

Driving Sectoral Decarbonisation

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On behalf of

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Summary

The Mitigation Action Facility, evolved from the NAMA Facility in 2023, as a go-to platform for providing technical support and climate finance for ambitious mitigation projects with an aim of decarbonising key sectors of the economy and society.

In 2012, the German and United Kingdom (UK) governments jointly established the NAMA Facility. Denmark and the European Union joined the programme as new Donors in 2015, along with the Children's Investment Fund Foundation (CIFF) in 2021.

At the 27th Conference of Parties (COP27) in Egypt, while celebrating the 10th anniversary of the NAMA Facility, the Board announced a name change to the Mitigation Action Facility effective from 2023 and a new spotlight on decarbonising priority sectors.

The Mitigation Action Facility delivers ambitious actions in three ways:

1. Finance

Over the past decade, the Mitigation Action Facility committed over EUR 668 million to support ambitious innovative transformational climate action, and currently has 47 projects across 33 countries. Running annual Calls for Projects, the Mitigation Action Facility provides grant-based financing that is used for a combination of technical assistance measures and financial cooperation. The latter allows to transform grants into market-based, sustainable and scalable financial mechanisms that in their turn unlock investments in technologies and practices that lead to a reduction of GHG emissions at scale.

The support offered through the Mitigation Action Facility not only catalyses investments, but also strengthens capacities and triggers behaviour change, resulting in sector-wide shifts to improve livelihoods and create other co-benefits – environmental, social and economic.

2. Expertise

The Mitigation Action Facility prides itself on providing high quality and bespoke support to developing countries and emerging economies to help them design innovative and efficient projects including financing mechanisms capable of successfully attracting additional funding from the public and private sectors for the implementation of ambitious GHG mitigation measures.

3. Monitoring

Evaluation and Learning: As a valuable knowledge and learning hub, the Mitigation Action Facility expands its reach, and disseminates lessons learnt through monitoring, evaluation and learning (MEL). The Mitigation Action Facility is open, transparent and committed to improving practices of MEL and embedding learning across all its activities, focusing on sharing lessons from projects in order to enable them to be significantly scaled up and replicated.

Project Highlight 1: Brazil Industrial Energy Efficiency (PotencializEE)

With the support of the Mitigation Action Facility, the project aims to promote industrial energy efficiency investments in the state of São Paulo in Brazil and through that deliver a transformative push to the country's energy efficiency market. PotencializEE, as the project is called in Portuguese, focuses on industrial small- and medium-sized enterprises (SMEs), the supply chain for energy efficiency (including energy service companies, consultants and suppliers) and on public and private financial institutions. It develops local banks' capacities and enhances their familiarity with assessing and investing in energy efficiency projects, allowing them to offer more attractive financial products. With PotencializEE, targeted industrial SMEs are expected to have directly avoided consumption of more than 7,200 GWh of energy for the lifetime of the intervention, saving around 1.1 million tonnes of CO₂e.



Two auditors inspect efficiency of industrial equipment. © GIZ/GUILHERME BESSA

The Importance of Sectoral Decarbonisation and Nationally Determined Contributions

Society is currently not on track to avoid dangerous climate change and keep the global warming on the 1.5 degrees pathway outlined in the Paris Agreement, so there is an urgent need to scale-up carbon-neutral investment.

The IPCC Sixth Assessment Report has found that **greenhouse gas (GHG) emissions have continued to grow** at high absolute rates.¹

To avoid the worst impacts of climate change, **at least USD 4.3 trillion** is needed annually by 2030¹. According to some estimates, only **ca. 16% of climate finance needed is currently being provided**².

The private sector is key to avail the necessary investments, but the scale and speed of its participation in climate financing **are not sufficient for the transition**³.

According to the [Breakthrough Agenda Report](#), provision of **technical and financial assistance are needed** to improve the affordability, accessibility and attractiveness of clean technologies and sustainable practices⁴.

With its focus on sectoral decarbonisation, the Mitigation Action Facility continues to fund ambitious climate change mitigation projects helping its partner countries to implement Nationally Determined Contributions (NDCs) and long-term strategies (LTS) that are central to meeting the Paris Agreement goals.

The Facility primarily focuses on three priority sectors - energy, transport and industry, but remains open to cross-sectoral projects linked to one of the priority sectors. As highlighted in the [IPCC's Sixth Assessment Report](#), energy, transport and industry cumulatively account for more than 40 GtCO₂e, or 67% of global annual GHG emissions (as of 2021). To shift the targeted sector towards a carbon-neutral development pathway, the Mitigation Action Facility selects innovative projects that can catalyse sector-wide transformational change.

1 IPCC

2 Rockefeller Foundation

3 Climate Policy Initiative

4 IEA & IRENA

Project Highlight 2: The Gambia Grid-Connected Solar

“The Gambia- Investing in Grid-Connected Solar” aims to support financing of grid-connected renewable energy Independent Power Producers (IPPs), which will be supplying renewable electricity based on solar PV into six regional electricity grids. The project, based on the mitigation action, “Rural Electrification with Renewable Energy in the Gambia” and a grid-connected solar feasibility study, will generate approximately 30-40,000 MWh of electricity from solar PV and increase renewable energy’s share in regional grids to 43 per cent. Annual emissions reductions of at least 7200 tCO₂ have been anticipated.



Individual walking past solar panels at facility. © UNDP

Mitigation Action Facility: Driving Sectoral Decarbonisation

Our Vision Is To:

Accelerate decarbonisation to keep temperature rises to below 1.5 degrees Celsius by financing measures that shift priority sectors in a country towards a sustainable, carbon-neutral pathway.

Our Mission Is To:

- Finance innovative projects that remove specific national-level barriers preventing sectoral decarbonisation and have strong potential for up-scaling and replication.
- Deliver finance to support technical assistance (e.g. policy advice, capacity development, awareness-raising, technology transfer) that enables capacity and policy development.
- Unlock investment opportunities by providing tailor-made climate finance to fund projects with the potential to:

- i. Strengthen country capacities to deliver carbon-neutral activities and closely align these activities with the country's Nationally Determined Contribution (NDC), long-term strategies (LTS) and other relevant climate and development plans;
- ii. Pilot financing models to overcome market barriers to carbon-neutral development;
- iii. Deploy innovative technologies and approaches, which require donor financing to support national development plans;
- iv. Boost participation of the private sector to deliver ambitious climate action.

Our Approach Is To:

Through open, competitive Calls, select the most transformational mitigation measures from three priority sectors, namely energy, transport and industry (including cross-sectoral projects linked to one of the priority sectors). Projects are implemented in countries that are eligible to receive Official Development Assistance (ODA) and typically include the potential to improve, for example, the way people live, work and move around, while catalysing larger changes across the targeted sector.

Project Highlight 3: Philippines – Decarbonisation of Electricity Generation on Philippine Islands – Using Tidal Stream and Solar PV

To tackle energy security concerns, this project aims at supporting the use of tidal stream energy (TSE) hybrid systems, combining tidal stream with other types of renewable energy, on the Philippine Islands. Through the project's technical and financial cooperation, small island grid operators will be able to substitute fossil fuel-based electricity generation through TSE hybrid systems via replicable sustainable private investment projects. To enable the technology to be used at a utility scale, the project aims to tackle challenges such as lack of access to favourable finance products, lack of awareness about the technology's effectiveness and lack of regulation to promote the technology.



Two auditors inspect efficiency of industrial equipment. © GIZ/GUILHERME BESSA

Finance

To date, the Mitigation Action Facility committed EUR 668 million to support ambitious climate projects and, through them, managed to leverage EUR 1.4 billion in additional investments made by public and private actors.

Financial mechanisms

One of the key elements of the projects of the Mitigation Action Facility is a financial cooperation component, supplemented by technical assistance measures. Projects are required to propose a financial mechanism addressing market barriers that prevent proliferation of climate change mitigation technologies and practices.

The current portfolio of projects of the Mitigation Action Facility includes a wide variety of financial mechanisms that can be allocated to four broad groups:

1. Concessional loans and loan guarantees for financial intermediaries
2. Small-scale direct investment subsidies / grants to private sector investors
3. Grant funding of public infrastructure
4. Result-based financing for private sector.

Besides existing market barriers, business models can inform the design and selection of a financial mechanism since business models are key to determining whether a project has a chance for economic success and sustainability.

As a result, a successful financial mechanism should be designed to maximise the use of the Mitigation Action Facility's grant funds by creating a high leverage potential, being based on realistic assumptions and sustainable business models while also avoiding market distortions.

Calls for Projects

The Mitigation Action Facility encompasses three priority sectors: energy, transport and industry, while remaining open to cross-sectoral projects linked to one of the priority sectors.

The approach to selecting the most ambitious and feasible mitigation projects via open competition means that projects are all tested for their potential to be transformational. Successful projects will be required to show how they are:

- Country-led and embedded in national development strategies and plans.
- Integrated into sector-wide programmes or policies with specific reference to an NDC.

- Tackling wider policy, regulatory or other barriers that inhibit investment and carbon-neutral development.
- Developing innovative financing mechanism(s) with the potential to attract public and private investment and ultimately become self-sustaining in the long term.

Overview of the Project Selection Process

Annual competitive Calls for Projects of the Mitigation Action Facility include four phases: Concept Phase; Outline Phase; Detailed Preparation Phase (DPP); and Implementation Phase.

The Project Concept Phase preceding the development of Project Outlines has firstly been introduced under the Mitigation Action Facility to simplify the application process and open the Call to a wider range of potential applicants and partners.

The overall process is run by the Technical Support Unit (TSU) and open to public and private actors. The period for submitting project Concepts lasts for about two months. Afterwards, upon selection, successful applicants are given three to four months for a subsequent submission of project Outlines. It is also foreseen that a limited number of promising Project Concepts submitted by applicants that have no previous experience with the Mitigation Action Facility (incl. its predecessor, the NAMA Facility) can receive support in the Outline development. Upon submission, all Project Outlines are subject to a thorough desk-top assessment conducted by the TSU and external experts. Outlines shortlisted as a result of this process then undergo an “in-depth assessment”. Projects that successfully pass this stage are recommended to the Board for funding of the Detailed Preparation Phase (DPP). During the DPP, which lasts either 10 or 15 months (the appropriate timeframe is decided by the applicant and is reflected in the Project Outline), the TSU jointly with external experts provide technical assistance and advice on key aspects of the Project Proposal development to help refine the project design.

At the end of the DPP, a Project Proposal is produced and undergoes a detailed assessment by the Mitigation Action Facility (incl. the TSU team and external experts). The Board then makes the final decision on providing funding for implementation.

Project Highlight 4: Cabo Verde E-Mobility (ProMEC)

With Mitigation Action Facility support, “Promotion of Electric Mobility in Cabo Verde (ProMEC)”, or “Cabo Verde – Electric Vehicles” for short, will support the government in further developing and implementing its strategy for the promotion of electric vehicles in order to reach a significant market share of total vehicle purchases. By the end of the project, the intention is to have 4.3 percent of newly registered light-duty vehicles and 10 percent of new public administration vehicle procurement be electric. ProMEC will support and provide incentives for the acquisition of 600 electric vehicles, the installation of network of 40 commercial and 55 private EV charging stations and the implementation of five e-bus demonstration projects. It is expected that in return the project would leverage EUR 5.4 million from the public sector and EUR 12.3 million from the private sector. Cabo Verde hopes to evolve as a model for electric mobility transformation in West Africa and across the wider small island developing state (SIDS) context.



Caption: Parked electric vehicle charging in Cabo Verde. © GIZ

Expertise

The Mitigation Action Facility commits to maintaining high-quality support to potential applicants and to successful projects throughout the Call process as well as during detailed preparation and implementation phases. This support includes:

- Clearly communicating eligibility criteria with a focus on priority sectors.
- Ensuring that unexperienced applicants with promising Project Concepts have access to expertise and know-how required to develop high-quality Project Outlines.
- Providing detailed feedback to the applicants whose Project Outlines did not succeed in a Call for Projects in order to help them enhance their chances in the next Call.

- Providing advice on key matters of the Project Proposal development during the detailed preparation phase.
- Providing tailored technical advice on financing mechanisms for projects during the implementation phase.
- Providing ongoing support for the development of best practice Monitoring & Evaluation plans.
- Extracting evidence and sharing learning between projects.
- Providing enhanced late-stage assistance to projects to help transition to self-sustainability and to facilitate wider transformational changes through scaling up and replication.

Regular reviews of the Mitigation Action Facility's selection process and individual feedback to and from applicants helps to improve the availability and quality of mitigation projects. It also allows the Mitigation Action Facility, its Donors, partners and stakeholders to both enhance and build consensus around delivering strong outcomes.

Project Highlight 5: Thailand Refrigeration and Air Conditioning (Thai RAC)

The Thai RAC NAMA, now completed, has contributed to Thailand's energy efficiency and climate goals by transforming the Thai refrigeration and air conditioning sector from traditional to greener cooling. During the project's duration, the sector contributed approximately 20% of Thailand's total greenhouse gas (GHG) emissions. The project was set to focus on four areas of activity: 1) production and sale of green refrigeration and air conditioning (GreenRAC) equipment; 2) capacity building on servicing and use; 3) revisions to the policy and financial framework; and 4) awareness raising of benefits and the need for behavioural change. The RAC NAMA Fund, which emerged from bundling and leveraging existing financial mechanisms to promote energy efficient, was able to leverage over EUR 142 million, the equivalent to more than seven times the project seed funding. RAC equipment introduced within the project period helped directly avoid approximately 3 million tCO₂e over the lifetime of the equipment. Additional reductions of 4 million tCO₂e were avoided indirectly by the 2030 through the policy changes supported by the project.



Green cooling technology in a warehouse. © GIZ Thailand

Monitoring, Evaluation and Learning (MEL)

As a valuable knowledge and learning hub, the Mitigation Action Facility expands its reach and disseminates lessons learnt generated through monitoring and evaluation. It also strives to ensure alignment with the most up-to-date findings and research devoted to the topic of climate change, in particular, with the [Breakthrough Agenda Reports](#). To promote collaboration within the climate community, the Mitigation Action Facility supports activities of the [NDC Partnership](#) (NDCP) encouraging projects to build upon and achieve targets set in NDC Partnership Plans and other country engagement processes. More broadly, the Mitigation Action Facility contributes to the global dialogue on how to use international climate finance to catalyse transformational change towards sustainable carbon-neutral development. The emphasis on monitoring, evaluation and learning (MEL) enables the Mitigation Action Facility to:

- **Build and share knowledge** about how to both ensure that the right enabling conditions are in place and design innovative financing mechanisms to deliver ambitious mitigation measures to achieve long-term strategies (LTS) and NDCs.
- **Adapt and improve processes** to ensure that the Mitigation Action Facility maintain its efficiency and ability to attract high-quality projects.
- **Foster a culture of learning** from successes and failures in order to guide and improve future activities and processes.
- **Form strategic partnerships** with other institutions, programmes and think tanks to enable exchange of knowledge and contribute to international dialogue on climate finance and mitigation.
- **Demonstrate and integrate Monitoring and Evaluation best practices** into the management of the Mitigation Action Facility, including the use of indicators and risk-based monitoring.
- **Communicate** results and activities widely, showing how sectoral decarbonisation takes place on the ground.
- **Drive changes and improvements to project design and cross-cutting topics through high quality monitoring and evaluation.** Cross-cutting topics include, for instance, gender and social equality. All funded projects are subject to independent Evaluation and Learning Exercises (ELEs). Likewise, every four years the programme level evaluation of the Facility itself takes place. The results of these evaluations are published on the Mitigation Action Facility's website, including the management response to recommended activities as suggested by evaluators.

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