



Mechanisms for Tech Transfer, Financing and Capacity Building for Mitigation

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CCAP

- Washington DC and Brussels-based environmental think tank
- A leader on climate change and air quality policy since 1985
- Promote innovative, market-based solutions that balance environmental and economic interests
- Work with Mexico, China, India, Brazil, Indonesia, Cambodia on national climate strategies & REDD
- Future Actions Dialogue – shadow process for climate negotiators from 30 nations
- Original consultant to EC for design of EU ETS

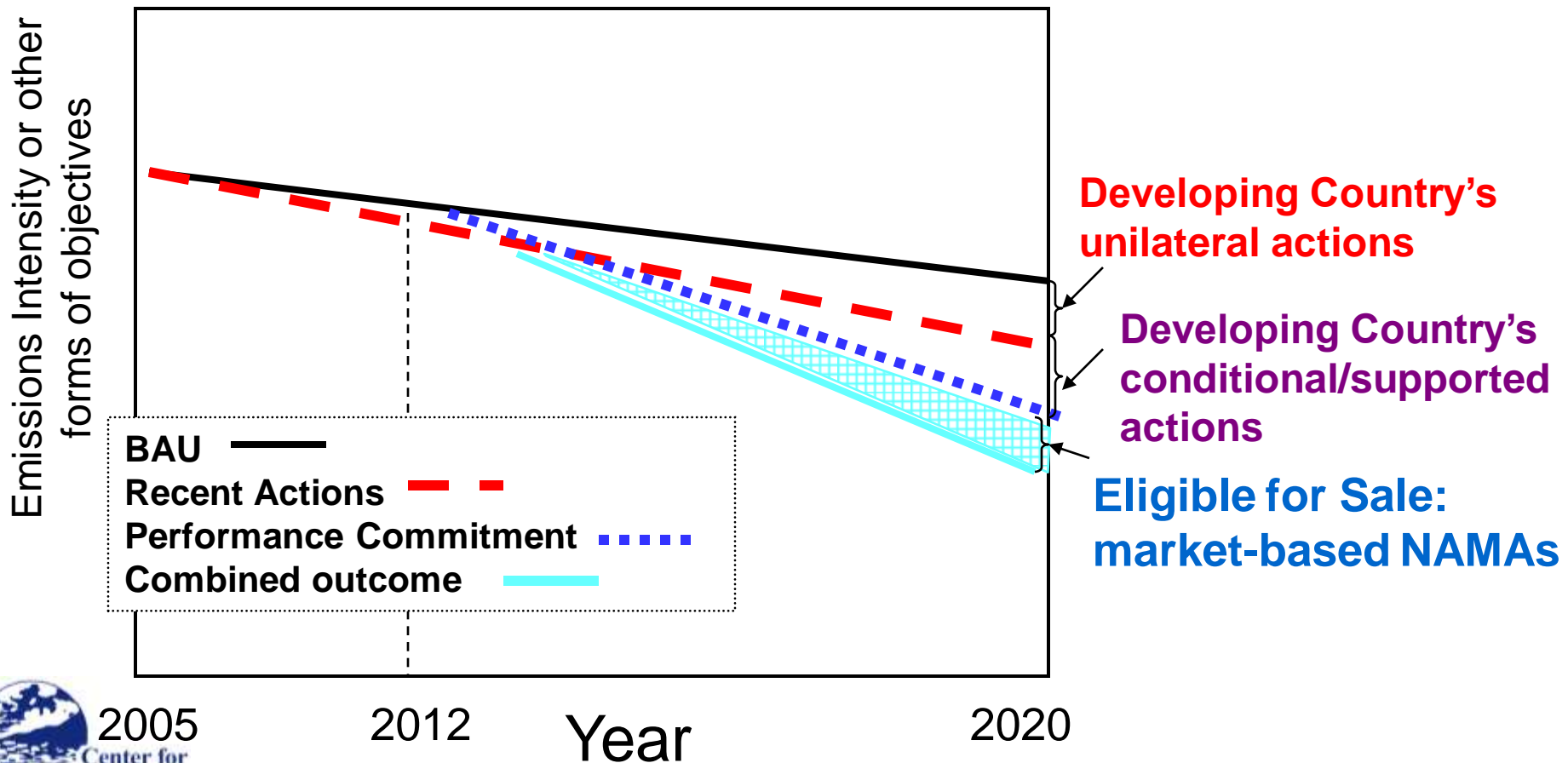
NAMAs and the Bali Action Plan

- Bali Action Plan calls for verifiable nationally appropriate mitigation actions (NAMAs) by developing country (DC) 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 development strategies) that list their intended NAMAs and associated requests for support
- Sector-wide NAMAs could be no-lose targets that are carbon intensity based so as not to limit growth and sustainable development

NAMAs Background (cont.)

- International debate centers on three types of NAMAs:
 - » Unilateral
 - » Conditional/cooperative
 - » Credit-generating
- Goal of unilateral and conditional NAMAs 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

Developing country contribution to GHG mitigation: three categories of NAMAs



Mexico's Approach to NAMAs

Working w/ Mexico, CCAP is developing potential sectoral intensity targets for the oil refining, electricity, steel and cement sectors

In Poznan, Mexico announced that it will pursue a trans-sector cap-and-trade program in 2011 to include electricity and oil refining, with cement, and iron and steel sectors possibly added later

Hard caps for the 2011-2020 period will be derived from the sectoral emissions intensity goals and expected production levels and be adjusted in subsequent periods

Mexico is also putting some complementary policy reforms (NAMAs) 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

Sectoral Programs in Mexico — Potential NAMAs

- Mexico could use a variety of NAMAs to achieve sectoral goals such as:
 - » Regulatory reform that provides independent renewable energy power producers or efficient co-generators with a preferred rate for electricity sold to CFE
 - » Energy Ministry can set annual goals for adding cogeneration and renewable electricity capacity
 - » Minimum requirements for the energy efficiency of cement kilns and/or oil refineries
 - » Minimum blending requirements for cement
 - » Policies to encourage expanded use of alternate fuels/waste in the cement sector

An Example: Technology-based NAMAs in China

- 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

Technology-Based NAMAs (2)

- Define penetration goals for techs (or equivalent performance)
 - » Setting goal for expanded penetration of key technologies by 2020
 - » Setting both unilateral penetration improvement goal and no-lose conditional NAMA goal for each chosen technology
 - » MRV based on achievement of penetration rates of selected technologies though emissions are also scored
- Advantages:
 - » Easier to MRV and implement than emissions intensity goals
 - » Fits w/ Chinese 5 yr plans & development plans
 - » Links technology goals with emission reduction goals
- But no carbon price signal
- Financing request can include assistance for deployment of advanced techs, tailored loans and guarantees to assist SMEs with commercial state of the art techs where barriers exist

Technology & Finance Assistance to Encourage Stronger Actions

Technology & finance assistance could be provided:

- » **To build capacity**
- » **To overcome financing barriers**
- » **To reduce the cost of policies (e.g. feed-in tariffs)**
- » **To build first-of-a-kind advanced technologies which are not cost effective today**
- » **To accelerate deployment by bringing down the cost of advanced technologies**
- » **As incentive for participating developing countries to establish more aggressive “performance goals”**

Sources for Technology Finance

- Countries could provide financing by setting aside a portion of allowances or auction revenues in domestic trading systems, e.g.,
 - » German Parliament has earmarked 30% of auction revenues
 - » Norwegian Finance Minister has proposed use for international programs including adaptation, technology, and reducing deforestation
 - » U.S. Waxman-Markey (ACES) bill uses such an approach for int'l forestry, technology and adaptation
 - 5% of allowances set aside to achieve 10% additional global redux

What International Financing Would U.S. Legislation Provide?

Establishes a Clean Technology program to provide financing and capacity building assistance.

- » 1% of allowance value set aside; grows to 4% in 2027 (\$1 – 6 billion/yr).

Establishes an international adaptation fund.

- » 1% of allowance value set aside; grows to 4% in 2027.

Establishes a program for the purchase of emissions reductions from avoided deforestation equal to 10 percent of 2005 levels in 2020.

- » 5 percent of allowance value set aside; begins declining in 2026, reaches 2% in 2031 (\$5 billion per year).

Governance of NAMA Finance

- Structure of governance is critical – who decides what NAMAs get support and who distributes the support?
- Some options:
 - » Build on existing UNFCCC institutions like GEF and Secretariat
 - » New UNFCCC matchmaking body to align requests and pledges
 - » Delegate responsibility to IFIs like the World Bank or a similar institution to decide how the funding is distributed
 - » New fund like Mexican green fund
 - » Direct access – similar to Adaptation Fund

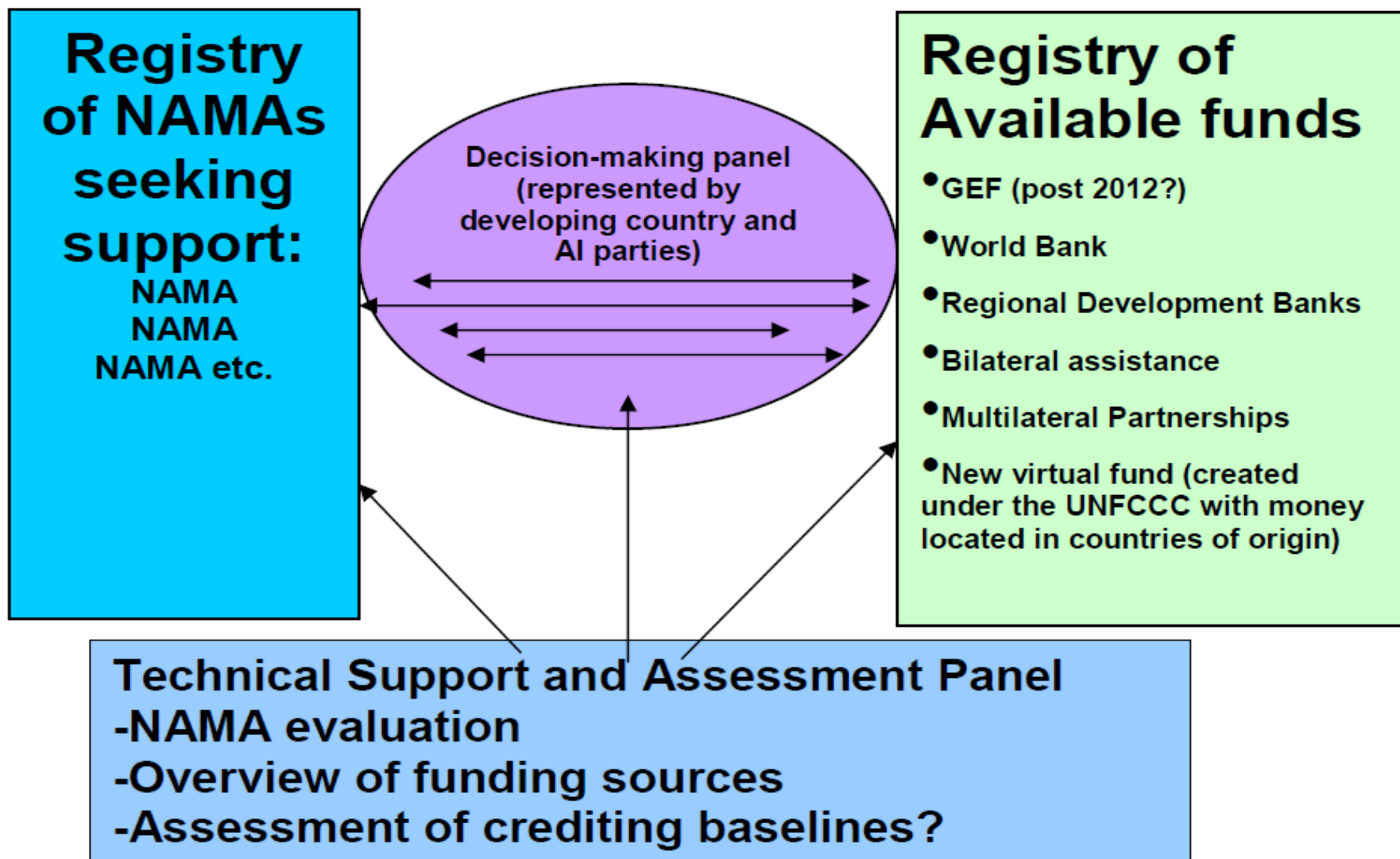
Governance of NAMA Finance – CCAP Dialogue Recommendations

- Seems to be preference for separate entities to do NAMA matching and to evaluate crediting baselines – answerable to COP
- Preference for centralized fund or centralized review process to avoid forum shopping and to insure assessment of aggregate GHG reductions that could result from proposed NAMAs
- Partnership model of World Bank forestry program effort cited as excellent building block for NAMAs
- Delegates were split on whether NAMA finance should be decided by a “race to the top” or by a formula/direct access model

Principles of financing – agreed by many Parties

- Scaled up and predictable global mitigation actions
- Effectiveness
- Simplicity
- Efficiency /cost-effectiveness
- Fairness and equity
- Mutual accountability
- Ability to leverage other public and private money
- Coherence (in terms of how NAMAs fit into bigger national plans and overall concepts)
- Sustainability (in terms of technologies that will be there in 30-50 years)
- Transparency

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

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.
 - » Will this improve the chances for ratification of a Copenhagen agreement by giving more time for the definition of developing country actions?
- What existing institutional structure(s) under the UNFCCC could do NAMA matching with finance to fast-start the process?
- Is it politically feasible to avoid the matching process for conditional NAMAs and replace it with a direct access model like the adaptation fund?

Thank You

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