Getting Down to Business: Climate Action under the Paris Agreement

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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

- **Mexico:** Implementation of the New Housing NAMA
- **Mexico:** Sugar Mill NAMA
- **Guatemala:** Efficient Use of Fuel and Alternative Fuels in Rural Communities
- **Peru:** Sustainable Urban Transport NAMA
- **Chile:** Self-Supply Renewable Energy NAMA
- **Mexico:** Energy Efficiency in SMEs for a Low-Carbon Economy
- **Costa Rica:** Low-Carbon Coffee NAMA
- **Colombia:** Transit-Oriented Development NAMA
- **Colombia:** NAMA for the Domestic Refrigeration Sector
- **Brazil:** Resource Efficiency for Beef Supply Chain NAMA
How can public 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

- Concessional/subsidised loans
- Loans innovative
- Use of remittances
- Grants (project preparation facility)
- Grants (results based payments)
- Grants (subsidies)
- Grants (direct investment)

- MEX Housing
- MEX Renewable
- COL I Transport
- GTM Biofuels
- MEX Renewables
- CR Agriculture
- PER Transport
- COL II Refrigeration
- BR Agriculture
- MEX E.Efficiency
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](http://www.nama-facility.org)

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