

LDC paper series

How could LDCs benefit from NAMAs?

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Acknowledgements

This document is an output from a project funded by the UK Department for International Development (DFID) and implemented by the Climate Development and Knowledge Network (CDKN) for the benefit of developing countries. However, the views expressed and information contained in it are not necessarily those of or endorsed neither by DFID nor CDKN, which can accept no responsibility for such views or information or for any reliance placed on them.

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1. Introduction

Nationally Appropriate Mitigation Actions (NAMAs) are seen as an important vehicle for mitigation efforts in developing countries. The call for allocation of climate change resources *in a balanced way between adaptation and mitigation and in the context of the meaningful mitigation actions* fosters the assumption of a substantial flow of financial resources for NAMAs. Since 2007, LDCs have supported decisions relating to NAMAs, under the condition that they are designed and implemented with the perspective of low carbon and sustainable development. A number of LDCs have submitted¹ to the UNFCCC negotiations, ideas of NAMAs which cut across different sectors of the economy, showing their interest on the issue. However, the process for implementing NAMAs calls for more than a simple enumeration of potential activities.

For LDCs to be able to effectively participate in NAMAs, it is essential that they are able to access financial resources which can support NAMAs formulation and the full cost of enabling measures to initiate mitigation actions, including their technology and capacity building needs for monitoring, reporting and verification (MRV). The current practice in climate finance, demonstrated in the way fast-start funding is provided, is donor driven. It is obvious that the value for money, primarily linked to the carbon dioxide emission reductions achieved for the investment, will keep playing an important role in the future financial structure. Considering these developments, it is essential to ensure that LDCs' interests are elaborated now. Although LDCs benefit from flexibility regarding reporting issues under the Cancun Agreements, their engagement in a NAMA process will also require further decisions to provide support and improve the MRV of these actions, especially if they are supported by the international community. Looking at implementation and negotiations needs, this paper will discuss these questions. It will firstly address the issues of implementing mitigation actions by looking at how LDCs can benefit from the opportunities provided through NAMAs and how to maximize the existing mitigation potential in LDCs. Secondly it will look at the current negotiations on mitigation and MRV to examine how LDCs can participate effectively through substantial capacity building and resources.

¹ See FCCC/AWGLCA/2011/INF.1

2. Implementing mitigation actions

Building on the experience of LDCs and other developing countries within the UNFCCC framework in preparing their GHG inventories and assessing their mitigation potential via their national communications, as well as drawing knowledge of non-LDC, this section will identify gaps and windows of improvement for engagement in potential NAMAs. It will propose options for cooperation and support for implementation issues needed by LDCs that wanting to engage in the NAMA process.

2.1 Learning from LDCs past experiences

The status of the national communications submissions from the 48 LDCs as of September 2011, indicated that eight (8) least developed countries² have not submitted their first national communications while only seven (7)³ have submitted their second national communication, which are available on the UNFCCC website. Despite the relevance of the paragraph in the Convention text to provide LDCs flexibility regarding the submission of their initial national communication⁴, little support was provided to these countries in assessing and identifying relevant scenarios and options for GHGs sequestration and potential abatement.

Analysing the information contained in LDCs initial national communications⁵ helps to better understand important issues to ensure LDCs can take advantage of NAMAs and engage in low carbon development plans and strategies. This information allows to take stock of the situation of LDCs relating to their: (i) inventories of anthropogenic emissions by sources and removals by sinks of GHGs; (ii) measures contributing to addressing climate change; and (iii) experiences of integration of climate change concerns into their medium - and long-term planning and its relationship with sustainable development priorities as well as problems and constraints faced by using the UNFCCC guidelines for reporting purposes.

The information contained in the 37 initial national communications from LDCs, indicates that primary source of emissions was from methane predominantly from agriculture use and emissions from waste were an important of the total aggregate GHGs emissions, for the year 1994 or the closest year reported by these countries. It also demonstrated that the LULUCF sector is a net GHG sink for the LDCs; although high uncertainties are reported by LDCs in this sector.

² Including Afghanistan, Angola, Comoros, Timor Leste, Equatorial Guinea, Liberia, Myanmar and Somalia.

³ Including Burundi, DRC, Madagascar, Mauritania, Niger, Samoa and Senegal.

⁴ Article 12.5 "Parties that are least developed countries may make their initial communication at their discretion."

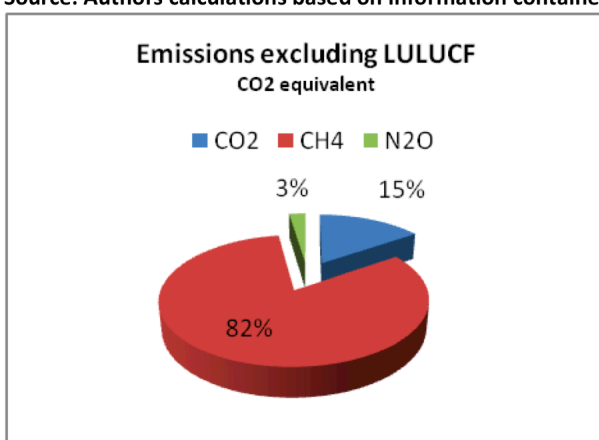
⁵ Complemented by information contained in compilation and synthesis of Parties not included in Annex – I , initial national communications by UNFCCC, as of October 2005

Table 1: total aggregate GHGs emissions, for the year 1994 or the closest year reported by LDCs

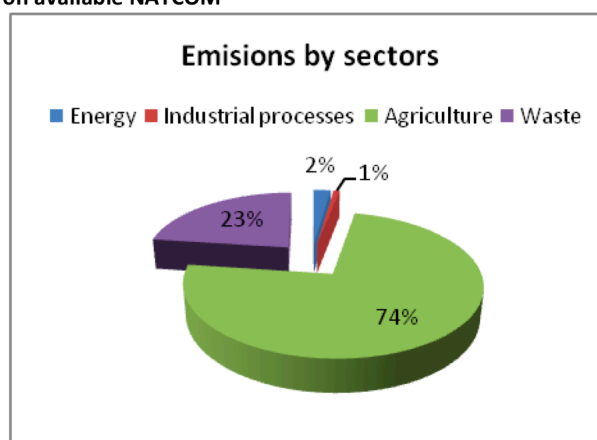
Table 1: total aggregate GHGs emissions, for the year 1994 or the closest year reported by LDCs

Total (Gg CO2 equivalent): 8 086 160,52 (Excluding LULUCF)			LULUCF
CO2	CH4	N2O	91 388 348,2
1 242 669,87	6 649 462,05	194 028,60	

Source: Authors calculations based on information contained on available NATCOM



Source: Authors



Source: Authors

The initial national communications as well as the submissions made firstly in the appendix II of the Copenhagen Accord and secondly for compilation as part of the Cancun Agreements, indicated that LDCs are seriously considering several options and measures for NAMAs. Very few measures are in implementation stages, if any. Although other developing countries were able to report a list of submitted NAMAs that featured a range of mitigation targets, including reduction targets against per unit of GDP; reductions which deviate from business-as-usual scenarios; or absolute reductions against a base year, LDCs generally do not provide clear specifications and were not able to provide significant level of details of their proposed measures⁶. Their proposals were limited to targeted sectors like agriculture, energy, forest and waste management. There is also no specification of appropriate policy and measures in the concerned sectors. Indeed, despite recent progress, there is still a need for medium and long-term development plans that are coherent and sustained in LDCs. For much of these countries, poverty eradication is the overriding priority and countries are engaged in the development of poverty reduction strategies and plans. Although it is essential that climate change concerns are integrated in well-articulated medium or long-term sectoral and cross-sectoral policies of these countries. All this indicate that, the **identification of measures in LDCs is still premature and would require further development.**

⁶ With few exception e.g. Ethiopia

Inherent weakness in human, technical and institutional capacities and weak institutional coordination are among difficulties reported by LDCs and which may hinder their ability to implement NAMAs. Other difficulties related to the use of the UNFCCC guidelines and in some cases, the inappropriateness of these guidelines have been reported. LDCs thus refer mostly to expert judgment⁷ to evaluate their mitigation potential. These assessments are based on the information contained in the GHG inventories in conjunction with economic growth patterns and national sustainable development priorities.

These problems identified in the preparation of national communications can also be observed in the formulation of medium and long-term low carbon development strategies. An increasing number of countries - both in the developed and developing world - have already prepared Low Carbon Development Plans, or are in the process of doing so.⁸ There are different approaches to this process. Some countries, like South Africa and Colombia, have conducted a long-term, bottom up, inclusive process which brings together all relevant stakeholders to develop the strategy with mainly national capacity. Other countries, like Papua New Guinea and recently Ethiopia and the Dominican Republic, have formulated their strategies in relatively short time frames with substantial external technical support. There are advantages and disadvantages to both approaches outlined in Table 2 below.

Table 2: Comparison of bottom-up and top-down low carbon development strategies

	Bottom up national development	Top down with international support
Time frame	Long, time consuming process, which requires long-term commitment and time of participants	Results are available in a shorter time frame, but require substantial time commitment of participants during the project phase
Cost	Mainly cost for the time of participants and meetings	Substantial cost for external support plus time of participants
Ownership	High degree of ownership within the country	Depending on level of involvement and choice of involved stakeholders

Source: Authors

Independent of the choice of the approach, the impact of such a strategy development process depends on the selection of stakeholders to participate in the exercise. The probability that the developed strategy will move from paper to practice increases if all key players are involved, including the different Ministries, especially, “Economy and Finance”, as well as, implementing entities. All involved departments, agencies and stakeholders must be given appropriate time to consult with their institutions on critical issues and thus create widespread ownership of the

⁷ Applied computer-based tools were used in a very few cases, however progress has been realized in the case of on-going second national communication process in LDCs.

⁸ See Annex for a list of examples in developing countries

results. Lessons learnt and options for replication from these experiences with LCDPs and identification of the way these planning processes could benefit LDCs includes:

- The process of defining low carbon development strategies can benefit overall coordination within the country's policy making, if it is used to enhance cooperation between different institutions and agencies.
- Existing plans and strategies can build a good basis for this work, but may need to be adjusted to reflect the low carbon focus. A pure compilation of existing plans does not provide the necessary coordination between different sectors and areas.
- Use of existing support tools, e.g. CLEAN network⁹ and other existing tools.¹⁰
- LCDPs are the ideal basis for the formulation and implementation of NAMAs and increase the potential to obtain funding, while providing additional benefit for the country, but are not a prerequisite for NAMA activities.

For LDCs to be able to take advantage of NAMAs, these limitations identified above should be addressed as well as building more skills and capacities in LDCs. Furthermore lessons learnt from on-going experiences, including in non-LDCs developing countries, can help identify options for support and cooperation.

2.2 Support and Cooperation

LDCs should be supported to identify best approaches for NAMAs based on a holistic evaluation of their potential options for emissions abatement, through in-depth and full assessments and taking into account the impact of implementing these options. Options to be assessed and identified in LDCs should not be looking at the sole mitigation potential but should assess options for GHG abatement within the broader context of sustainable development. Strategic planning and clean investment should be envisioned to help LDCs take a low carbon development path and to truly “leapfrog” technological development. It is thus important to identify win-win strategies that integrate development priority areas and co-benefits for development and the local environment in the context of NAMAs. It will require re-examining current structural planning in targeted sectors and introducing changes from a climate change perspective that could bring benefit for sustainable development as early as possible. Potential options identified in developing countries national communications and relevant for LDCs include:

- A range of measures in agriculture sector with substantial potential for abatement of emissions from CH₄ and NO₂, and high potential in the forestry sector which need to be protected for the enhancement of sink capacity.

⁹ http://en.openei.org/wiki/Gateway:Coordinated_Low_Emissions_Assistance_Network_%28CLEAN%29

¹⁰ http://www.beta.undp.org/undp/en/home/ourwork/environmentandenergy/focus_areas/climate_strategies/green_lecrds_guidancemanualsandtoolkits.html

- Industry is essential for LDCs' growth, calling for the identification of measures to modernize and improve the efficiency in industrial processes and equipment, the replacement of capital stock and avoiding long-term, carbon-intensive technology lock-in. Options can be assessed to improve cement and steel production to ensure that these processes are environmentally friendly. Policies for cleaner industrial production can be developed, including through setting stringent energy intensity targets and energy conservation plans.
- The potential for development and promotion of renewable energy sources¹¹ has a high prospective to support low carbon development.
- Transport has a high potential for emissions abatement, options may include alternative fuels by assessing options for introduction of options such as electric or compressed natural gas vehicles, encouragement of early adoption of hybrid vehicles, introduction of vehicle emission standards, as well as measures focused on mode switching. Other measures include a reduction in the use of private vehicles through car-pooling, improvement of the public transport system, including the development of road transportation master plans, (particularly from developed countries), and improvement of road infrastructure, and using rail and river transport systems where possible.
- Analyses of the residential and commercial subsectors should also be investigated.

Moreover all these efforts need to be supported by an institutional framework, and an enhanced coordination among ministries and institutions in the decision-making process to better support response activities and to better understand a country's climate change emissions.

It is clear that the main challenges LDCs face related to the formulation, implementation and MRV of NAMAs are: a) their mitigation potentials relatively low compared to other developing countries and countries in transition; b) institutional structures are in many cases not available or not equipped for the requirements posed for the development of LCDPs and NAMAs; and c) GHG inventory and general MRV structures are weak or non-existent. Together this results in high administrative cost for mitigation activities and low confidence for donors. In order to provide an opportunity for LDCs in the implementation of their NAMA, the provision of support in the areas described below is essential.

Enhance technical support, including at regional level. It is essential to ensure full access of all LDCs to technical support and capacity development, both for the formulation and implementation of NAMAs as well as for MRV. LDCs should be ensured priority access to the Climate Technology Centre and Network (CTCN), which is to be established within the UNFCCC technology mechanism. But it is also important to strengthen already existing regional

¹¹ Varying from extension of existing hydropower infrastructures, through additional small-scale hydro projects; consideration of options such as solar, geothermal, wind, biofuels and related technologies etc.

and sectoral institutions, which provide technical support.¹² A detailed analysis by the UNFCCC of available regional support institutions, their expertise and possible gaps could be useful to ensure this.

Increase cooperation within LDCs. Cooperation between LDCs can also be a way forward to address these challenges. This cooperation could take various forms, all with the goal to increase impact and reduce overhead cost, thus enabling improved access of LDCs to NAMA funding:

- *Joint development of strategies and activities:* countries could jointly develop individual NAMA concepts or broader sectoral concepts, which could then be detailed at a national level.
- *Joint application for funding:* approaching funders as a group with the above mentioned jointly developed proposals would increase impact and decrease transaction and administrative cost substantially. This could improve attractiveness for donors while ensuring environmental integrity and benefitting LDCs.
- *Streamlining MRV structures and procedures:* while the overall requirements of the MRV system are still being negotiated within the UNFCCC and will require additional flexibility for LDCs, the detailed implementation will still be up to the countries. A close cooperation between countries with similarities could strengthen the overall system and reduce required effort for each participating country. Cooperation could start with joint development of procedures and formats, but could also include recommendations on institutional setup.

The idea of cooperation and pooling of activities for NAMAs can profit from experiences and structures on “programmes of activities” (PoAs) in CDM. As this concept is relatively new and there are still few implemented examples it is important to follow the developments in this process closely and draw lessons for NAMA design and implementation.

While support in these areas is important it is essential that LDCs ensure that results reflect their needs and that there is wide ownership of the results within the countries. Otherwise plans and measures may not be able to deliver to the expectations, both related to climate mitigation and towards sustainable development.

3. Negotiation needs

Looking at negotiations imperatives, this section will formulate ideas to ensure that the on-going negotiations will provide an opportunity to guaranty LDC’s access to NAMAs.

¹² Such as the SAARC Regional Centers of Excellence, SPREP for the Pacific region or the African Centre for Technology Studies (ACTS)

3.1. Status of negotiations

The Cancun Agreement's decision on NAMAs clearly noted that developing countries are already a part of the global mitigation effort in accordance with the Convention, but could contribute more substantially if they receive support from developed countries for technology, finance and capacity-building. It also recalls that the overriding priorities of developing countries are social and economic development and poverty eradication. It was clearly stated that the share of global emissions in developing countries will grow to meet the needs of social and economic development. The Cancun Agreements also agreed on organizing workshops, which have helped to understand the diversity of the mitigation actions pledged in Copenhagen and Cancun and the different national circumstances and respective capabilities of developing countries.

However, it did not give much guidance on what a NAMA is and how they are to be implemented. Instead it provided guidance for countries to negotiate the MRV system for NAMAs in 2011. This includes the type and frequency of reporting, development of a process for the facilitation of support through a registry and the development of a process for conducting international consultation and analysis. The Cancun decision text on MRV gives flexibility to LDCs and SIDS¹³ while current development in the negotiation refers to LDCs undertaken these processes, aiming at increasing transparency in reporting, at their own discretion.

3.2 Way forward for LDCs

Unfortunately there was no mention to prioritize LDCs in the negotiating text regarding support for the formulation and the implementation of NAMAs or to establish a process whereby special attention could be given to LDCs facilitating implementation. The current negotiation within the UNFCCC will need to integrate LDCs needs to strategically benefit from NAMA in the context of a global deal. Issues for considerations should include:

Ensuring flexibility for LDCs. Flexibility should be given to LDCs in the level of detail needed for NAMAs as well as the approval procedures. The geographic distribution of CDM has meant that many LDCs and SIDS have missed out on a key mitigation opportunity. As of September 2011, the percentage of CERs issued under the CDM by host parties is still dominated by the larger developing countries. 58% of CERs resulted from project activities in China, 16% in India, 10% in the Republic of Korea and 8% in Brazil. Africa accounts for only 2% of all registered projects, which still need to go through the final approval stage before they are issued with CERs.¹⁴ Even an in-depth reformed CDM may not succeed in prioritizing LDCs; because

¹³ Paragraph 60 of decision 1/CP.16 states: "Decides to enhance reporting in national communications, including inventories, from Parties not included in Annex I to the Convention on mitigation actions and their effects, and support received, with additional flexibility to be given to the least developed country Parties and Small Island Developing States."

¹⁴ UNFCCC 2011. CDM: CDM in Numbers <http://cdm.unfccc.int/Statistics/index.html>

by definition the CDM is a market mechanism where buyer countries choose the most cost-effective mitigation options with the largest reductions and abundant carbon credits – while this potential doesn't exist often in LDCs. However, the EU has recently introduced legislation for its emissions trading system which will increase the involvement of the LDCs in CDM. After 2012 CERs to be used within the EU- ETS will be limited to projects in Least Developed Countries and those that were registered before 2012.¹⁵

Additional flexibility for the LDCs is needed to ensure that they receive the benefits that will flow to countries undertaking NAMAs through both financial support for the formulation and implementation of NAMAs and the support to undertake MRV. These can be built on recent guidance given to the Executive Board of the CDM to establish standardised baselines for countries which host 10 projects or less and address regional and sub-regional distribution and capacity building issues.¹⁶

Support formulation and implementation of NAMAs. The extent of financial support of NAMAs by public or UNFCCC channelled financing is still to be determined. Parties have different views on which areas financial international support should cover. There is a discussion if it should fully or partly cover enabling activities and incremental costs of implementation. For LDCs, not only full incremental cost associated to the NAMAs implementation should be covered but also support for the full cost of enabling measures to initiate mitigation actions and for NAMAs formulation that would not happen otherwise.

As repeatedly stated by developing countries, agreed principles for NAMA support must ensure allocated resources are new, additional and not simply subtracted from already insufficient regular ODA. Furthermore, a robust MRV system for this support has to be implemented. Within the financial framework sources of finance need to be clarified to avoid NAMA implementation being dependent on voluntary pledges, which have a poor track record in the UNFCCC current system. The NAPA process is an example showing issues related to the lack of resources provided to LDCs. In contrast, the Adaptation Fund has shown what a levy on market mechanisms can do to provide funding specifically designed for developing country Parties that are particularly vulnerable to the adverse effects of climate change.

Support MRV systems for LDCs. In the context of international environmental agreements, verification systems typically serve two sets of objectives: one related to accountability and trust-building, and another related to facilitating implementation. Some LDCs are still at very primary stages of their reporting process.¹⁷ The lack of up-to-date inventory information from

¹⁵ <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/11/56&format=HTML&aged=1&language=EN&guiLanguage=fr>

¹⁶ UNFCCC Decision 3/CMP.6: Further guidance relating to the Clean Development Mechanism, chapter V and chapter VII.

¹⁷ See Information on financial support by GEF for preparation of National Communication of non-Annex I, FCCC/SBI/2009/INF.5, 29 May 2009.

most developing country parties poses a serious limit to international appreciation of national and regional emission trends in developing countries and also undermines a country's ability to formulate national strategies. The Cancun Agreements has awarded certain flexibility to LDCs in reporting in their national communications, including inventories. **It is essential however, that this flexibility does not result in a lack of support to undertake reporting.** Flexibility could be given for the metric to assess the effectiveness of the implementation of NAMAs: in the methodological assessment of NAMAs, as absolute GHG emissions may not be the most appropriate metric; instead GHG intensity, renewable energy capacity, or area reforested may be considered. It is important however that this flexibility for LDCs does not impact the need to adequately report emission reductions from those countries with the capacity to do so nor the ability of LDCs to access NAMA funding.

Ensuring LDCs participation. The financing options for NAMAs - unilateral, supported or credited, including a registry which can act as a matchmaking facility – provides an opportunity for all countries to access the financing needed to implement NAMAs dependent on their capabilities. However, the current situation very much mirrors the problems of the CDM, where investors (in this case public donors) pick and choose projects according to their own criteria, not according to agreed principles under the Convention. LDCs need certainty that they will be able to access financing and resources for NAMA implementation, capacity building and technology transfer, for example through a special window for LDCs and SIDS within the Green Climate Fund or the recognition of a preferential treatment for these groups of countries when developing the modalities for the fund.

What is needed is not to get bogged down in a political negotiation but to build a climate regime which learns from the experiences of the CDM and encourages maximum participation. LDCs can achieve flexibility in the mitigation negotiations that will contribute to effective implementation of their NAMAs through ensuring that the following is included in the international agreement.

- Providing clear guidelines for the definition of NAMAs with sufficient flexibility for LDCs, including steps for the definition of a BAU trajectory or alternative measurements.
- Facilitating flexible evaluation of progress achieved, supported by the definition of tools for transparent assessment of NAMAs.
- Prioritising financial support for implementation of NAMAs in LDCs, including not only full incremental cost of NAMAs for LDCs but also support for full cost of enabling measures to initiate supported mitigation actions.
- Strengthening the regional and national institutional frameworks to support the identification of the potential actions to account for NAMAs.
- Building the national capacity on issues related to NAMAs formulation and implementation, and to low carbon development and provision of incentives to effectively engage stakeholders at national and regional level in activity that relate.

- Establishing harmonized measures for NAMAs at national level in LDCs for a national registry to initiate actions, facilitate evaluation of progress achieved, steps through the definition of a BAU trajectory, definition of tools for transparent assessment of NAMAs.

4. Conclusions and recommendations

Even though current total global emissions of LDCs are low, it is important to take into account that growth is expected in the future for this category of country. It is still possible to really support the engagement of these countries into low carbon development pathway. This can be done through support for the preparation and implementation of low carbon development plan, strategy and/or policy that should inscribe individual mitigation projects or actions.

It is essential to ensure full access of all LDCs to technical support and capacity development, both for the formulation and implementation of NAMAs as well as for MRV requirement at both national and international levels. For example, LDCs should ensure priority access to the Climate Technology Centre and Network (CTCN), which is to be established within the UNFCCC technology mechanism. It is important to give certainty to LDCs that they will be able to access financing and resources for capacity building and technology transfer. This can be enabling through a dedicated window of fund for LDCs which provides specific capacity building support.

It would also be necessary to give flexibility to LDC in the methodological assessment of their NAMAs. Absolute GHG emissions may not be the most appropriate metric; but other options could be considered among which GHG intensity, renewable energy capacity, or reforested area. The actual negotiation could provide an important support and open areas for cooperation in order to enable this.

Enhanced cooperation with LDCs to enable a comprehensive framework for low carbon development and strategies, as well as NAMAs can be a way forward to address the challenges identified in this paper. This cooperation could take various forms, all with the goal to increase impact and reduce overhead cost, and thus enabling improved access of LDCs to NAMA funding. For LDCs, it would be particularly necessary to consider not only full incremental cost of NAMAs, but also support for the full cost of enabling measures to allow supported mitigation.