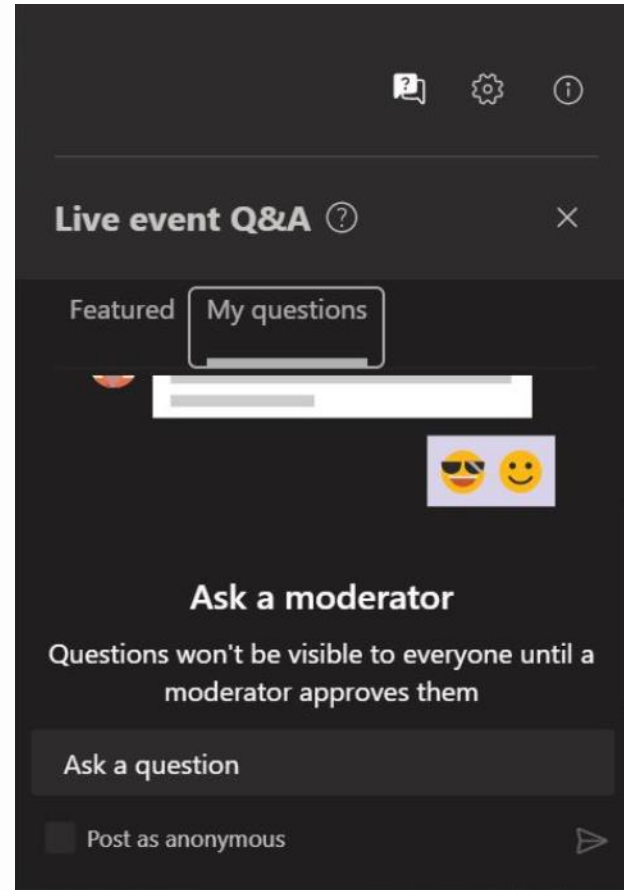
Deep-dive on selection criteria

Structure of the Webinar

1. Technical overview
2. Eligibility criteria of the Ambition Initiative Call
3. Deep-dive on selection criteria of the Ambition Initiative Call
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 - II. Financial support mechanisms
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5. Q&A session

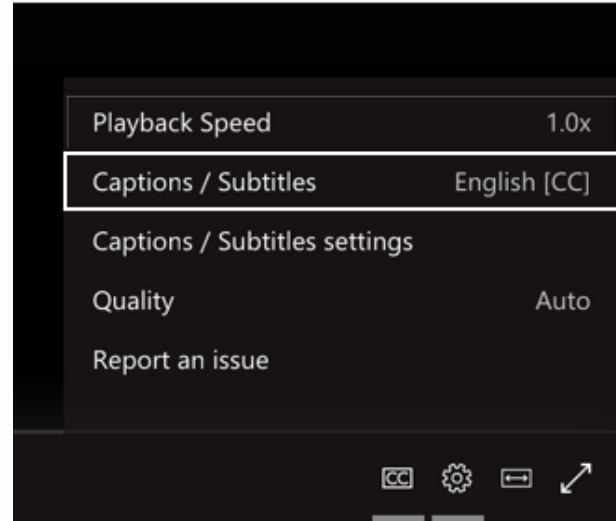
Technical Overview (1)

- Welcome to Microsoft Teams Live Events
- Control panel in the top right corner of your screen:
 1. You are muted automatically
 2. Submit your questions to the moderator



Technical Overview (2)











- Turn on live subtitles in other languages (Spanish, French):
 1. Select settings > Captions/Subtitles
 2. Choose the language of your preference



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Eligibility Criteria of the Ambition Initiative Call

-  Timely submission
-  Completeness of documents
-  Documents provided in English
-  Enhanced and ambitious NDC presented to UNFCCC until 31 May 2021
-  Implementation funding: EUR 5-25 million
-  DPP duration: either 10 or 15 months
-  Implementation duration: 3-5.5 years
-  No generation of tradeable GHG emission allowances or verifiably cancelled
-  ODA-eligibility of the country (see [DAC list of ODA recipients](#))
-  Additionality of the NSP

For further details please refer to the [Ambition Initiative Call General Information Document](#)

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Eligibility Criteria of the Ambition Initiative Call – Question 1

Q: Since country XYZ has already submitted its first updated NDC to UNFCCC: Does this NDC meet the definition of enhanced and ambitious as included in the General Information Document (GID)?

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Q: *Since country XYZ has already submitted its first updated NDC to UNFCCC: Does this NDC meet the definition of enhanced and ambitious as included in the General Information Document (GID)?*

A: In the course of the Ambition Initiative Call, the NAMA Facility will not express its views on the level of ambition of individual enhanced NDCs and will abstain from commenting on the plans and timelines of individual countries with respect to the process of updating their NDCs.

Eligibility Criteria of the Ambition Initiative Call – Question 2

Q: Given that the NAMA Facility funds are considered as ODA funds, does the NAMA Facility assess only the ambition of a country's conditional NDC or are the contributions in their totality assessed (both unconditional and conditional contributions)?

Eligibility Criteria of the Ambition Initiative Call – Question 2

Q: *Given that the NAMA Facility funds are considered as ODA funds, does the NAMA Facility assess only the ambition of a country's conditional NDC or are the contributions in their totality assessed (both unconditional and conditional contributions)?*

A: The NAMA Facility will take into consideration the totality of a country's NDC, i.e. the unconditional and conditional contribution, in order to assess whether the definition of ambitious NDCs as specified in section 4.1 of the GID has been met.

Eligibility Criteria of the Ambition Initiative Call – Question 3

Q: *How are NSP Outlines treated from countries that already announced to submit enhanced NDC in summer 2021, e.g. in the run-up to COP26, but only after the closure of the Ambition Initiative Call on 31 May 2021? Would a statement of intention of the partner country to submit the NDC update at a defined date suffice in this case, e.g. as an attachment to Annex 1 Endorsement Letter?*

Eligibility Criteria of the Ambition Initiative Call – Question 3

Q: *How are NSP Outlines treated from countries that already announced to submit enhanced NDC in summer 2021, e.g. in the run-up to COP26, but only after the closure of the Ambition Initiative Call on 31 May 2021? Would a statement of intention of the partner country to submit the NDC update at a defined date suffice in this case, e.g. as an attachment to Annex 1 Endorsement Letter?*

A: As stated in the GID, Outlines of NSPs that plan to intervene in a country with an enhanced NDC submitted to the UNFCCC until the closure of the Ambition Initiative Call on 31 May 2021 will be eligible to participate in this Call (for more information see CN-II-11). A statement of intention of the partner country to submit the updated NDC at a certain date will thus not suffice for a country to be eligible.

Eligibility Criteria of the Ambition Initiative Call – Question 4

Q: How decisive is a country's formulated NDC for the success chances of an Outline?

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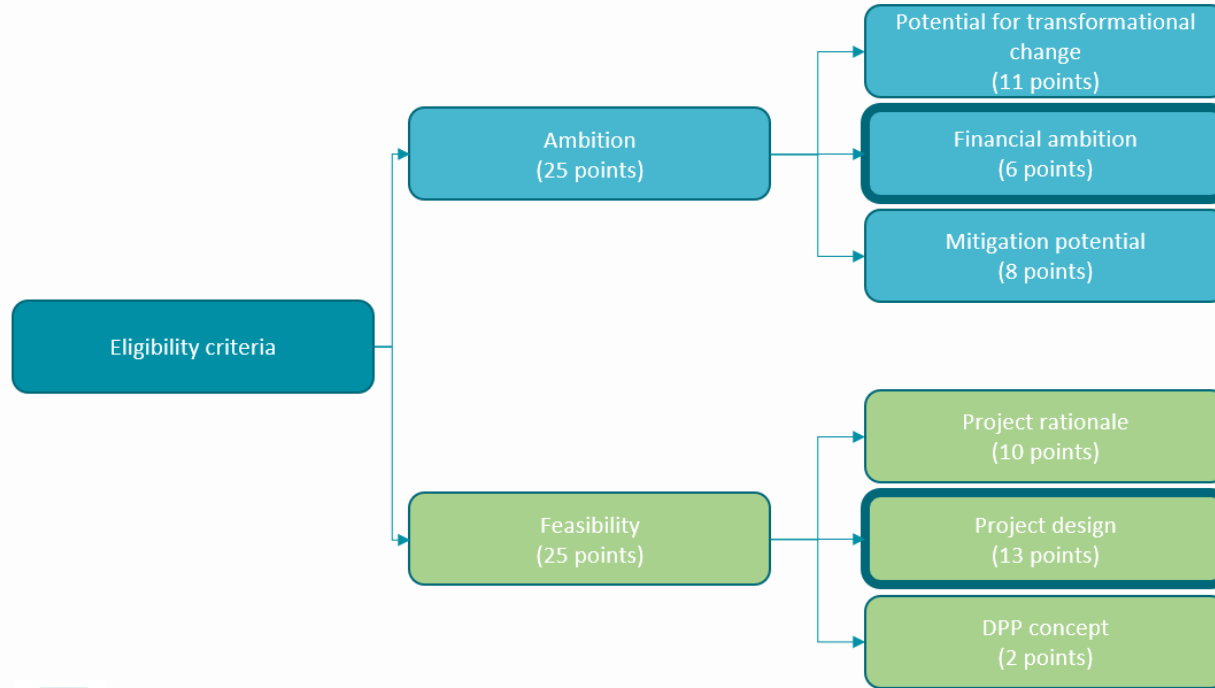
A: The submission of an enhanced and ambitious NDC, according to the NAMA Facility's definition, until the closure of the Ambition Initiative Call is one of the eligibility criteria of the Call.

In case a country's NDC meets this definition and the submission also complies with other eligibility criteria as described in the GID, section 5.1.3 Outline Assessment Criteria, the success chances of an Outline depend solely on the quality and context of the Outline including the submitted Annexes.

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Deep-Dive on Selection Criteria of the Ambition Initiative Call



More information available on the [General Information Document](#)

Business Model Context

A key indicator for transformational change in a sector is the redirection of the flow of funds:



- To achieve this, end-user and/or investor decisions must be influenced towards a carbon-neutral pathway.



- The end-users/investors will change their commercial/financial decisions if it is economically beneficial for them and if it follows a potentially successful business model.

Business Case Example (1)

Based on a Fictional Outline **“Towards Carbon-Neutral Totinia Now!”**

1. The currently running diesel generators are replaced by RE generation capacities. Focus on large scale on-grid solutions.
2. Given the limited space on the islands of Totinia, installations are based on large commercial buildings.
3. Owners of commercial buildings have shown interest to invest into solar PV systems as this provides shading and hence insulation.
4. The required RE-specific equipment cannot be locally manufactured but will be provided by internationally accredited manufacturers from the IPP.
5. Utility pays IPP through PPAs.

Business Case Example (2)

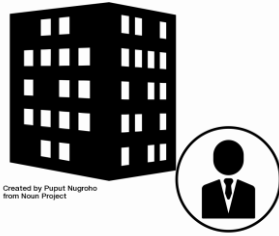
Please note this is a fictional example based on a fictional Totinia Outline!



Replacing generators with RE generation



Installation on commercial buildings



Building owners
+ insulation savings



IPP

Sales of RE

Payment through PPA

Regular payments

Energy supply



Utility

Key Components of a Business Case (1)

1. Technology

- What are the key technical features? E.g.:
 - Electricity consumption
 - Passenger capacity
 - Number and species of trees to be planted per ha
- What is the lifetime?

2. Costs

- What CAPEX is expected?
- What OPEX is expected?
- What is the cost dynamics over time?

3. Revenues

- What direct income can be generated?
- What cost savings could be available?

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Key Components of a Business Case (2)

4. Key actors

- Who is the investor?
- Who is the end user?
- What is their ability and interest to pay?

5. Market

- Who and where are the potential suppliers?
- Who are the operations and maintenance providers?
- What market developments can be expected?

6. End of life

- What happens once the technology reaches its end of life:
 - How is it discarded/processed?
 - What additional economic activities take place?
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Key Considerations for the Business Case

- The business model needs to be shown for **both the BAU and NSP** intervention.
- Consider the key actor constellations relevant for your sector and context (investor vs. end user).
- Explain your assumptions clearly indicating the sources.
- Explore multiple scenarios – sensitivity analysis.
- Demonstrate plausibility.



Business Case and Financial Support Mechanisms

“The concept of NSP needs to offer a (potentially) successful business model for end-users/investors including adequate financing mechanisms”

- Financial mechanism influences the cashflows of the business case:



It contributes to making the business case for a given GHG mitigation intervention viable



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Financial Mechanisms under the NAMA Facility

Financial Mechanisms according to the NAMA Facility:



Financial mechanisms channel financial flows into investments driving carbon-neutral development pathways. They should serve to address potential barriers or failures for investment and leverage public and private support for mitigation activities

Financial Mechanisms: NAMA Facility – Features and Guiding Questions (1)

Relevance and suitability

- Reduction or removal or relevant barriers for investment
- Are the financial mechanisms suitable?
- General country and sector context (regulation, policies and other schemes)
- Business model viability

Scale and permanence

- Financial mechanism (together with TA) leads to scale up beyond the NSP
- Financial flows/investment decisions permanently redirected/reversed beyond the NSP support
- Viable phase-out concept of NAMA Facility support (phase-in of other funding sources i.e. environmental taxes or public funding)

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Financial Mechanisms: NAMA Facility – Features and Guiding Questions (2)

Financial leverage

- Mobilisation of additional private and public finance for investments (during the NSP implementation)
- Optimisation of co-funding potential
- Level of commitment of contributions
- Investors' access to financial mechanism
- Appropriate level of concessionality

Feasibility and readiness

- Does the implementation of the financial mechanism start within the first 18 months of the NSP implementation?

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Financial Mechanisms: NAMA Facility – Features and Guiding Questions (3)

Integration of lessons learnt

- Demonstration of evolution of the concept based on experience

Additionality

- Clear delineation to existing initiatives
- Requires of sound market analysis

Market integrity

- Avoidance of unintended market distortions and crowding out of private capital

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Deep-Dive on Selection Criteria of the Ambition Initiative Call – Financial Ambition: Totinia's Example (1)

- **Financial mechanisms**

- Partial guarantee for partial payments to IPPs
- Concessional loan (reduced interest rate)
- One-time subsidy to trigger investment from Ministry of Finance

- **Financial ambition / Leverage of other funds**

- NAMA Facility funding: EUR 21m
- National budget: EUR 24m
- Private sector: EUR 72m
- Other Donors: EUR 40.5m
- Total: EUR 157.5m

Deep-Dive on Selection Criteria of the Ambition Initiative Call – Financial Ambition: Totinia's Example (2)

- **Removal of financial/economic market barriers or failures**
 - Barriers and failures identified through market analysis and sectorial studies.
 - Provides opportunities for investment from the private sector beyond the NSP.
 - The financial mechanism is accompanied by regulatory reforms.
- **Significant private sector participation**
 - Significant leverage from private sector: EUR 72m
 - Mix of commercial loans provided by local banks and equity from investors
 - Proof of participation

Deep-Dive on Selection Criteria of the Ambition Initiative Call – Financial Ambition: Totinia's Example (3)

- **Significant public budget contribution**

- Public contribution: EUR 24 million
 - Ministry of Finance
- Commitment is included in endorsement letters.

- **Participation of other (possibly development) financiers**

- Use EUR 7million from the national budget to trigger a EUR 20.5 million contribution from the Pink Climate Fund.
- Commitment is included in endorsement letters.

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Recommendations for the Business Case Development

- Consider **needs, vested interests, behaviours**, economic conditions, and choices of relevant target groups.
- Use **market studies** and **stakeholder interviews** to substantiate.
- Remain realistic about the **risks of default** or **non-payment** of fees or taxes.
- Be realistic about the **time needed** to implement reforms.

Recommendations for the Financial Mechanism Development

- Focus on **scalable financial mechanisms**.
- Focus on overcoming the barriers and ensure a clear **causal link** between the barriers identified and the financial mechanism proposed.
- Analyse the **financing needs of** both the **demand and supply side** of the technology.
- Make sure to **involve the relevant stakeholders** early on.

Annex 5: Business Case and Financial Mechanism

- **To be filled out as part of the Outline submission**

a) Annex 5a

- 1) Description of the technology/practice and market
- 2) Description of the current (BAU) financing parameters for the investor and end-user
- 3) Description of the proposed financial support mechanism

b) Annex 5b

- 1) Scenarios – sensitivity analysis

For more information check the **NAMA Facility podcast on Annex 5** and the **Do's and Don't document**

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Overview of Selected Clarification Requests

(1)

Piloting novel technologies

- Focus on innovation and novel technologies is not mandatory.
- Piloting of mature technologies in a new setting/ context would not be considered as innovative.
- Timeline for transition from pilot to larger scale project not defined, but shift to be accomplished within NSP's lifetime.
- Achievement of predefined and agreed milestones prerequisite before moving to the larger-scale project.
- Narrative of Outline, including Annexes, to focus on pilot phase and larger scale project. Budget (Outline section 4) to be indicated for both phases.

Clarification Notes and other information



[Clarification Notes](#): FAQ31, FAQ 32, FAQ 33, CN II-20, CN III-05, CN III-06, CN IV-10



[NAMA Facility Webinar - NSP Outline](#)

[Development Case Studies and Examples](#)

Overview of Selected Clarification Requests

(2)

Green recovery plans

- Coverage of the topic of green recovery is mandatory (Outline section 2.4 titled “Embedding”).
- Information to be provided:
 - Individual measures (monetary, political, economic, etc.) to mitigate negative consequences.
 - Measures considered “green” ?
 - NSP contribution to a wider uptake of green solutions for green recovery.
- Additional mandatory core indicator: M6 Contribution of the NSP to the country’s measures to promote green recovery from the impacts of the Covid-19 pandemic.
- Overall quality of recovery plans not assessed by NAMA Facility. Assessment’s focus on whether NSP activities contribute to green recovery.

Clarification Notes



[Clarification Notes](#): FAQ 60, CN II-08

Overview of Selected Clarification Requests (3)

NDC Partnership (NDCP)

- Participation in NDCP no prerequisite.
- In case of established memberships high level of NSP alignment with Partnership Plans expected.
- If sector not yet covered by NDC Partnership Plan, but by country's NDC, lack of alignment acceptable.
- NSP to be linked with work of economic advisors.
- More information on participating countries: [website of NDC Partnership](#).

Clarification Notes



[Clarification Notes](#): FAQ 14, CN II-05, CN II-13

On behalf of



Federal Ministry
for the Environment, Nature Conservation
and Nuclear Safety



Department for
Business, Energy
& Industrial Strategy



Danish Ministry of Climate,
Energy and Utilities



CHILDREN'S
INVESTMENT FUND
FOUNDATION

Q&A Session

Central Documents and Information Sources

Central Documents



[Application documents & Ambition Initiative Call General Information Document](#)



[M&E framework](#)

Webinars



[Introduction to the Ambition Initiative Call](#)



[7th Call](#) and [Ambition Initiative Call](#) NSP Outline - Case Studies and Examples



[Financial Mechanisms and the NAMA Support Project](#)

Further Information



[Ambition Initiative Call clarifications and FAQ](#)



[Transformational change working definition](#)



[Sustainable development co-benefits in the NAMA Facility](#)



[10 things about the NAMA Facility you always wanted to know – but never dared to ask!](#)



[NAMA Facility Podcast: An Introduction to Annex 5a – the Financial Mechanism](#)



[NAMA Facility Podcast: Introduction to Annex 6 – GHG Mitigation Potential](#)



[Dos and Don'ts Before You Submit Your NSP Outline](#)

Looking Forward to Your NSP Outline Submission!

31 May 2021, 3pm (CEST/GMT+2)

NAMA Facility website: [all information on the Ambition Initiative Call](#)

Next clarification rounds: 28 April and 19 May

Contact the Technical Support Unit at contact@nama-facility.org

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