How to finance NAMAs? International challenges and their consequences

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3 main activities

- **Equity investments & advisory**
  - Involved in a transition to a low carbon economy, CDC Climat invests in innovative companies. It advises investors in their emissions reductions strategies and decisions. Its Governments’ Advisory Department offers its support in the design and implementation of climate policies, including through capacity building and training.

- **Investments in carbon assets**
  - CDC Climat finances carbon emissions reductions. It invests in carbon assets either directly or in the form of innovative funds open to long-term investors aimed at reducing CO₂ emissions by 60Mt before the end of 2014.

- **Research in climate change economics**
  - CDC Climat Research develops an independent expertise on economic instruments of climate policies for market players, public authorities and the general public.
NAMAs’ development issues are based on 3 main pillars

- **Access to capital**
  - Copenhagen pledges (incl. GCF)
  - Amount of financing
  - Type of financing (grants, loans, …)
  - Type of access (direct, MDBs, …)

- **Use of economic tools**
  - Carbon credits issuance (MDP, NMM)
  - Others means of income generation (Tax reform, …)

- **International recognition**
  - Emissions reductions’ MRV issues
  - Institutional credibility

Source: CDC Climat Research
1. Access to capital

2. Use of economic tools

3. International recognition
Huge climate finance challenges

Annual climate investments needs

-$30\text{ Bn}$

$\text{Stern Review (2006)}$

$\text{World Bank low & high scenarii (2009)}$

$\text{Stern Review (2006)}$

$\text{World Bank low & high scenarii (2009)}$

$\$140 + 30 \text{ Bn}$

$\$565 + 100 \text{ Bn}$

$\text{Stern Review (2006)}$

$\text{World Bank low & high scenarii (2009)}$

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A need to mobilize more private finance than already done

Investment flows linked to mitigation

Source: Adapted from Corfee-Morlot et al. (2009)
Financing can take different forms

Donors...  ...finance...  ...recipients...  ...to implement actions.

Public

Loan
Equity
Grant
Etc.

Private

Financial vehicle
Project implementer
National agency
Etc.

Unilateral
Supported
Crediting

Source: CDC Climat Research
The GCF should support developing countries to implement climate actions in a transparent manner.

- Nota: The GCF will not be in charge of the whole $100 billion per year pledge.

- Some progress achieved since Copenhagen in 2009

- Form of financing: Nothing excluded
  - Grant, loan, guarantee, equity,…
  - Public and private sources
  - Indirect or direct access
  - Public and private recipients
Summary

1. Access to capital

2. Use of economic tools

3. International recognition
Developing countries need to find a way to raise money for their climate policy.

Different ways to raise money:
- Carbon offsets
- CDM (including PoAs)
- NMM
- Cutting energy consumption
- Cutting fossil fuel subsidies
- Demanding partial repayment to beneficiaries
- …

Distribution of climate finance flows:
- Market rate loans: 56%
- Equity: 18%
- Concessional loans: 13%
- Grants: 6%
- Others: 4%

Source: Climate Policy Initiative

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The New Market Mechanism could be used to offset national climate policies.

The European proposal for a new market mechanism:

- **Business as Usual projection**
- **Crediting threshold**
- **Verified emissions**

<table>
<thead>
<tr>
<th>Crediting period</th>
<th>Non-crediting period</th>
<th>Not yet determined period</th>
</tr>
</thead>
</table>

Source: CDC Climat Research
Demand is essential for offsets mechanisms

- Offsets mechanisms can work only if there is a demand

Issuance and forecast issuance of EU ETS-eligible Kyoto offsets

Source: CDC Climat, Climate Brief n°13

“Will there still be a market price for CERs and ERUs in two years time?”

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Summary

1. Access to capital
2. Use of economic tools
3. International recognition
International rules:

- National MRV for unilateral NAMAs
- International MRV for supported and crediting NAMAs

International recognition of NAMAs will help to:

- Directly access international finance
- Leverage private finance

Need for capacity-building
A NAMA registry for international recognition and financial support

► How?
- Web-based platform
- Voluntary basis
- Information provided by countries exclusively
- Should be finished for COP18

► Why?
- To seek support
- To track provided support
- To show pursued actions and policies in developing countries
Conclusion

► NAMAs’ implementation will face huge challenges

► But, for developing countries, it is a way rethink the international support

► NAMAs are enough flexible to be adaptable to local contexts
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For more information about financing issues and NAMAs

*Climate Report n°32:*
“Financing climate actions in developing countries: what role is there for NAMAs?”

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