

Scaling Up Financing for Mitigation Measures

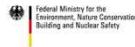
– Reflections from the NAMA Facility

Beyond Paris : Financing and Implementing Climate Change Commitments - Austrian Climate Change Workshop, Vienna, Thursday 30 March 2017



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On behalf of



Introduction - the NAMA Facility

Aim

Support developing countries and emerging economies in implementing ambitious actions to mitigate greenhouse gas emissions (Nationally Appropriate Mitigation Actions, NAMAs). NAMAs can function as an important vehicle to implement nationally determined contributions (NDCs) under the Paris Agreement.

Facts about the NAMA Facility

- Multi-donor funds established by Germany (BMUB) and UK (BEIS) in 2013
- Denmark (EFKM, MFA) and the European Commission joined in 2015 as additional donors
- Total funding made available through the NAMA Facility since its inception: ~ EUR 262 m.
- In 4 Calls, 21 projects have been selected so far for funding



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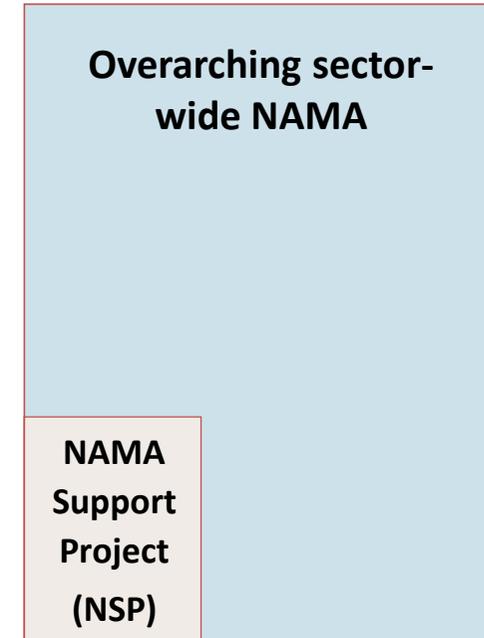
Introduction - the NAMA Facility (2)

What the NAMA Facility does

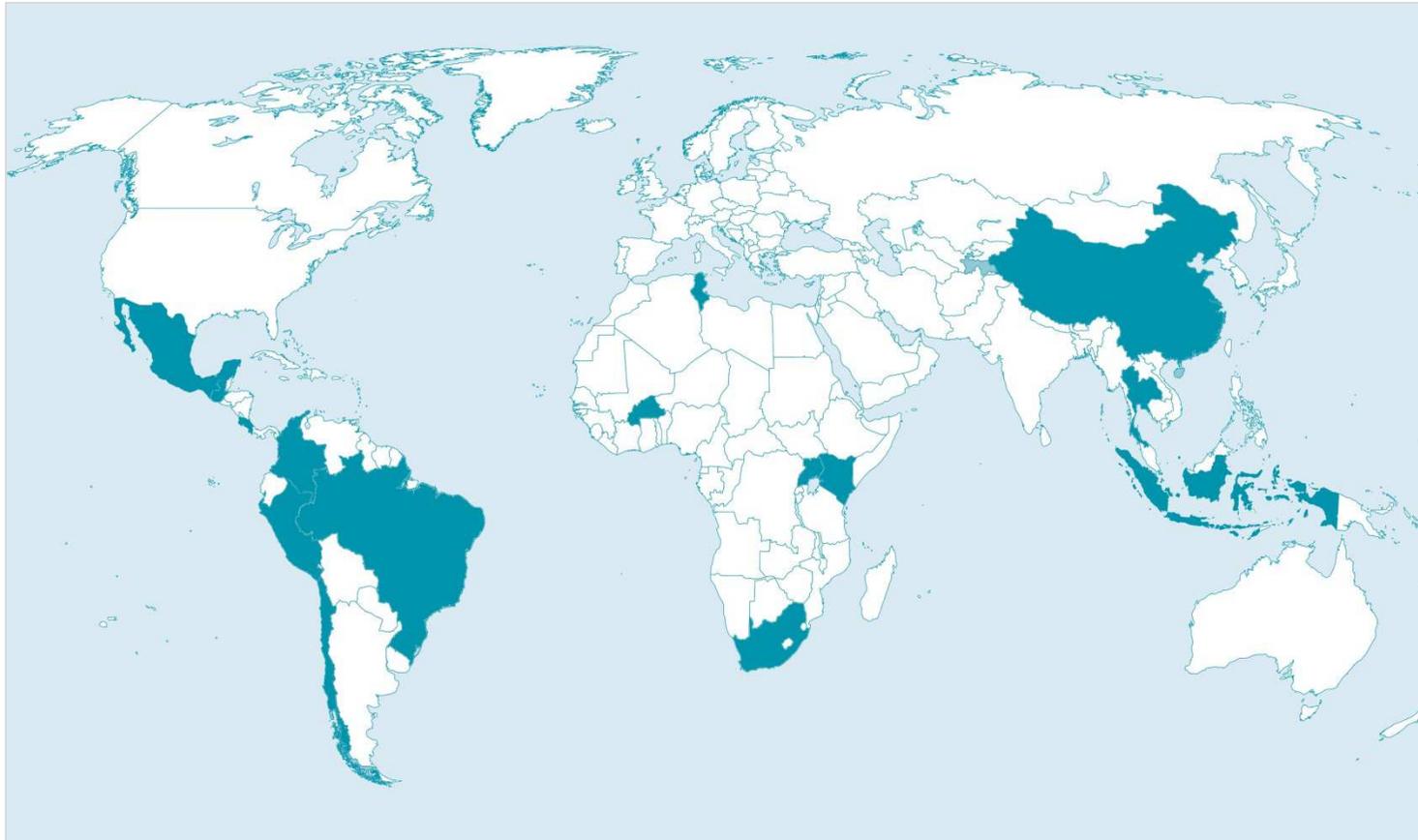
- Implement NAMA Support Projects (NSP) as the most ambitious part of the NAMA
- Provide funding for a combination of financial and technical measures
- selects NSPs in annual bidding round (Calls)

Key requirements for project selection

- Implementation readiness
- Mitigation potential
- Transformational change



NAMA Facility portfolio (1)



Africa: Burkina Faso, Kenya, South Africa, Tunisia, Uganda

LATAM: Brazil, Chile, Colombia, Costa Rica, Guatemala, Mexico, Peru

Asia: China, Indonesia, Philippines, Tajikistan, Thailand



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NAMA Facility portfolio (2)

Sector	Country	NAMA Support Project	Funding volume (Mio €)
Energy efficiency	Mexico	sustainable housing	14
	Thailand	refrigeration and air conditioning	15
	Colombia	domestic refrigeration	9
	Guatemala	efficient use of fuel in households in rural communities	11
	South Africa	energy efficiency in public buildings	19
	Mexico	energy efficiency in SMEs as a contribution to a low carbon economy in Mexico	DPP
	Uganda	revolving loan fund for the uptake of improved institutional cook stoves (IICS) in Ugandan schools	DPP
Agriculture	Costa Rica	low-carbon coffee NAMA	7
	Brazil	resource efficiency program for Brazil's beef supply chain	DPP
	Thailand	Thai rice NAMA	DPP
Transport	Indonesia	sustainable urban transport	14
	Colombia	transit oriented development NAMA	15
	Peru	sustainable urban transport	9
	Kenya	mass rapid transport system for Nairobi	20
Renewable energy	Chile	self-supply with renewable energy	15
	Burkina Faso	biomass energy	14
	Mexico	NAMA for sugar mills	DPP
	Tunisia	scaling-up renewable energy and energy efficiency in the Tunisian building sector	DPP
	Philippines	enabling distributed solar power in the Philippines	DPP
Forestry	Tajikistan	sustainable forestry	13
Waste	China	integrated waste management	8



What are the key success factors for scaling-up financing for climate change?



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1. Focus on transformation

- Objective is to shift a sector in a country toward a sustainable, irreversible low carbon pathway
 - That happens quicker than the BAU scenario of technological development
 - Moves beyond a project specific intervention
- Achieving transformational change with up to €20m is ambitious, and requires significant leveraging
- Regulation influences markets – NAMAs should re-orient national policies to promote the low carbon path



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Department for Business, Energy & Industrial Strategy

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2. Financial sustainability

- NAMA proponents have typically looked at short term instruments that can be funded by the NF e.g. IR subsidies
 - Better to look at more permanent financing sources to redirect financial flows, e.g. public sector budgets, taxes, guarantees
 - Also, contribution from private households and industry aids financial sustainability
 - NF funding needs to be temporary with a clear phase-in and out concept
- *Note* : also strong role for policy reform and regulatory change, which can be funded through technical assistance



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Which innovative tools and instruments can be used?



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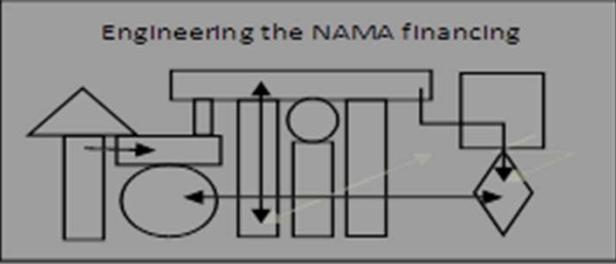


Importance of financial mechanisms and business models in NAMAs

- Financial mechanisms are at the core of the NAMA, as they are needed to kick-start the reversal of funding flows
 - There is a diversity of potential instruments
 - Most NSPs foresee a mix of at least two financing mechanisms
 - Some include results based financing, although for a limited grant facility this limits the reach, scaleability of the intervention
 - Many Outlines lack detail, institutional arrangements
- Business model refers to the economic viability of NSP ideas for the target group, end users or stakeholders
 - Is the project rationale cost effective or profitable for users/suppliers? Adequate consideration of market conditions, competitiveness, pricing and end user affordability is needed

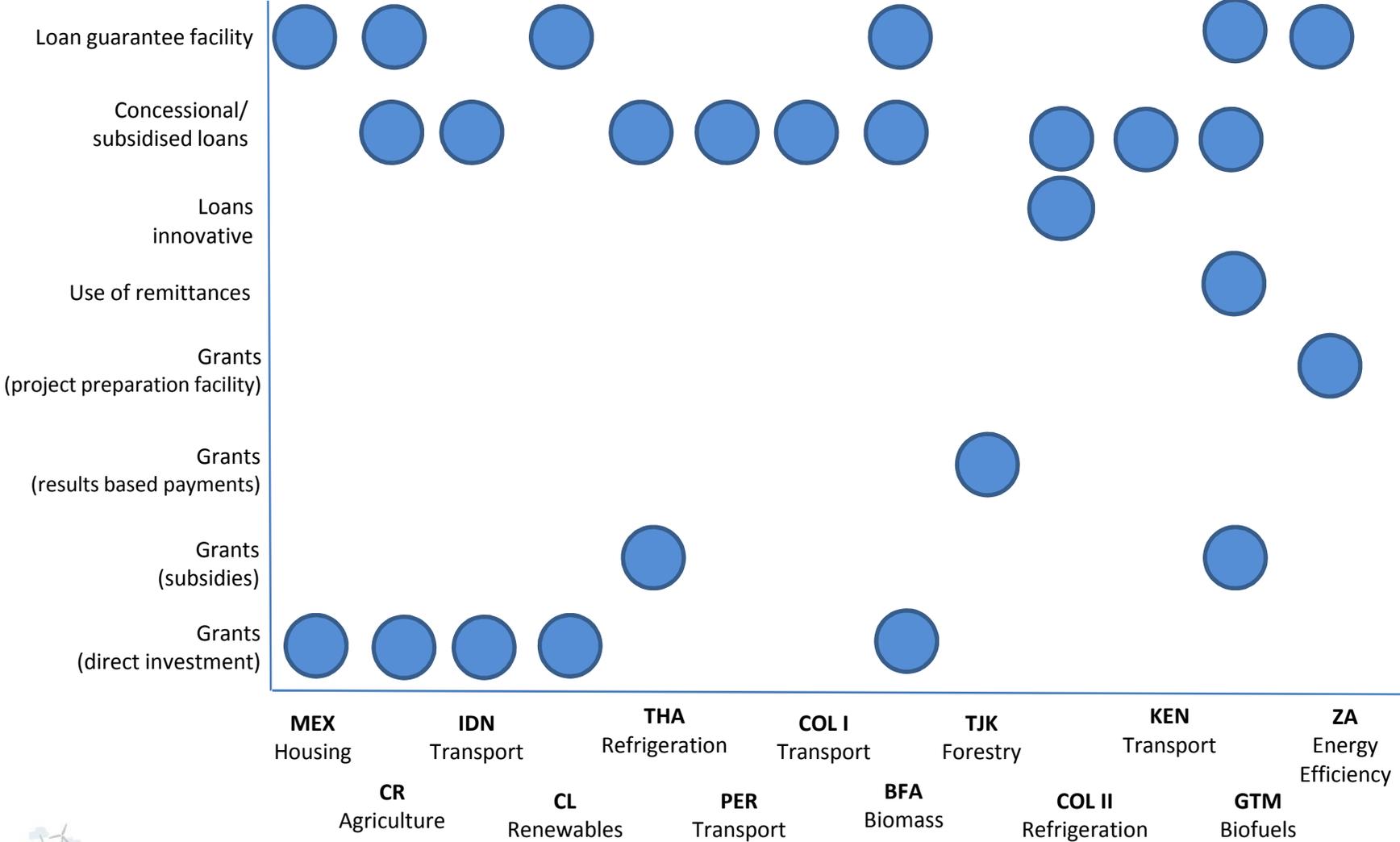


Range of financial instruments in NAMA Finance

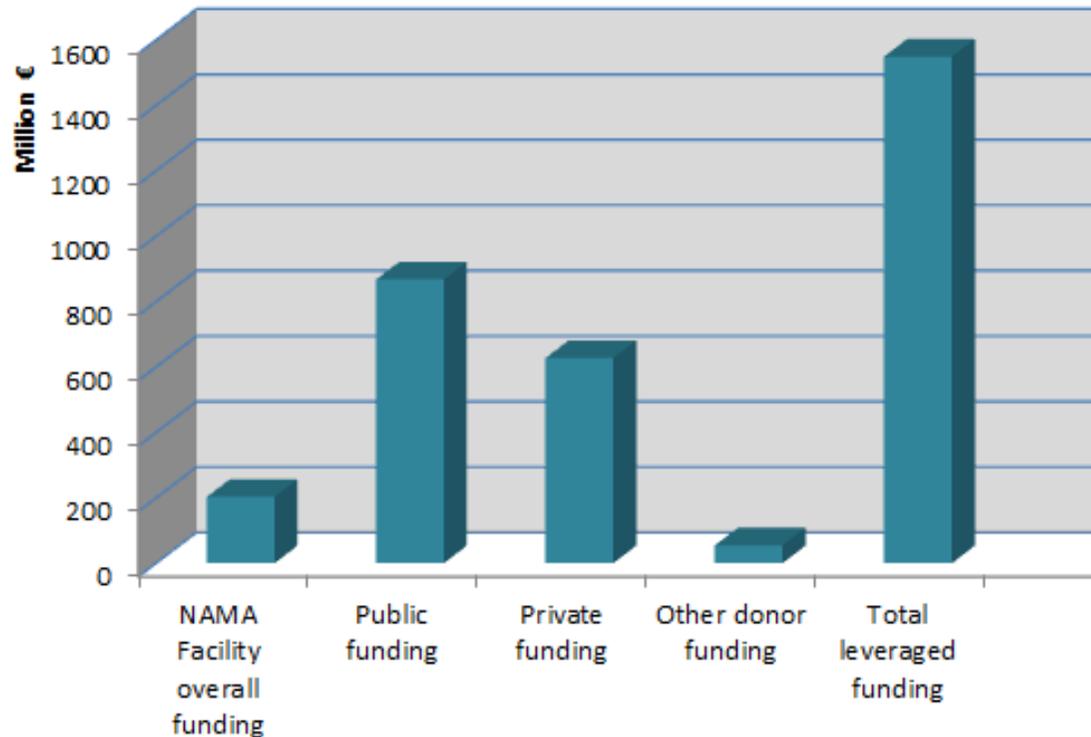
 <p>PUBLIC SECTOR SOURCING INSTRUMENTS</p>	 <p>PUBLIC SECTOR OPERATIONAL INSTRUMENTS</p>	 <p>PRIVATE SECTOR FINANCING INSTRUMENTS</p>
Environmental Fiscal Reform	Grants	Equity
Loans	Purchase contracts for goods	First-loss (mezzanine, junior debt)
Soft loans	Purchase contracts for services	
Bonds	Additional payments (e.g. feed-in tariffs)	Loans
Dedicated credit lines	Public procurement guidelines	Bonds
Risk cover, guarantees	Tax credits, reductions/exemptions	Risk cover, guarantees
Grants	Variable or accelerated depreciations	Project Finance
	Removing subsidies	Grants
	Loan schemes	
	Guarantee schemes	



Financial mechanisms used in NAMA Facility



Leveraging is key : Targeted funding to be leveraged by NAMA Facility portfolio by 2022



Leverage ratio calls I - III

Public funding: 4.3:1 €

Private funding: 3.1:1 €

Other donor funding: 0.27:1 €

Average leverage ratio: 7.6:1 €





For further detailed lessons learnt, join the next NAMA Facility Webinar

Lessons learnt from the 4th Call of the NAMA Facility

Wednesday, 5th April 2017,
2.00 – 3.00 CET, Berlin



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