



# How sectoral NAMA approaches can harness Art.6 financing – the case of Viet Nam

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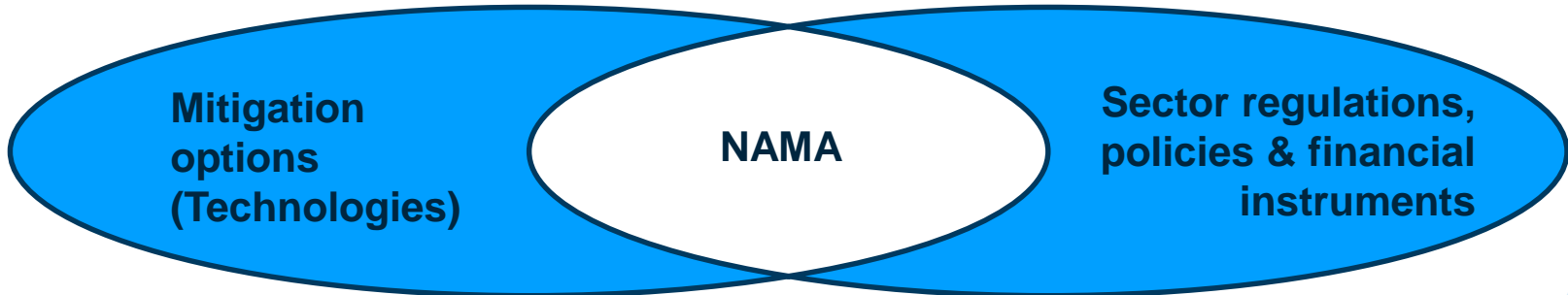
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# Agenda

- **General background NAMAs and NDCs**
- **NAMAs in Viet Nam**
  - **Overview**
  - **Case studies**
- **Crediting and additionality**
- **Observations, lessons and recommendations**

# Nationally Appropriate Mitigation Actions

- **Bali Action Plan (2007)** establishes NAMAs
- Describe voluntary actions in one sector
- No binding/specific UNFCCC rules for NAMA design, but key components are:
  - **Barrier** analysis
  - **Baseline** scenario
  - **Mitigation** potential
  - **Sustainable Development**
  - **Regulatory & institutional framework**
  - **MRV** system
  - **Financing** requirements
  - **Capacity development**



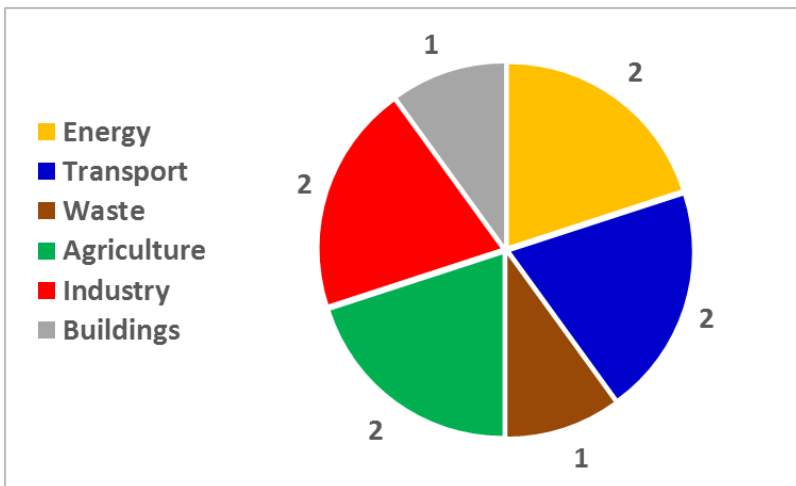
# NAMAs as pillars of NDC implementation

- Nationally Determined Contributions (NDCs) shall be **ambitious**
- NDCs embody **efforts by each country** to reduce national emissions
  - **Wait-and-see** strategy likely to result in failure in achieving NDC targets
  - NAMAs are a good option to go ahead with NDC implementation given that **barriers** are known
- NDCs should theoretically be based on an **economically ideal mitigation path**
- NDC implementation should build on the **sum of one or several NAMAs per sector**



# NAMAs in Viet Nam – Understanding the landscape

## NAMAs - Sectoral overview Viet Nam



Source: based on <http://nama-vietnam.vn/mitigation-in-viet-nam/> (accessed May 2018)

- Diffuse information status:
- UNFCCC NAMA Registry:
  - 3 NAMAs seeking support for implementation
- UNEP DTU NAMA database:
  - 7 NAMAs under development (incl. the NAMAs of the Registry), 2 NAMAs at feasibility study stage
- GIZ Viet Nam NAMA database:
  - 9 NAMAs (+ readiness / support)
- Further activities / NAMA studies
  - Textile NAMA (GIZ)
  - Rice straw utilization (biogas generation)
  - Lighting (LuxDev)

# NAMAs in Viet Nam (I)

NAMA	Type	Sector	Delivery organization	Details – NAMA Objective
Climate and Livelihoods transformation through low-emission <b>beef production</b> in Viet Nam	NAMA (Seeking Funding)	Agriculture	SNV with MARD	(1) Efficient production systems; (2) Capacity-building and investment in areas such as high quality livestock feeds produced locally and organic fertilizer production; (3) Measures to ensure productive breeding and good management of waste to improve livestock health and more effective meat production.
Biogas for onsite power generation for medium/large <b>pig farms</b>	NAMA (Seeking Funding)	Agriculture Energy (Waste)	MARD, CCRD	(1) A policy and institutional framework to incentivize investment in commercial biogas-electricity generation at pig farms in Viet Nam; (2) a contribution to the agricultural sector target which is described in the National Climate Change Strategy of Viet Nam; (3) to improve pig farm capacity on afforestation abiding national regulatory standard for waste treatment.
Implementing GHG Emission Reduction initiatives in the <b>chemical fertiliser industry</b> in Viet Nam	NAMA	Industry	UNDP (with MOIT)	(1) Energy efficiency and saving; and (2) Technology transfer in the field of chemical fertiliser production in order to contribute to achieving a 15% emission reduction compared to the BAU scenario.
Supporting up-scaled mitigation in the <b>cement sector</b>	NAMA	Industry	NOAC NDF, NEFCO with MOC, MOIT	Design a support scheme for cement sector mitigation actions
<b>Waste-to-Resources for Cities</b>	NAMA	Waste	UN-ESCAP with IMHEN/MONRE	To reach a significant reduction of GHG emissions from waste in cities with a view to achieving the target of reducing GHG emissions from waste by 5% by 2020

Source: <http://nama-vietnam.vn/mitigation-in-viet-nam/> (accessed May 2018)

# NAMAs in Viet Nam (II)

NAMA	Type	Sector	Delivery organization	Details – NAMA Objective
Supporting Programme for the Development of <b>Wind Power</b> NAMA (part of FIRM)	NAMA	Energy	MONRE, DMHCC/DCC, Industrial Safety Techniques and Environment Agency, MOIT	The objective of the Wind NAMA is to engage in activities to remove the barriers and to create a new wind power market in Viet Nam
Low Carbon Transition in the <b>energy efficiency</b>	NAMA	Buildings	MOIT (Energy Efficiency and Conservation Office), MOC	(1) SME in brick, ceramic and food processing adopted energy efficiency measures that contribute to the VNEEP energy saving targets of between 5-10%; (2) Improved capacity for implementing energy efficiency in large buildings and construction sites improves and contributes to the VNEEP energy saving targets of between 5-8%.
Low Carbon <b>Bus</b> NAMA	NAMA	Transport	GIZ, UNDP with MONRE, MOT	To reduce emissions in the urban transport sector by applying more efficient, low carbon bus technologies, operational improvements and shifting from private to public transport
Production and application of <b>hybrid and electric vehicles</b> in Vietnam	NAMA	Transport	Vietnam Corporation of Investment in global digital technology; Linh Dam Corp.; KPIT Cummins with IMHEN	To reduce GHG emissions from transport sector through the production and application of hybrid and electric cars in Vietnam: <ul style="list-style-type: none"> <li>• Pilot application for 15.000-20.000 Mai Linh taxi cars;</li> <li>• Application of electric cars: From 10.000 electric cars in 2016 to 30.000 electric cars in 2020</li> </ul>

Source: <http://nama-vietnam.vn/mitigation-in-viet-nam/> (accessed May 2018)

# An example of policy options – the Textile NAMA (I)

<i>Policy instrument</i>	<i>Description</i>	<i>Applicability</i>	<i>Barriers addressed</i>	<i>Successful examples</i>
<b>Codes and Standards</b>  <b>(regulatory measure)</b>	Definition of efficiency standard for selected equipment/technologies, progressively phasing out inefficient options  Codes and standards as legally binding requirements (e.g. MEPS)	Efficient motors, Efficient lighting, EMS	Information failures and lacking awareness  Unwillingness to invest  High risk perception  Low price of energy	The China Energy Label Program
<b>Performance standards in conjunction with financing mechanism to cover investment cost gaps</b>  <b>(financial measure)</b>	Provision of financial support to those measure that meet performance standards and have a relatively short payback period  Supports also to high initial cost but with relatively limited savings due as a result of low energy cost	All measures	High investment costs  Low price of energy  Lack of knowledge	Energy Efficiency Fund (E2F), Singapore



## An example of policy options – the Textile NAMA (II)

<i>Policy instrument</i>	<i>Description</i>	<i>Applicability</i>	<i>Barriers addressed</i>	<i>Successful examples</i>
<b>EE Investment Support Facility (Fund) providing concessional loans (financial measure)</b>	Dedicated investment support facility for EE that could include blended finance from commercial and public (climate finance) sources. It would provide concessional loans.	All measures	High investment costs Low price of energy	Energy Efficiency Revolving Fund, Thailand
<b>Guarantees and insurance (financial measure)</b>	De-risking mechanisms that provides commercial banks and investors with partial coverage of risk exposure against loans issued for energy efficiency projects	All measures	Perception of EE/RE investments as risky Difficulties in quantifying the potential saving of EE measures	Energetic and energy savings fund (EESF), Bulgaria

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## An example of financial instruments – Cement NAMA

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**The Cement NAMA identifies different technologies/measures** to mitigate GHG emission from cement production (**i.e. 12 priority mitigation options**) covering different technologies and fuels along the production process and also **several policy and financial instruments to support implementation**

- **Proposed financial mechanisms**

- Establishment of a trading scheme with a Carbon Purchase Facility, with cost recovery mechanism
- Energy Savings Guarantees, to reduce the perceived risk in EE activities
- Other options (pre-payment for future credits, EE investment facility) also possible

- **Sources of finance**

- **National public and international finance** (for enabling activities and no regret options; establishment of the proposed financial mechanisms)
- **Domestic private finance (high cost mitigation measures)**, from Cement companies balance sheet and debt. Financial sector to be involved

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## Observations and lessons from Viet Nam

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- **Status of NAMA development: Good starting point, but...**
  - Viet Nam has a **large set** of NAMAs under development with a **wide coverage** of different sectors
  - It is now important to **streamline/prioritise NAMA activities**, to **secure finance** and start implementation in order to achieve NDC targets
- **Implementation financing is key barrier**
  - Difficulty to access international climate finance - no successful submission to NAMA Facility (however, awaiting 5<sup>th</sup> call results)
  - Develop **Art. 6 pilots** for (partial) NAMA financing
- **Stakeholders need to prioritize**
  - Currently: High interest in **receiving capacity development**
  - Future: **Mobilization of domestic finance** needs to take centre stage

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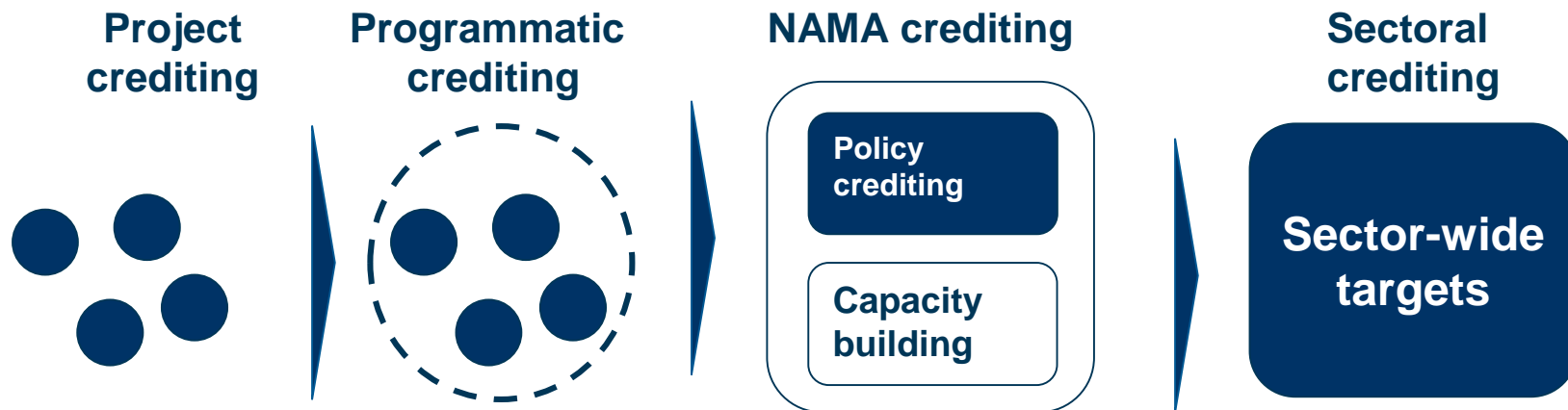
## General lessons from NAMAs

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- **Design of policy instruments**
  - Instruments need to be appropriate for the development strategy of the host country and the sector – not “one size fits all”
  - Institutional responsibility needs to be at the right place
- **Financing**
  - Awareness needs to be there that money will not fall from the sky
  - Careful strategy looking at all available channels
- **Measurement, Reporting and Verification (MRV)**
  - Build on CDM methodologies as far as appropriate but use default parameters and simplified approaches where appropriate
  - Ensure consistency/compatibility at national level

## Potential crediting of mitigation under NAMAs in the context of Art. 6

- **Project/programme-based** mechanisms have worked under the Kyoto Protocol
- NAMA-related mitigation policy instruments can principally generate credits if Art. 6 rules allow **upscaled crediting** – issue of **policy additionality!**





**Thank You!**

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## Additionality testing for policy crediting under a NAMA

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- **Fiscal policies and market mechanisms:** Carbon price threshold: policy is deemed additional if it generates a carbon price exceeding a pre-defined benchmark
  - Differentiation according to country development status? 5 €/t CO<sub>2</sub>/ 10 €/t CO<sub>2</sub>?
- **Regulation:** additional if payback period of mandated technologies generally exceeds a level of [x] years
  - $3 < [x] < 5$  years
- **Subsidies:** no excess subsidization / benchmarking
- Rules should be similar for Art. 6.4 and Art. 6.2 and international climate finance institutions to create level playing field
- Which Vietnamese policies would fulfil such criteria?

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## Recommendations for NAMA development

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- **Bending the emissions trend in industry, energy and other sectors cannot be achieved without introduction of serious mitigation policies**
  - The need for stringent policies increases with ratcheting up of **NDCs**
- **These mitigation policies are best designed as NAMAs**
- **NAMAs require international support, technically and financially**
- **Depending on mitigation costs, a mix of funding for NAMAs should be harnessed: market instruments as well as public climate finance**
  - **The higher the credit price, the stronger the role of markets**