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How to get Nationally Appropriate Mitigation Actions [NAMAs] to work

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Introduction

In 2007, all countries agreed on the concept of Nationally Appropriate Mitigation Actions [NAMAs] as a new instrument in international cooperation on climate change. Three years later neither host countries nor financing countries know specifically how to deal with NAMAs and their status. Some important issues still need to be resolved before NAMAs can prove their full benefits.

The origin of NAMAs is the Bali Action Plan, which was decided upon in 2007 to further negotiate on "nationally appropriate mitigation actions by developing country Parties in the context of sustainable development, supported and enabled by technology, financing and capacity building, in a measurable, reportable and verifiable manner."

Ecofys is one of the few institutions with experience in piloting NAMAs over the past two years. This work was supported by the Danish Energy Agency, the Dutch and German Environmental Ministries, the German organisation for technical cooperation [GTZ] and the Inter-American Development Bank. In this Policy Update, Ecofys draws some constructive conclusions from the five pilots about the way forward for this new instrument.

Three types of issues are identified as potential obstacles for NAMAs in this early stage of development. First, we highlight the importance of dealing with **local ownership**, which is quite time intensive. We then consider the issue of deciding **which NAMAs receive support** and which do not. Finally, we propose a pragmatic approach for MRV or how **the climate change value of NAMAs** should be accounted for in international cooperation.

Organising local commitment

When starting a NAMA development process, stakeholders tend to focus on solving technical issues within the implementation, such as Measurement, Reporting and Verification [MRV]. The first challenge however, is really to secure commitment from domestic stakeholders.

In the process of implementing NAMA ideas, it is imperative to reserve ample time to involve all the relevant stakeholders. Because in most situations, NAMAs represent large financial values, it is important to organise the responsibilities of different stakeholders and create clarity in the role of each. The 'responsibility proliferation' sometimes creates competition, whereas cooperation and compromises are far more constructive and pragmatic. In practice, arranging the local ownership of pilot NAMAs that we organised took up to one year.

The early involvement of stakeholders and potentially opposing players will increase local acceptance. This observation may seem obvious, but it is a time-consuming process. Structures to do this are not always in place.

We recommend to, initially, gain approval and commitment from all ministries that will possibly be involved. Including existing structures and low carbon development plans may pave the path toward a broad local acceptance of a NAMA. If all stakeholders have a common goal, it will be much easier to receive finance. If one of the governmental institutions is not committed to this common goal, this can easily develop into a costly delay or even halt proceedings completely.

During the NAMA pilots, we also experienced one good example of 'bottom-up' NAMA development, by means of a national NAMA development office [in Indonesia]. Such an office contributes to a high political legitimacy and a broad support within the country.

Deciding which NAMAs receive support

Harmonised criteria that determine which mitigation actions are financially supported are not available. Even generic criteria do not yet exist. In order to provide a head start for NAMAs, we recommend having the receiving and providing countries decide for themselves, which future actions will require international support and which do not.

Declaring actions as NAMAs is an important political matter. Besides national funding, also international funding is involved. In present discussions about the eligibility of national actions for international funding, the 'additionality' of an action plays an important role.

From the CDM instrument, we know that defining what is 'additional' to the reference case is very cumbersome. To make this additionality criterion operational for NAMAs, it is likely that a range of proposals will appear, e.g.:

- All cost-efficient measures where benefits exceed the costs are 'no-regret' and may not require financial support. However, funding may still be necessary to remove barriers.
- All measures that focus on other goals, having a greenhouse gas emission reduction as a co-benefit, may not require financial support, however, funding could be used to overcome barriers.
- All measures beyond 'no-regret' or 'co-benefit' are supported [the green arrow in the figure below].
- If actions have not been taken before by other countries under similar circumstances, they are supported.

In general, it will be hard to predict which mitigation actions will not be implemented without external support, even if we know which actions were implemented previously. The definitions above do not solve this problem but will arouse political debate; for example, applying the no-regret criterion will create disputed cost estimates. Which actions are cost-efficient?

Even profitable measures often need to overcome high barriers. For instance, many public transport measures have negative costs for the society as a whole. However, parties that provide the investments are not necessarily the ones that enjoy the benefits, such as a reduced travel time or improved air quality. Lacking institutional capacities are another barrier to such cost-efficient measures.

Disregarding any "theoretical" NAMA definitions, the overall question is: Where should climate finance [national and international] be used to support mitigation actions in developing countries? The answer is highly political.

We conclude that rather than instigating a complex political discussion about additionality, countries should decide for themselves, which future actions will require international support and which they can perform unilaterally.

This autonomous decision will be the basis for applications for international funds. Donor countries can still apply their own criteria and priorities for funding collectively for the fund or even on a bilateral basis. If these priorities are well-communicated, host countries know exactly with which actions they can apply for the NAMA status and international finance.

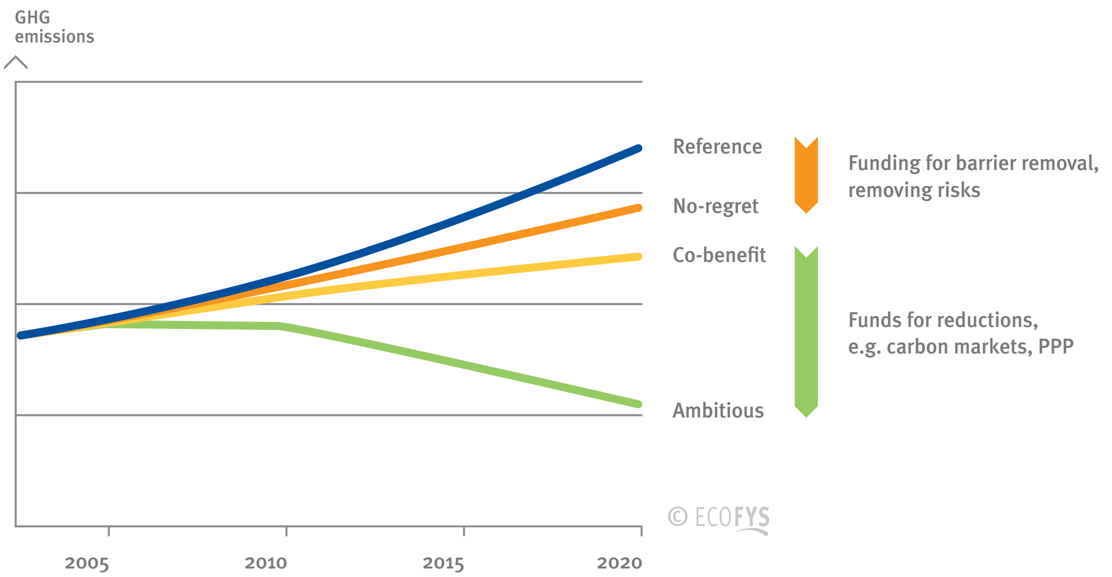

FIGURE 1: Emission scenarios with different mitigation measures and funding needs

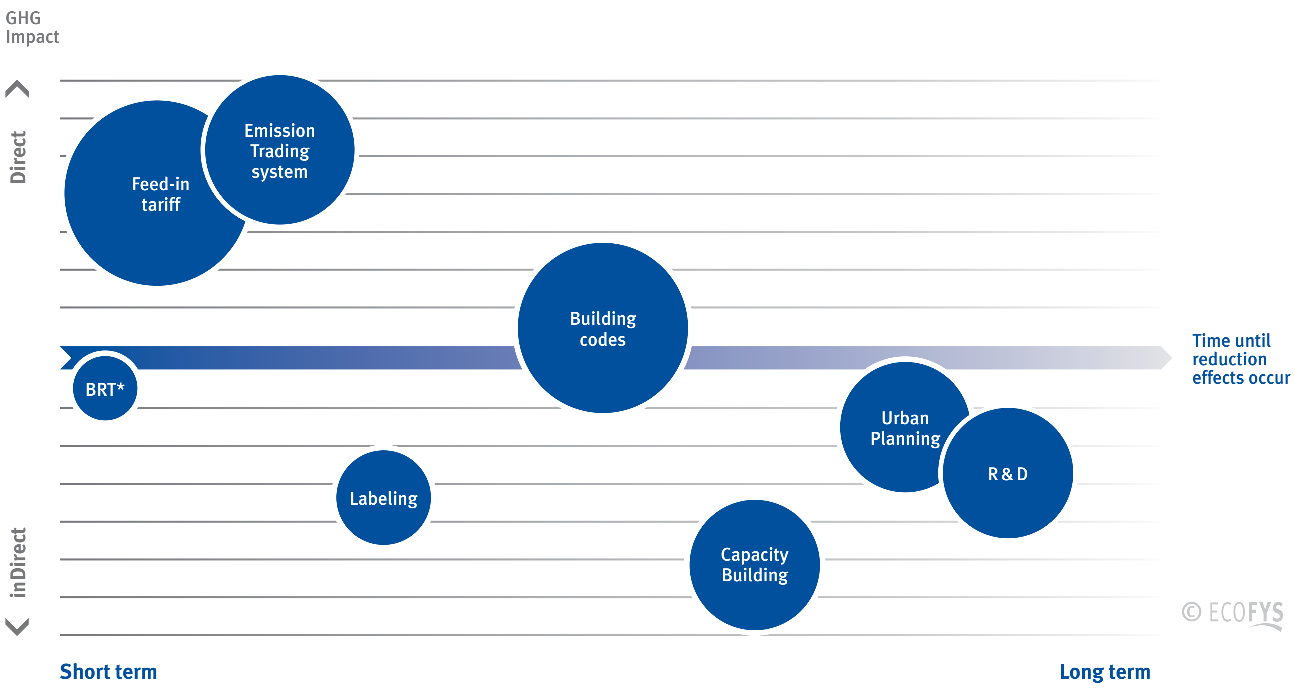

FIGURE 2: Indirect vs. direct GHG impacts of NAMAs over time

* Bus rapid transit

Monitoring the climate change value of NAMAs

International funding will require some form of measurable result in exchange, although the political debate regarding Measuring, Reporting and Verifying [MRV] NAMAs is very difficult. Following our practical experiences, we conclude that the value of NAMAs can be greater than just short-term emissions reductions. MRV needs to be simple, allowing an element of freedom to pinpoint the sustainable development benefits.

Any project generating credits that can be used on the carbon market requires a stringent MRV system. The reason for that is that carbon markets can not afford to be diluted by credits that represent lower or even virtual reduction values on the market. Supported NAMAs will not however, be used to any offset emissions in developed countries.

It can therefore be argued that MRV of supported NAMAs does not need to be as stringent as MRV for credited projects or actions and that NAMA MRV does not necessarily need to be based on emissions reductions. MRV should however, prove that greenhouse gas emissions will be reduced, that financing is used for the stated purpose and that proposed actions are actually and effectively undertaken.

The direct emissions reduction of NAMAs can not always be measured. Certain NAMA elements [such as capacity building] will have rather indirect impacts and certain measures will only generate direct and indirect effects over a longer period, [e.g. policy development]. Conversely, a feed-in tariff for renewables often leads to direct [and short-term] emission reductions.

This variety in NAMA elements is illustrated in the graph. The size of the bullets represents the approximate amount of emission reductions created by each.

On the basis of pilot projects, we identified three types of MRV:

- MRV of NAMAs with **direct** effects can be based on existing methods, namely:
  - modeling [ex-ante],
  - measurements [ex-post],
  - proxies on the basis of data and emission factors [similar to national GHG inventories]
- For certain NAMAs, it is only possible to monitor emissions **indirectly**. In these situations, the focus of MRV could lie on the activities and outcomes. Possible indicators would be; build units, number of vehicles, funds granted, investment triggered or feasibility studies completed.
- A third category of NAMAs can only be rated by its broader sustainable development benefits such as its reduction of other pollutions, job creation or other social and economic effects. In this situation, MRV is sometimes more qualitative.

Head start for NAMAs

NAMAs are a promising instrument for boosting climate change abatement policies and measures in developing countries. The general conditions have been met; funds are available and projects and actions are waiting to start. From this perspective, it would be a shame for the climate to wait for more intricate and sophisticated NAMA rules. Large emission reductions will be delayed and this, the globe cannot afford.

In the absence of internationally agreed MRV standards and definitions and criteria for NAMAs, we see a means to provide NAMAs with a head start. The pragmatic solutions in this Policy Update originate from pilot projects where this approach has already proved useful.

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Ecofys' mission is: 'a sustainable energy supply for everyone'.

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