Getting Down to Business: Climate Action under the Paris Agreement

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NAMA Facility

On behalf of

Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety

Department for Business, Energy & Industrial Strategy

Danish Ministry of Energy, Utilities and Climate

Introduction - the NAMA Facility

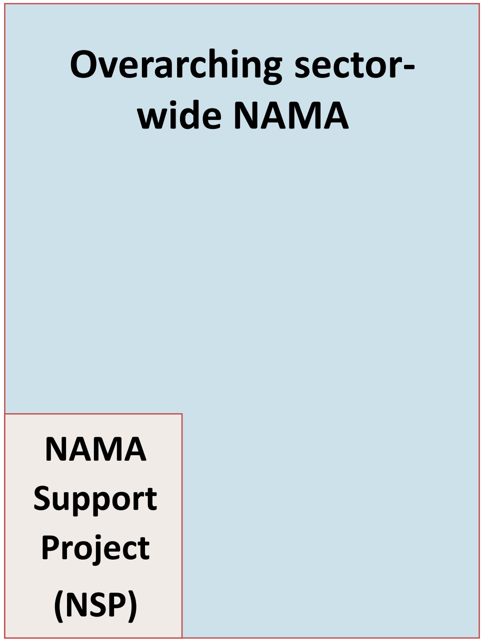
What the NAMA Facility does

- Implement NAMA Support Projects (NSP) as the most ambitious part of the NAMA
- Provide funding for a combination of financial and technical measures
- selects NSPs in annual bidding round (Calls)

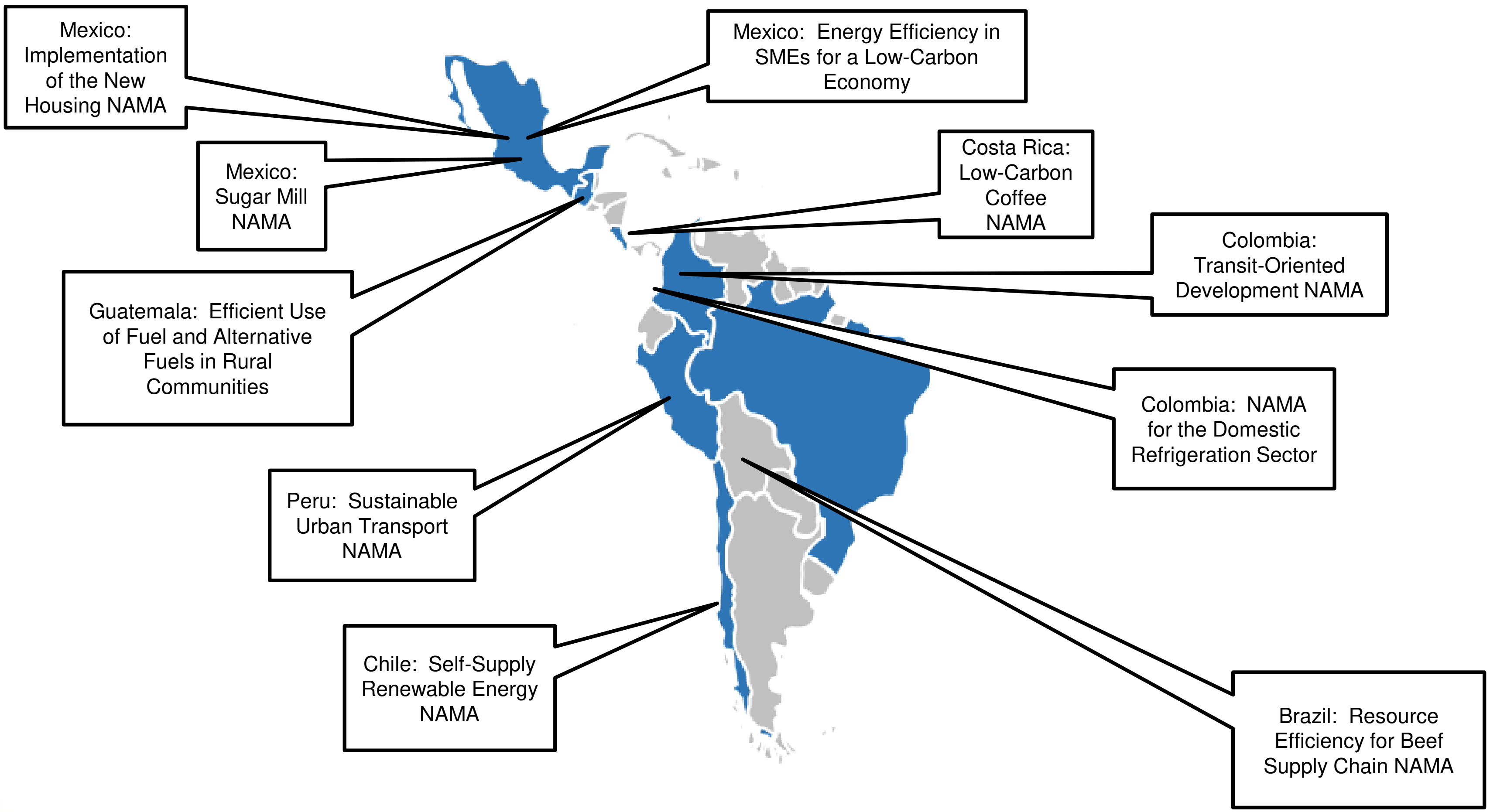
Key requirements for project selection

- Implementation readiness
- Mitigation potential
- Transformational change

This presentation is based on the experiences of the 4th and previous calls.



Latin American NAMA Support Programmes



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How can public resources resources unlock and de-risk private sector investment in low carbon initiatives?

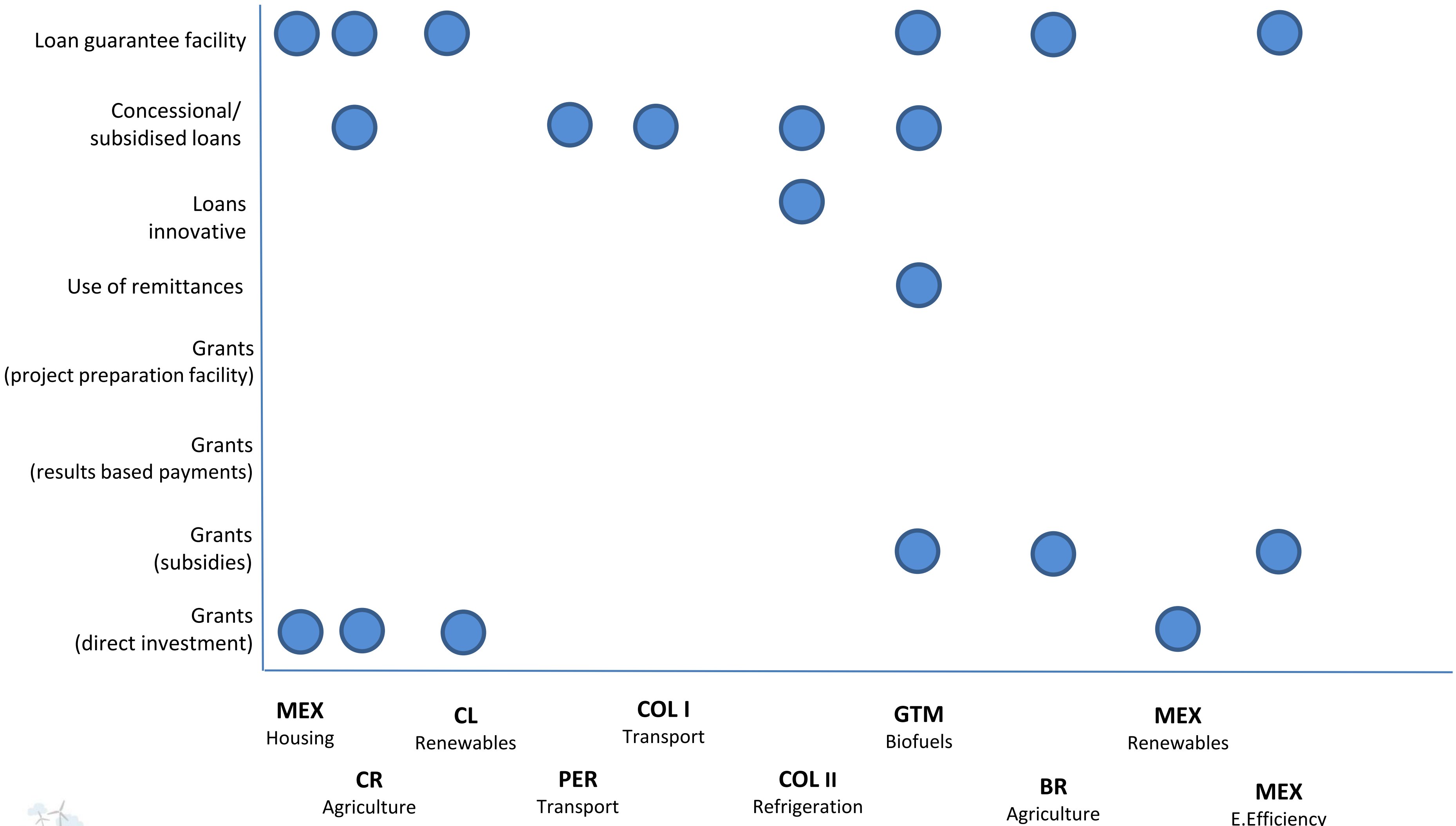
1. Understand private sector motivations

- Forward looking businesses are looking at climate smart investments from a bottom line / market opportunity perspective as well as an operational / financial exposure perspective
- They are not necessarily waiting for political action or signals – for the vast majority, the Paris Agreement is not meaningful
- Roll-out and funding of NDC programmes has the opportunity to provide an attractive pipeline of private sector investment opportunities – NAMAs and climate programmes in general must address these
- Private sector is ready to engage with governments to deliver least cost, profitable ways to achieve NDC commitments
- Footloose companies will look first at the investment climate, property rights and the banking sector, then policies and incentives

2. Governments Have an Important role to Play in the Transition

- Governments should strategically target their limited public funds to de-risk and aggregate investments
- Concessional public finance, lower interest rates and risk sharing facilities have an important role to play
- Financial ambition is best evidenced in NAMA 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
- A variety of financial instruments are employed in the NF projects to date

Financial mechanisms used in NAMA Facility LATAM



3. Some lessons learnt on Financial Mechanisms

- 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, take into account analysis of (financial) market conditions
- Institutional arrangements for financial mechanisms are important
- The phase out concept and sustainability beyond the 5 year frame of the NSP applies also to the financial instruments
- NAMA proponents have typically looked at *short term* instruments that can be funded by the NF e.g. interest rate subsidies
  - ➢ Better to look at more permanent financing sources to redirect financial flows, e.g. public sector budgets, taxes, guarantees
  - ➢ Contribution from private households / industry aids financial sustainability
  - ➢ Donor funding to be temporary with clear phase-in, phase-out concept

For further detailed lessons learnt, view NAMA Facility Webinars

Detailed information at www.nama-facility.org

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