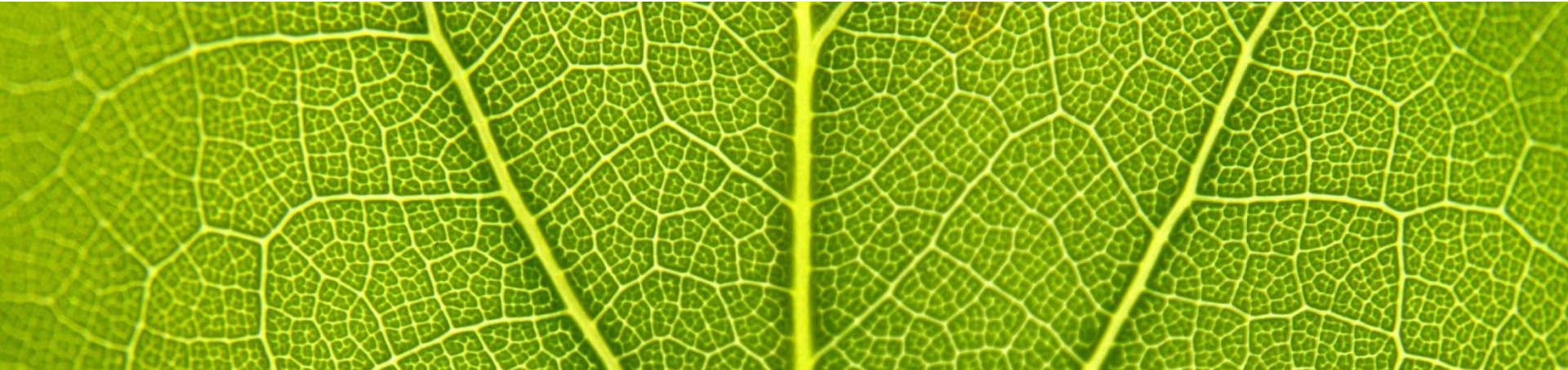


ECOFYS



sustainable energy for everyone



Learning from result-based finance for NAMA implementation?

Side Event ECN/ETH Zürich: “NAMAs: assessing impacts, technology and country differences, identifying priority actions”,

Doha, 3 December 2012, 18:30—20:00, Side Event Room 8

Martina Jung, Ecofys

Concept of result-based financing

- Definition: Finance provided is linked to the verified achievement of a specific mutually agreed goal according to pre-defined indicators
- Concept already applied in development cooperation and discussion on Reducing Emissions from Deforestation and Degradation (REDD)
- Recently picked up in broader climate financing context (beyond CDM)
- Interesting in the context of NAMAs as ability to demonstrate “results” is one of the issues for NAMA funding

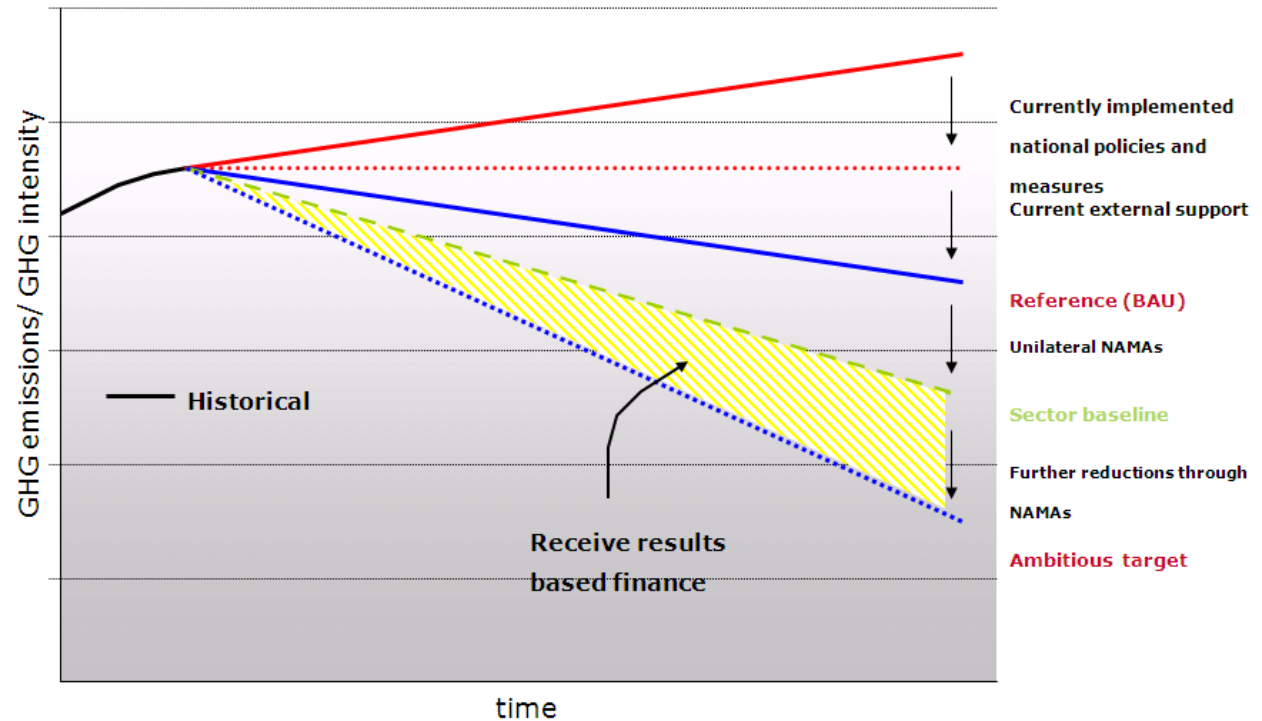
Types of result-based financing approaches in literature

1. Financing in staged approach contingent on the successful implementation of the previous phase (set of qualitative or quantitative indicators)

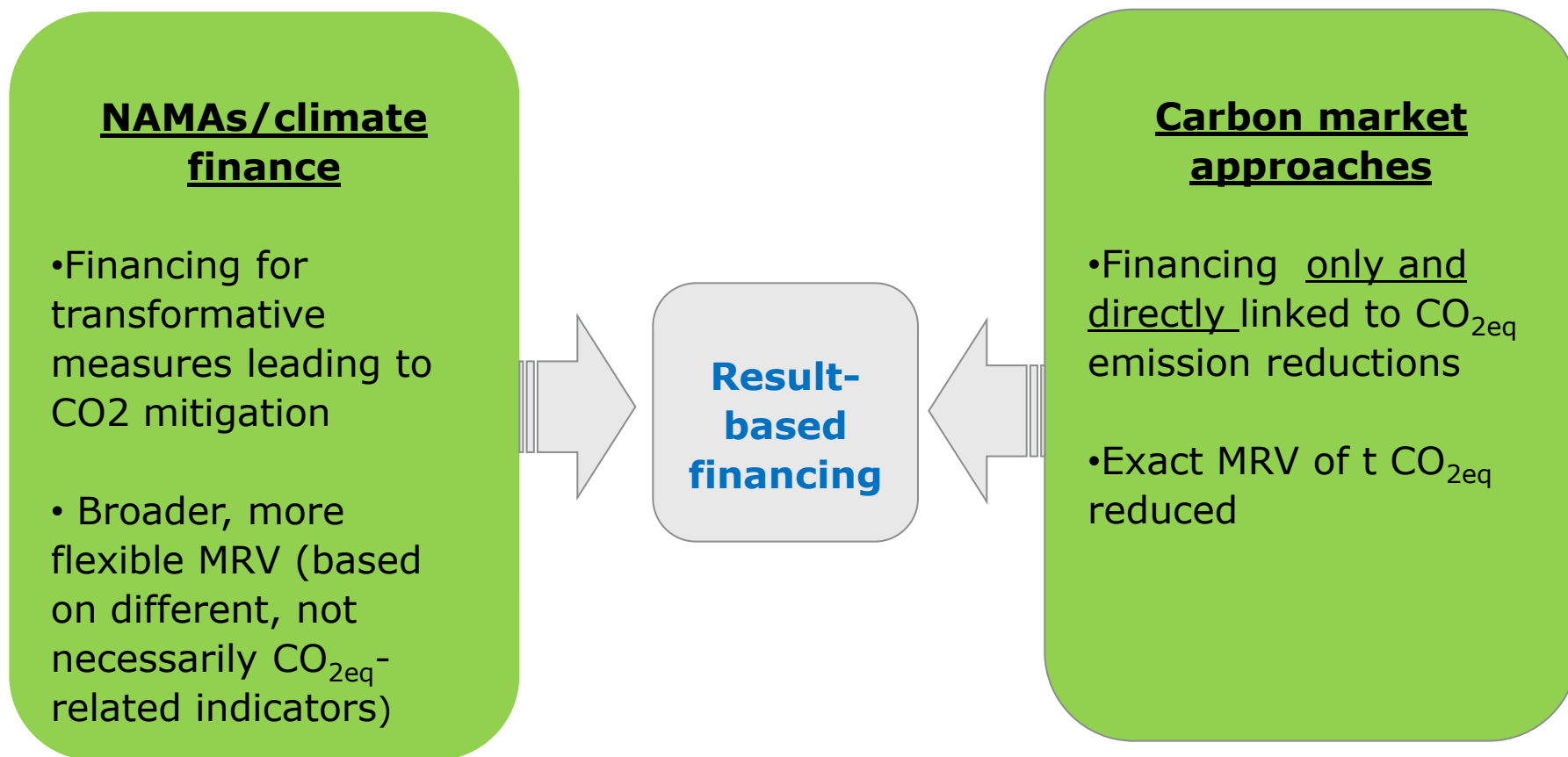
2. Financing linked to reduced GHG emissions as the main performance metric

Result-based financing in a nutshell

- Financial support (not credits) provided to host country if voluntary, predefined sectoral/national baseline (expressed in GHG or GHG intensity) overachieved
- Host country can freely choose the policy package to achieve emission reductions



Potential to marry the best of two worlds?



Additional and complementary to NAMAs

Why think about result-based financing?

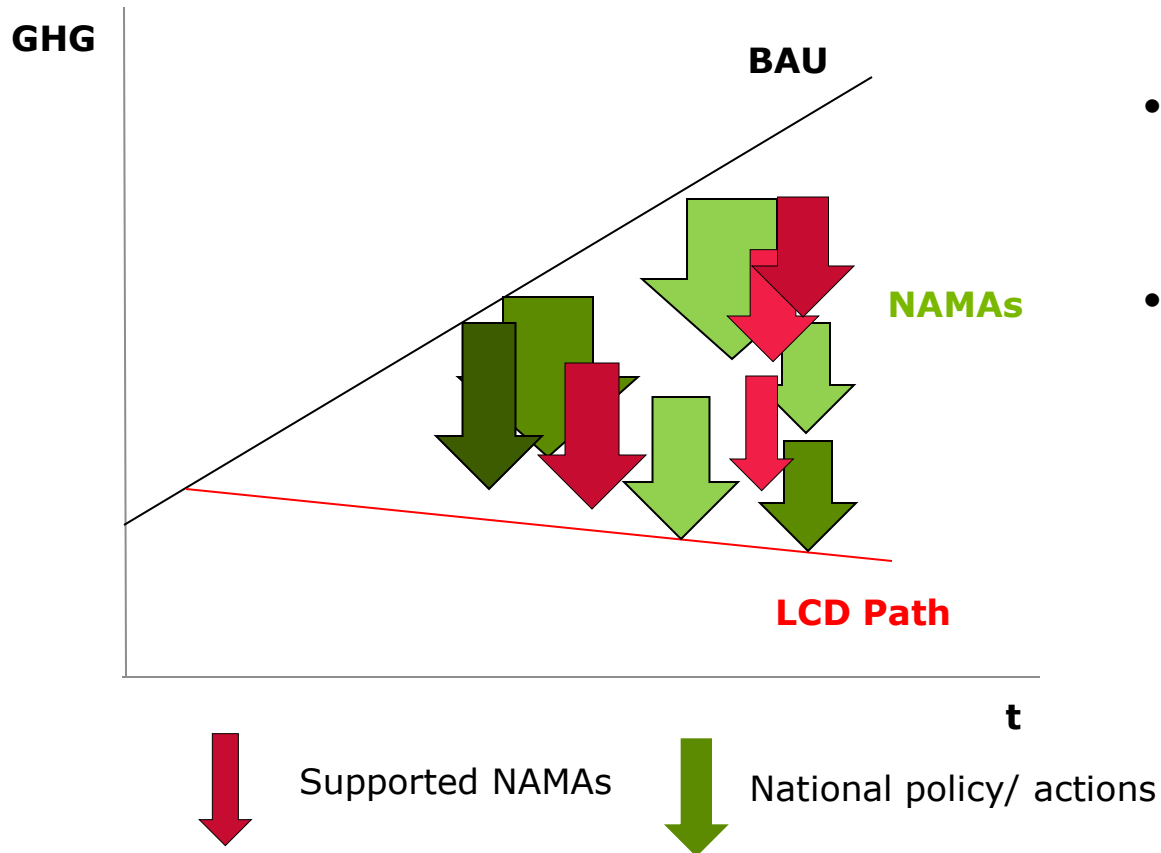
Approach	Scaling-up potential	GHG based MRV only	Transformational potential
CDM	(√)	√	
Sectoral crediting	√	√	√
Supported NAMAs	√		√
Results-based financing (as defined in Box 1)	√	(√)	√

Potential for scale and transformational effects, but with more flexible MRV

Benefits and drawbacks of result-based financing

Benefits	Drawbacks/challenges
<ul style="list-style-type: none">• Differentiated MRV approach possible (as no offsetting)• Greater predictability of support for countries (fix price for carbon)• Compatible with and complementary to current NAMA framework (financing just an additional component)• MRV of national/sectoral GHG developments allows NAMA effects to be seen within national policy context	<ul style="list-style-type: none">• Financing provided ex-post• Uncertainties in setting of baselines• Significant amount of information and capacity needed in country for baseline setting• Incentive for emission reductions, but not guarantee that they really happen

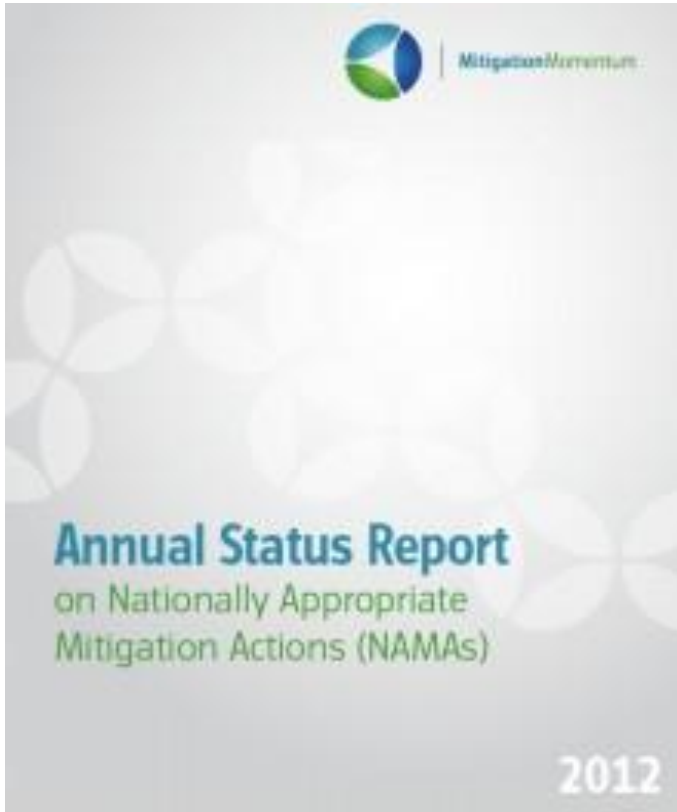
NAMAs and result-based financing



- **NAMAs are part of the overall policy setting of a country**
- **GHG effects become visible at the national/sectoral level**

Conclusions

- Result-based financing is not a silver bullet
- Approach only for some (advanced) countries and some sectors
- Has the potential to marry beneficial elements of climate finance and carbon markets
- Should not distract from long-term policy-based view, but rather be seen as a potential additional, voluntary and complementary approach



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