



# NAMA Facility 4<sup>th</sup> Webinar:

## “Lessons learnt from the 4<sup>th</sup> Call of the NAMA Facility”

### 5 April 2017

# The NAMA Facility webinar team



From left to right: Sören, Katharina, Tina, Ash and Ernesta

# Technicalities

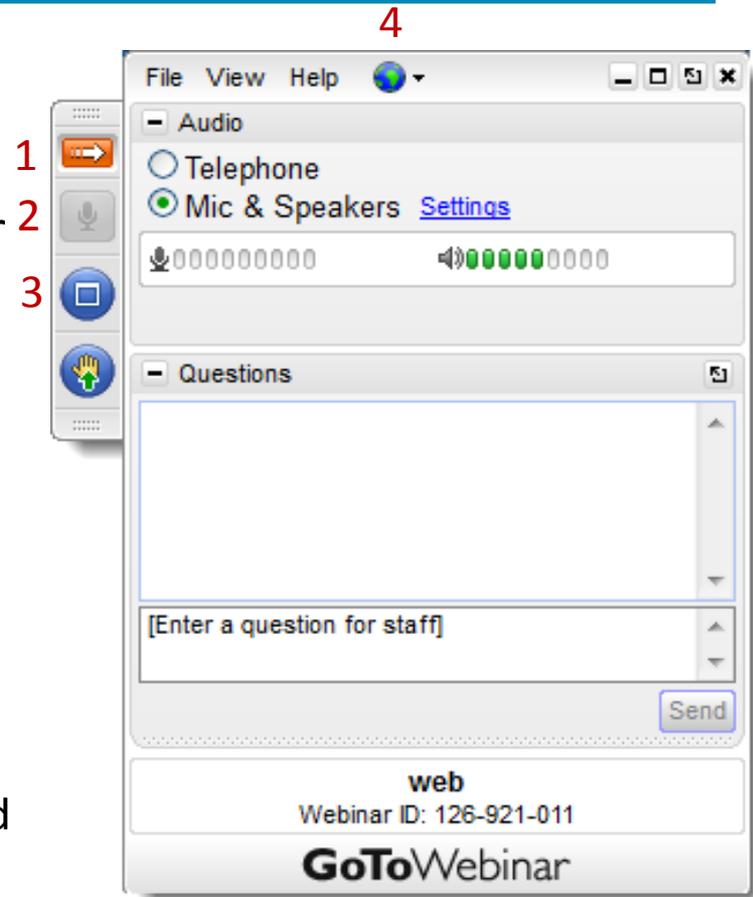
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- **Questions Window:** Ask questions for the staff.

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# Structure of the webinar

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## **I. Introduction to the NAMA Facility**

## **II. 4<sup>th</sup> Call: Review of Applications**

**Q&A**

## **III. 4<sup>th</sup> Call: Lessons Learnt on Ambition and Feasibility**

**Q&A**

## **IV. 4<sup>th</sup> Call: Lessons Learnt on Sector and Technology Aspects**

**Q&A**

# I. Introduction to the NAMA Facility

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## Aim

Support developing countries and emerging economies in implementing ambitious NAMAs. NAMAs can function as an important vehicle to implement nationally determined contributions (NDCs) under the Paris Agreement.

## Who we are

- A multi-donor fund
- Jointly established by Germany (BMUB) and UK (BEIS, formerly DECC) 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: approximately EUR 262 million
- Secretariat (Technical Support Unit) based in Berlin

# I. Introduction to the NAMA Facility

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## What we support

- NAMA Support Projects (NSP) as the most ambitious part of the NAMA. NSPs are selected in annual Calls for NSPs
- Provide funding for a combination of financial and technical measures
- Key data of suitable NSPs: 3-5 years implementation period, NF funding budget of EUR 5-20 million
- There is no regional or sectoral focus
- In four Calls, 21 NSPs have been pre-selected

**Overarching sector-wide NAMA**

**NAMA  
Support  
Project  
(NSP)**

## Key requirements for project selection

- Implementation readiness
- Mitigation potential
- Transformational change

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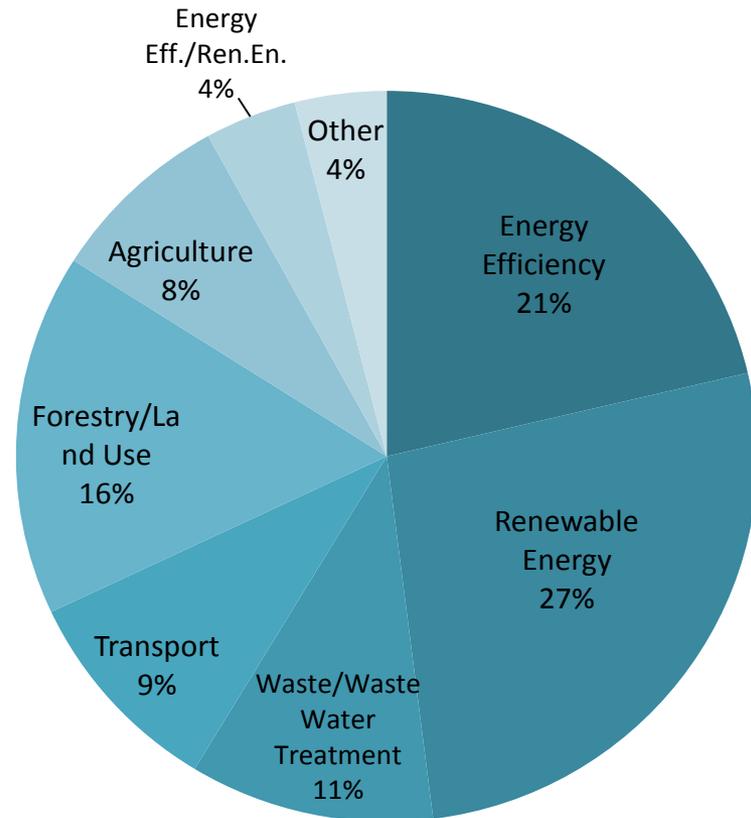
IV. 4<sup>th</sup> Call: Lessons Learnt on Sector and Technology Aspects

Q&A

## II. Review 4<sup>th</sup> Call

- 4<sup>th</sup> Call closed on 31 October 2016
- 75 submissions were received showing a large regional and sectoral spread
- Many national governments referred to their NDC in their application. NAMAs are important building blocks for NDC implementation.

**Sectoral Distribution of Submitted Outlines**



## II. Review 4<sup>th</sup> Call continued

Sector	Country	NAMA Support Project	Status
Energy efficiency	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 in Ugandan schools	DPP
Agriculture	Brazil	Resource efficiency program for Brazil's beef supply chain	DPP
	Thailand	Thai rice NAMA	DPP
Renewable energy	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

## II. Review 4<sup>th</sup> Call continued

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### NAMA Facility 4<sup>th</sup> Call:

- The NAMA Facility board pre-selected [7 NAMA Support Projects](#) to be sent into a Detailed Preparation Phase.

### Factors for success were:

- High rating with regard to ambition and feasibility of the proposed NAMA support Project
- High financial ambition e.g. high leverage of public and private funding
- High potential for transformational change.
- The linkage between NAMA and NDC was also crucial for being successful.

## II. Review 4<sup>th</sup> Call continued

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- The NAMA Facility as a learning hub is constantly improving processes and adding materials available to be shared from the lessons learnt
- Therefore during for the 4<sup>th</sup> Call a “Detailed Preparation Phase” has been introduced to allow a more thorough preparation of the proposal.
  - To increase learning the NAMA Facility provided individual feedback to applicants. Likewise NAMA Facility requested feedback from applicants on NAMA Facility processes and templates to improve and adapt where necessary.
  - [NAMA Facility Mid-Term Evaluation Report – Executive Summary](#) and [Management Response](#) available on NAMA Facility Website

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## III. General findings on ambition

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- Outlines which scored most highly demonstrated strong government commitment and embeddedness:
  - relationship to the relevant NDC (which was highly evident in the shortlisted projects)
  - significance of the sector in terms of GHG emissions e.g. sector contributes to > 5% of national emissions

## III. General findings on ambition continued

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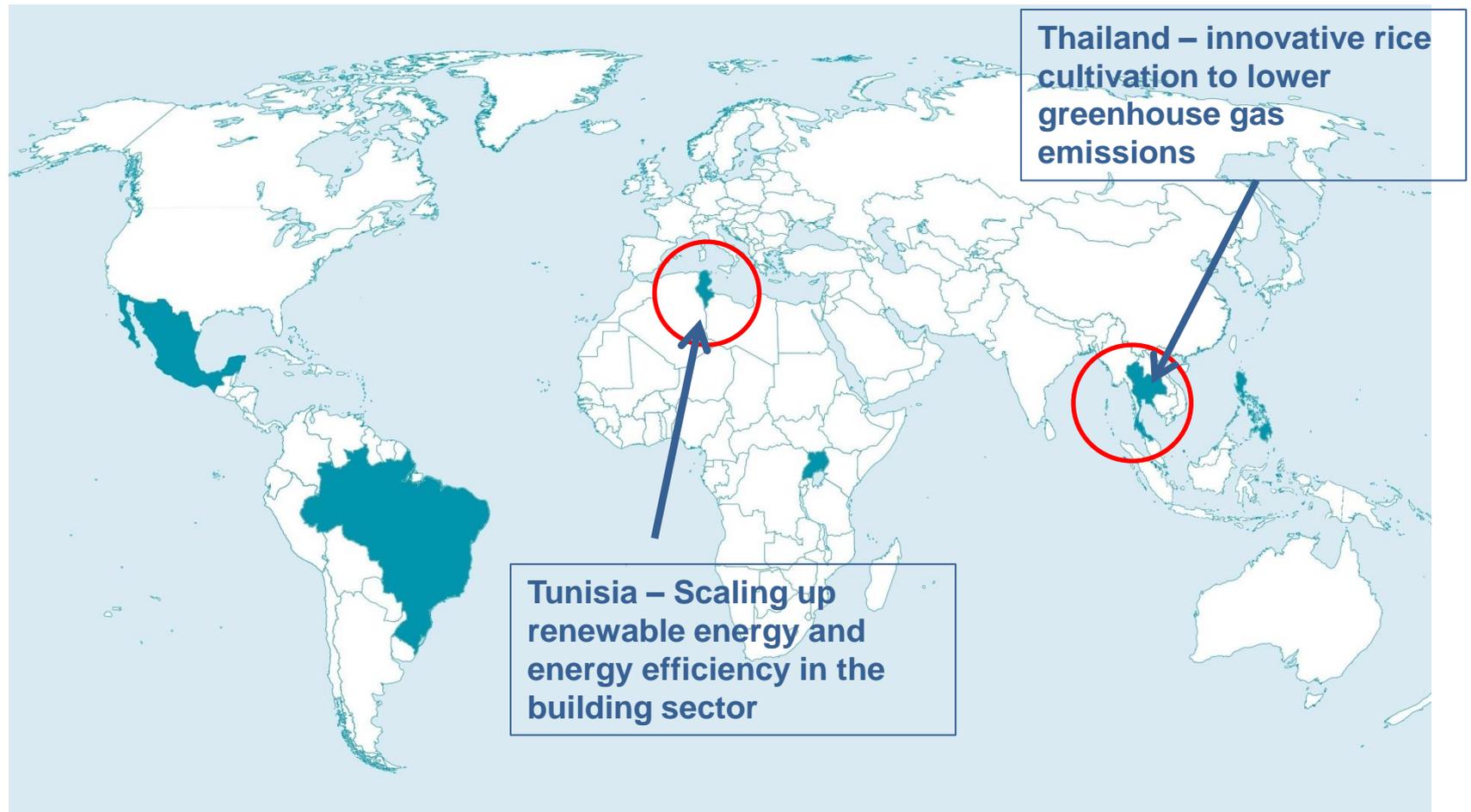
- Transformational change: demonstration of the government's willingness to effect an irreversible change towards a low carbon pathway, faster than a business as usual technological development, as evidenced by
  - Policy reforms and fiscal regulatory instruments (including relevant enforcement measures) such as limitations/bans/phase-outs, fees and other economic instruments, including fossil fuel subsidy reform and re-direction of other harmful subsidies
  - Must go beyond a conventional project scenario e.g. on-grid PV power plant, or a typical replacement scenario e.g. simply replacing outmoded technology

# III. General findings on ambition continued

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- Financial ambition is best evidenced by
  - Leveraging of private sector capital, through e.g. investors equity, bank loans, user fees/tariffs; and/or
  - significant mobilisation of domestic, public sector funding e.g. budgetary allocation
- Mitigation potential is a key aspect of ambition
  - Often overestimated or poorly substantiated
  - Direct GHG mitigation should be transparent, based on an adequately defined business as usual scenario and using relevant methodologies
  - Indirect mitigation potential was often missing altogether

# Examples from NAMA Facility 4<sup>th</sup> Call Portfolio



# III. General findings on feasibility

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- Importance of a plausible project rationale and scope
- Implementation readiness should be demonstrated taking into account the detailed project preparation phase and up to 5 years of NSP implementation
- Most projects build on pilots and predecessor initiatives. The best outlines analysed lessons learnt - which strategies/mechanisms worked well
- Technology considerations are important
  - Both current and proposed climate friendly technology to be deployed should be adequately described. The latter's economic and technical viability in the given country context should be addressed.
  - What is the business case for these sub-projects?

# III. Business Models

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- Economic viability of the project concept for the target group, end users or other market actors and/or producers or suppliers
- The most convincing outlines addressed the following key issues:
  - Economic and other motivations of each group should be adequately described
  - Is the project rationale cost effective / profitable for users/suppliers?
  - Describe incentives to change behaviour, investment/capital flows, taking into account market conditions, competitiveness and prices
  - Demonstrate using calculations and evidence on issues such as price differential between current and low carbon technologies, operating costs, using investment appraisal (IRR, break even point, pay back times etc.) as appropriate
  - Affordability is key. After the transitional support of the NF, the new technology should be priced within the affordability of target group

## III. Business Models continued

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- Business cases built on capital cost/CAPEX subsidies are rarely considered viable, and typically offer a low leverage rate
  - NF support should only be a minor share of CAPEX
  - Avoid market distortions such as preferential treatment of one or a few private actors/investors, with fair and transparent selection procedure
- Demonstration projects are commonly proposed on basis of proof of concept, implying a self-sustaining business model thereafter
- A “bankable” business case should be made regarding how the NSP will replicable and scalable given that the supported projects has received a high share of grant/subsidy in the absence of “real life” financing conditions

# III. Financial Mechanisms

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- Many outlines used innovative financing mechanisms from the possible menu of instruments, with an emphasis on high leveraging of NF funds
- A clear rationale for the selection of the financial instrument(s) should be presented with the outline
- The financial mechanism should be based on the business model and take into account an analysis of the (financial) market conditions
- Market distortions must be avoided or characterised and mitigated
- Institutional arrangements are important
- The phase out concept and sustainability beyond the 5 year frame of the NSP applies also to the financial instruments

# Example from NAMA Facility 4<sup>th</sup> Call Portfolio



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## IV. Energy efficiency in buildings

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- Owner/user dilemma needs to be considered. i.e., the owner of a building usually pays the cost of energy efficiency measures while the user benefits from any savings. If the interests are not aligned, this raises questions of cost/benefit sharing.
- Holistic (“whole building”) approach to buildings should be used instead of covering only low-hanging fruit (light, air conditioners, boilers). Avoid simple replacement scenarios.
- As per general comments on technology assessment, quality of equipment to be considered.
- Rebound effects need to be considered, which lead to under-achievement of efficiency gains.

## IV. Waste management

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- The “3 Rs” principle (reduce, re-use, recycle) and waste hierarchy are guiding principles for the NAMA Facility, i.e. the focus should be more on upstream than end-of-pipe activities such as landfill only.
- Information is needed on the composition of waste streams.
- The Outline should be technology-neutral or otherwise demonstrate feasibility of certain technologies, based on an assessment of alternatives, preferably a context specific feasibility study.
- Social aspects of workers / inclusion of traditional waste pickers should be considered.
- The timescale should adequately address site selection of waste treatment facilities, permits and licenses, Environmental and Social Impact Assessments and public procurement.

## IV. Renewable energy

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- As with all projects, the transformational effect needs to be clearly demonstrated, i.e. how the NSP triggers a sectoral change instead of simply financing a single or a few projects
- The technological solution should be analyzed with regard to alternatives in terms of CAPEX, ownership and operation, OPEX, availability of water or other resources (biomass, wind)
- Some comments on mini-grids:
  - geographical spread of connected households and businesses is a key cost factor. The higher the investment into the grid, the more the project is about energy access and not mitigation.
  - Ability (and willingness) to pay of the target group must be demonstrated, potential use / appliances should be known and anchor clients should ideally be identified even at outline stage.
- The effect of fossil fuel subsidies (if applicable) must be analyzed as well as other relevant regulations like national energy tariffs etc.

## IV. Supply chain approaches

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- The rationale or narrative of an integrated supply chain project must be clear.
- Important to present an analysis of all relevant concerned sectors of the supply chain, not only the main sector the NSP is focusing on, even if not all sectors are equally funded by the NSP.
- Avoid over-complexity of working in too many different sectors, each with different regulatory authorities, implementing partners, policies etc. as this impacts the feasibility of the NSP
- Undertaking only pilots in different sectors in order to cope with complexity is sub-optimal, because the pilots *per se* may not transform the sector.

## IV. Agriculture and Forestry

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- Labelling and certification are often cited in Outlines
- Environmental issues warrant specific consideration
- How are rebound effects considered and addressed, e.g. in meat production when increased productivity could lead to an increase of herds?
- Forestry: Could the NSP also use REDD+? What is the additionality to applying the REDD+ mechanism? How is the leakage problem addressed?
- How does the NSP engage relevant stakeholders including local communities and how are “polluters” (e.g. wood, agri-industry) engaged?

## IV. Improved cook stoves

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- Is there a convincing market assessment that addresses both the economic and non-economic barriers to the uptake of more efficient stoves (given that payback periods are often short)?
- How is the affordability issue addressed? What are the maintenance provisions to ensure that the stoves remain efficient and generate emission reductions reliably?
- What does the NSP do different from existing cook-stove programmes and how are lessons learned taken up?
- A credible sales, marketing and distribution plan is required for scaled up dissemination of improved cook stoves, including a pricing policy which does not distort existing local markets.
- How is the sustainability of fuel sources addressed by the NSP and beyond the scope of the NSP?

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# NAMA Facility – Lessons Learnt Workshop in Bonn

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- NAMA Facility strives to distribute lessons learnt from the 4<sup>th</sup> Call widely – starting with today's webinar
- The NAMA Facility will also organise an open technical workshop on lessons learnt that will take place on **12 May in Bonn, Germany**, during the Subsidiary Body for Implementation (SBI 46) Meeting
- Invitations will be sent out shortly



**Further information** on the results of the 4<sup>th</sup> Call:

<http://www.nama-facility.org/news/united-kingdom-and-germany-support-7-ambitious-nama-support-projects-with-funding-for-detailed-preparation-phase/>

or contact the Technical Support Unit at [contact@nama-facility.org](mailto:contact@nama-facility.org)

# Thank you for your attention!