



Center for  
Clean Air Policy

***NAMAs, Registries and Finance:  
An Integrated Approach to Developing  
Country Action***

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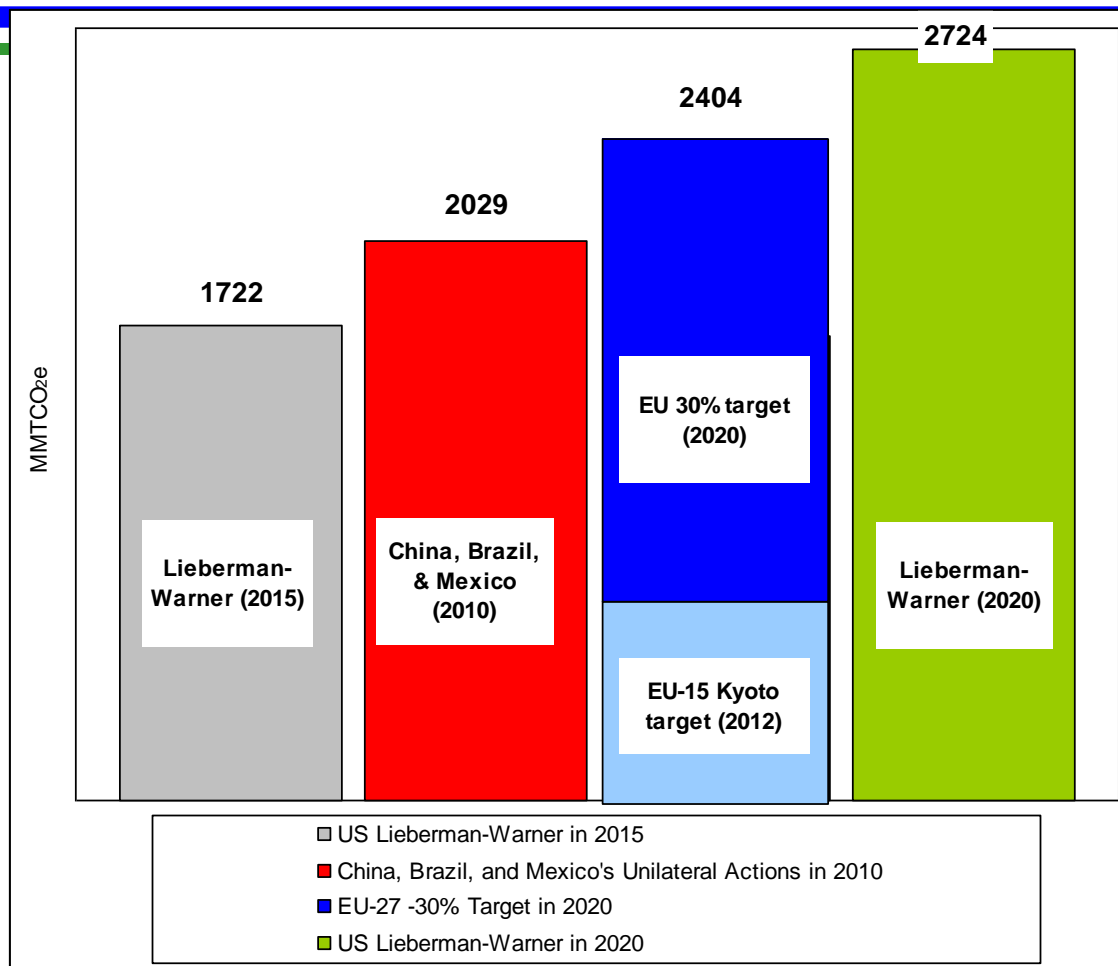
17 June 2009

# Outline of Presentation

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- Developing Country unilateral action
- What are NAMAs?
- NAMA submissions and requirements
- NAMA target setting and registries
- State of Play in the Negotiations
- Governance of NAMA finance/support
- Key Questions

# Developing countries are already doing more than many believe

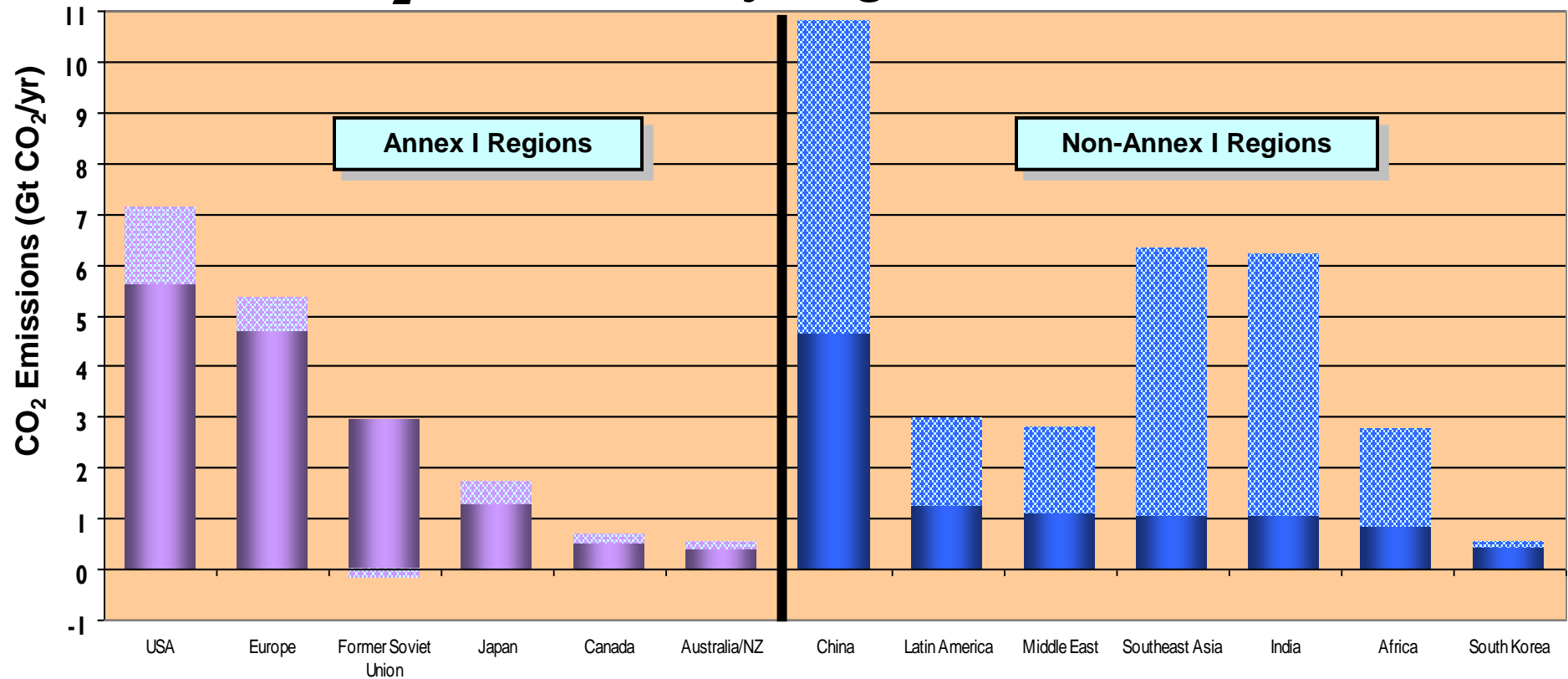


## Reductions from BAU

Source: CCAP, updated

# ... But outlook for Developing Country emissions growth remains substantial

## CO<sub>2</sub> Emissions by Region - 2000 & 2050



<sup>1</sup> Includes Fossil and other industrial CO<sub>2</sub>.

Source: U.S. Climate Change Science Program. 2007. *Scenarios of Greenhouse Gas Emissions and Atmospheric Concentrations* (MINICAM Results).

# International Policy Context

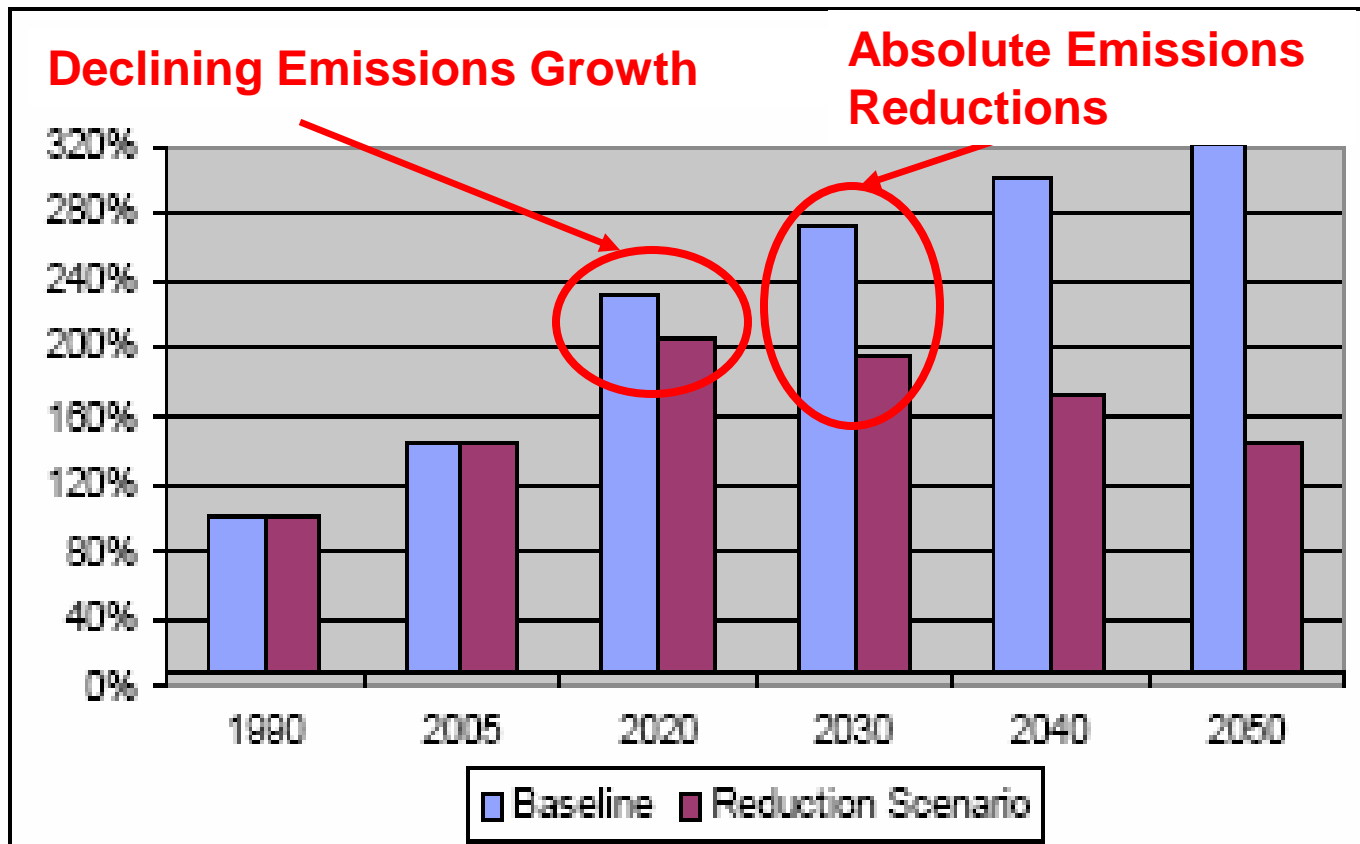
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- Bali Action Plan calls for verifiable nationally appropriate mitigation actions (NAMAs) by developing country Parties in the context of sustainable development
- NAMAs are supported and enabled by verifiable technology, financing, and capacity-building support from Annex 1 countries
- Developing countries would submit climate plans (e.g., low-carbon growth strategies) that list their intended NAMAs and associated requests for support
- NAMAs could be grouped to achieve broader objectives, such as sectoral program goals and reductions from deforestation and degradation (REDD)

# Scenario for Developing Country Emissions

- EU analysis of 50% chance of staying below 2 C
  - » Developed countries 32% reduction below 1990 by 2030; 60% below 1990 in 2050



Source: European Commission, 2007

# The Sectoral Study

- CCAP is leading a “proof of concept” study of sectoral programs in China, Mexico and Brazil
  - » Funded by EC
  - » Partners are CEPS, ZEW, CCC, IDDRI
  - » Sectors: electricity, cement, iron and steel, aluminum, oil (Mexico only)
- Key questions/issues:
  - » What data is available (technologies, costs, emissions, fuel use, etc.)?
  - » Can potential sectoral goals and support needs be determined from the available data? If so, how?
  - » How big an impact can sectoral programs have on global emissions?
- First attempt at developing potential sectoral goals: Mexico’s cement and oil refining sectors

# NAMAs Background

- International debate centers on three types of NAMAs:
  - » Unilateral
  - » Conditional
  - » Credit-generating
- Goal of this approach is to produce developing country emissions reductions that are not offsets –DCs' contribution to climate protection
- 6-10 large developing countries are responsible for 80-90% of DC emissions in key sectors

# Types of NAMAs

- NAMAs can be individual actions or groups of actions and may include:
  - » SD-PAMs
  - » Low-emission development strategies?
  - » Programmatic CDM
  - » Technology deployment, energy efficiency or energy-pricing programs or measures
  - » Cap-and-trade programs
  - » Carbon taxes
  - » Sector-wide actions (sectoral targets, mitigation actions, standards, or crediting baselines)
  - » REDD+, agricultural or related activities

# NAMA Submissions

- NAMA submissions may or may not require:
  - » National low-carbon development strategies:
    - emissions pathways
    - address specific sectors
    - full or incremental costs, timeframe and requested assistance
    - emissions reductions and scenarios
    - sustainable development impacts
  - » Evolution/updating over time
  - » MRV provisions

# Technology-based NAMAs in China

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Three general types of technology-based NAMAs:

- Sector-wide technology upgrades
- Accelerated retirement of older and inefficient facilities
- Advanced step-change technologies, e.g. CCS

# Sectoral NAMAs in Mexico

- In Poznan, Mexico announced that it will pursue a trans-sector cap-and-trade program to include the electricity, oil, cement, and iron and steel sectors
  - » Initiation slated for 2011 (iron and steel may be later)
- Hard caps for the 2011-2020 period could be derived from emissions intensity goals and expected production levels and be adjusted in subsequent periods
- Mexico has also put some complementary policy reforms in place:
  - » Energy Reform – provides more budgetary flexibility for PEMEX and permits some degree of private investment
  - » New law that allows CFE to consider externalities in its pricing decisions and gives CRE more control over contracting terms with independent power producers

# State of Play in the Negotiations

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- EU, Japan have placed principal emphasis on sectoral crediting NAMAs while DCs emphasize conditional NAMAs/up-front \$
- Conditional NAMAs can create competition among DCs to propose stronger NAMAs – “race to the top”
- Emphasizing sectoral crediting to the exclusion of conditional NAMAs invites the opposite – battles over additionality of sectoral baselines, top-down approaches

# NAMAs: A place for REDD?

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- Three phases of REDD (per Norway): readiness, initial implementation, and full implementation with national level credit-generating
  - » 3 phase model fits with conditional NAMAs and sectoral crediting baseline NAMAs
  - » All 3 phases require support, and are “conditional”
  - » Could formulation of a national plan for REDD constitute the unilateral NAMA?

# Need tough criteria to go from “conditional” to broad “credit/market” REDD NAMAs

- Stringent criteria for crediting e.g. Waxman-Markey offset provision
  - » Must address leakage, permanence, accounting for reversals, biodiversity, etc
- Additional criteria could include: secure land tenure policies, enforcement, MRV, avoiding perverse land conversion incentives, etc
- Conditional NAMAs would include national programs and could include subnational for smaller emitters initially

# NAMA Registry Goals

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- A NAMA registry could be used to:
  - » recognize developing country actions already planned or underway
  - » record conditional NAMAs and initiate matching with financing
  - » record financed and implemented NAMAs
  - » record approved crediting baselines

# Governance of NAMA Finance

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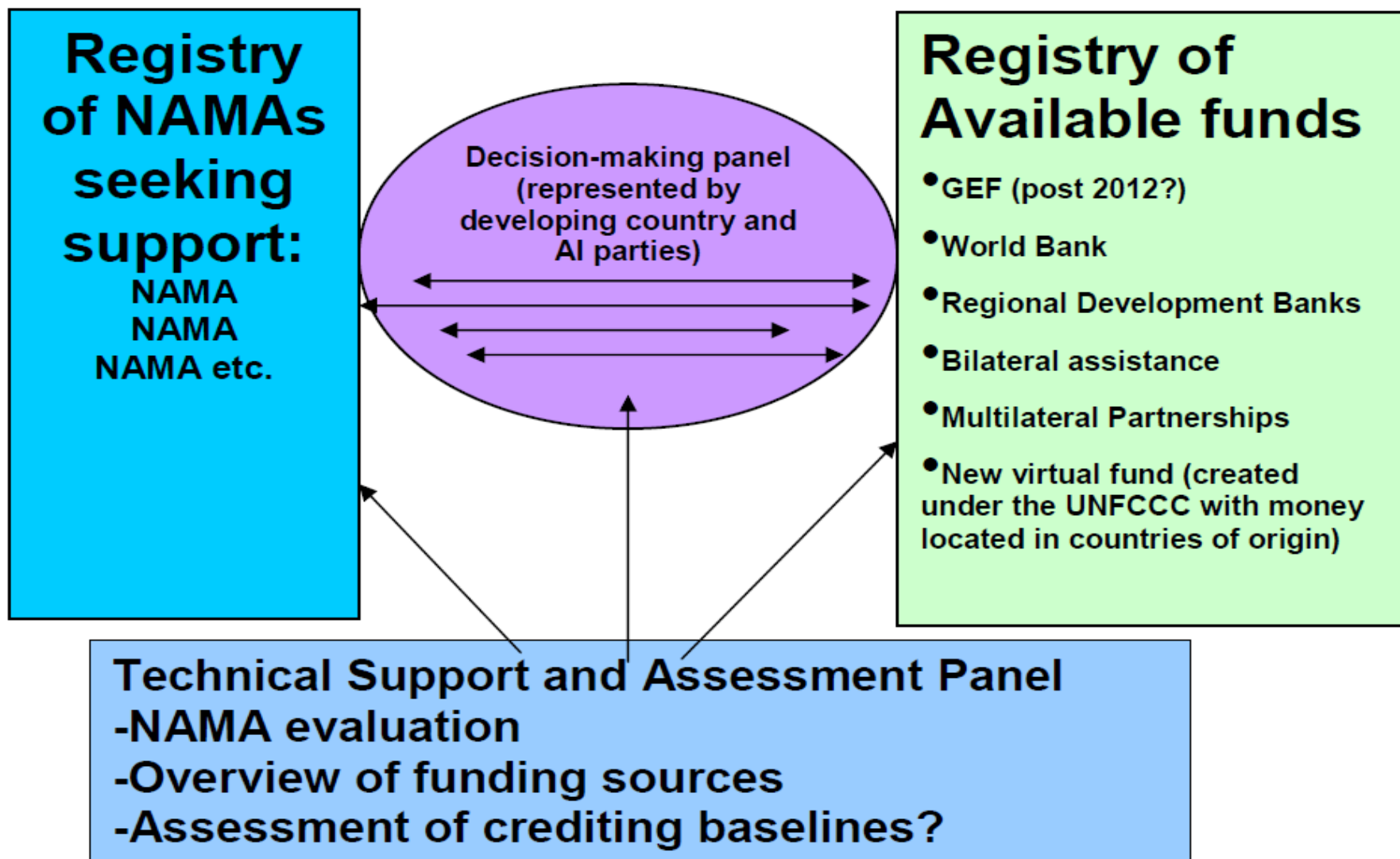
- Structure of governance is critical – who decides what NAMAs get support and who distributes the support?
- Some options
  - » New UNFCCC matchmaking body aligns requests and pledges
  - » Delegate to IFIs like World Bank or similar institution to decide how the funding is distributed
  - » Direct access – similar to Adaptation Fund

# Nature of NAMA support

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- Finance for advanced technologies
- Finance for policy implementation (e.g., to write down the costs of a feed-in tariff for renewables)
- Finance to help overcome domestic barriers (e.g., creation of Special Purpose Entities by IFIs like the IADB)
- Flexible financing tools such as loans, guarantees, grants etc
- Capacity building
- Carbon credits

## Multilateral Financing Facilitative Mechanism under the UNFCCC (Matchmaking Process)



# Key Questions

- To get a ratifiable treaty by 2010/2011 will need to know size and scope of developing country actions
- 1. How do we insure that NAMA finance negotiations in 2010-11 produce material reductions if many countries submit climate plans/strategies?
  - » Prioritize NAMAs/countries? – concentrate first on a specific list of key sectors/NAMAs that produce significant emissions reductions (e.g., electricity, C&T) and on specific developing countries

# Key Questions

- US and Australia have suggested creation of an appendix/annex/schedule where agreed-on developing country NAMAs with developed country finance could be recorded as part of the Copenhagen package in 2010-11.
  - » Could no-lose NAMAs be included in the schedule as part of the Copenhagen package? Would these be nationally binding? Internationally?
- What existing institutional structure(s) under the UNFCCC could do NAMA matching with finance to fast-start the process
- Should decisions on matching be done by the same entity that assesses crediting baselines for NAMAs?

# REDD and NAMAs: Key Questions

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- Should the same supervisory body make decisions on conditional REDD NAMAs as makes decisions on other NAMAs? Does REDD fit best as a NAMA or in a separate mechanism?
- If some subnational REDD programs are part of conditional NAMAs, how would we insure transition to national conditional programs?