Guidance for NAMA Design in the Context of Nationally Determined Contributions - DTU Orbit (17/11/2019)

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Under the Paris Agreement, the Parties agreed, among other things, to hold the increase in the global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit this increase to 1.5°C. Article 3 further specifies that, as Nationally Determined Contributions to the global response to climate change, the Parties will undertake and communicate ambitious efforts under different areas.

Under Article 4 of the Paris Agreement, the temperature goal is translated into an aim whereby global greenhouse gas emissions will peak and be followed by rapid reductions so as to achieve a balance between emissions and removals. The global trajectory of greenhouse gas emissions is to be achieved through the combined efforts of the Parties: under Article 4, paragraph 2, ‘each Party shall prepare, communicate and maintain successive nationally determined contributions that it intends to achieve. Further, Parties shall also pursue domestic mitigation measures, with the aim of achieving the objectives of such contributions.’ NAMAs, originally conceptualized as voluntary actions taken by developing countries to reduce GHG emissions to levels below those of ‘business as usual’ (BAU) scenarios, are well placed to help countries achieve these objectives. NAMAs, as well as NDCs, generally support and are aligned with sustainable development as interpreted by the host country, including any existing Low Emissions Development Strategy (LEDs). Since this is the case, and since NAMAs benefit from alignment not only with NDCs, but also, and particularly, with existing policies and priorities, they will often be driven by priorities other than emissions reductions, thus providing additional sustainable development benefits.

NAMA’s point of departure from existing development objectives and priorities might consist of re-evaluating these and placing additional emphasis on options for emissions reduction. A number of prioritization tools have been designed to strike a balance between a NAMA’s alignment with current policies: its sustainable development benefits, including the Sustainable Development Goals (SDGs), its overall benefits to the economy, its financing and of course its emissions reduction. Some of this process of prioritization, particularly prioritizing among focus sectors, has shifted to the NDC level, while the sub-sectorial level, and particularly implementation modalities, tools and instruments, have become more focused at the NAMA level.

A common requirement among donor agencies, through their support programs, is for NAMAs to constitute a transformational change in an economic sector or provide support for such change. In order for NAMAs to instill sufficient interest among such support programs, they are therefore also evaluated for their transformational qualities (hence, NAMAs can also be non-transformational, yet still achieve significant emissions reduction). Although transformational change does not have a definition, it is generally thought to reflect a permanent (irreversible) change from one situation to another and probably more rapidly than would otherwise have been the case. In such changes, finance and financial flows are central.

Finance, and thus implicitly NAMA financing, is a central issue in the present context as well. Financing remains solidly at the implementation level (mitigation actions). To the extent that countries choose to pursue the NAMA route, this also applies to the NAMA sphere, as it is the measures that underpin a country’s NDC that are financed in the end, not the NDC per se. A necessary starting point for any dialogue concerning NAMA financing is the provision of a transparent estimate of the total cost and possible incremental costs for the mitigation action incorporating already existing national budgetary allocations for the sector, the first step being to consider if and how such national budgetary allocations can be redirected in support of lower emissions alternatives. Hence, regardless whether the NAMA is likely to need international financial support, NAMA financing should begin by identifying the relevant domestic funds, public and/or private.

Public funding may be used to build a foundation for investment from the private sector. In such cases, the creation of an enabling environment for corporate or other private financing must be a consideration from the outset, that is, in the initial conceptualization phase of the NAMA.

While the NDC articulates the emissions reduction ambition of the country concerned and hence is a part of the framework for NAMA development, the specific NAMA development processes are non-linear and iterative. The production of information and documentation, however, is incremental. The implementation phase should be based on firm planning and dependable, appropriate organizational structures. This is also true for the measurement, reporting and verification (MRV) system.

Quantifying the benefits of a NAMA, commonly compared to its baseline both in terms of GHG emissions and sustainable development benefits, is the gauge that all those involved – governmental bodies, international donors and financiers, non-government organizations (NGOs), civil society, scientists, and the private sector and supervisory bodies such as those within the UNFCCC itself – use to determine whether or not a NAMA is successful. The NDC may provide general baseline information, while the NAMA development process would (probably) go into further detail. MRV systems are then used to measure its concrete benefits. MRV is an essential tool for managing mitigation actions. It involves parameters for measuring the progress of the implementation of a NAMA, as well as for measuring or estimating its impacts in terms of emissions reduction and related sustainable development benefits, the latter of which are often the underlying motivation for the activity. The measurement methodology must be accurate, complete, transparent and conservative. It will also be very dependent on methods for retrieving, compiling and storing data and on principles used for estimating impacts.
Even with an NDC as the framework, transforming a NAMA from idea into practice can take a significant amount of time and involves the establishment of an institutional dialogue to make it happen. Of vital importance throughout the phases of NAMA development is the engagement of all stakeholders within these institutions, capitalizing on the national priority of emissions reduction as signaled through the NDCs.