



Strategic Program Approaches (SPAs)

A Program Based Approach to in-country Low Carbon Development by Sectors

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Latin American Carbon Forum

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Bali Action Plan

Decision 1/CP.13:

- Launch a comprehensive process(...) in order to reach an agreed outcome and adopt a decision in December 2009 by addressing, inter alia,
- (...)
- (...) cooperative sectoral approaches and sector specific actions in the context of an enhanced post kyoto GHG mitigation
- (...)
- (...) (requests the EGTT) to propose a two year program of work(...) (including) for the prospective of long term prospective beyond 2012, the development of (...) strategy paper, including sectoral approaches...

The need for effectiveness to address cooperation in sectors

Program approaches can remove barriers in sectors, but not

viceversa...

Sectoral approaches can have a cross country, international scope

They can also take an in country scope (sector no lose targets, in country sectorial approaches, etc.)

But...

- Programs can also address whole sectors globally or within countries
- Serve to aggregate activities at scale globally, regionally and/or nationally
- Operate on a technology by technology or region by region basis
- Blend carbon finance and others sources of finance and instruments at different levels.
- Serve if required as a transitional device to other instruments

And...

- Do not result of the imposition of expected activities upon previously defined sectors, but provide scope for flexibility at different levels –without losing sight of objectives
- Allow for achievement of objectives
- Provide for country input into them

Consequently –

- Explore to what extent they can be a back bone to instruments addressing sectors

What are strategic Program Based approaches?

Or a focus on the environment surrounding low carbon development – rather than on the CDM itself

A Definition (Garibaldi, 2007, 2008*)

- The ‘smart’ alignment of sets of measures by public or private agents through several, coordinated “programs” within sectors or regions:
- devised to substantially increase capacity to overcome barriers and aggregate low carbon projects under programs together with existing flexible instruments, by means of financial, policy and/or project implementation structures.
- Aligned with the objective of increasing the scale in the production of climate resilient and low carbon (and CDM) projects and response activities
- Supported by innovative global finance, partnerships and global instruments.

Starting point on existing carbon and climate finance instruments, but is flexible enough to subsequently accommodate the development of post 2012 regime instruments

This can help create and sustain demand globally for low carbon technologies and practices and a low carbon and climate resilient development pathway in developing countries.

Strategic Program-Based Approaches

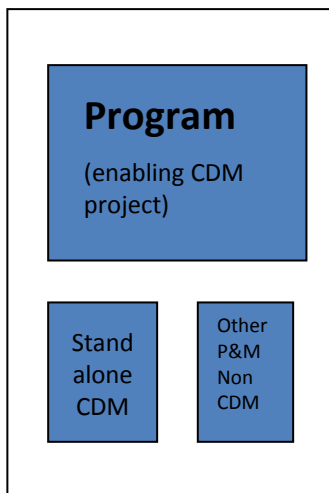
Already room for domestic tech action within current flexible instruments

National Policy / Policy Objectives

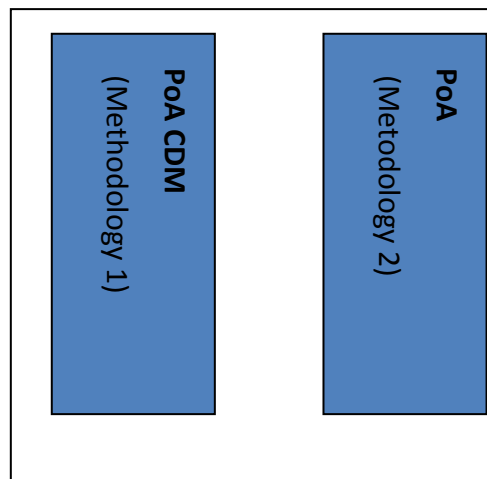
Sectoral Umbrella Program – Energy (e.g.)
National or Sub-national scope
Low carbon impacts / local co/benefits

An Strategic ‘program based approach’ can:

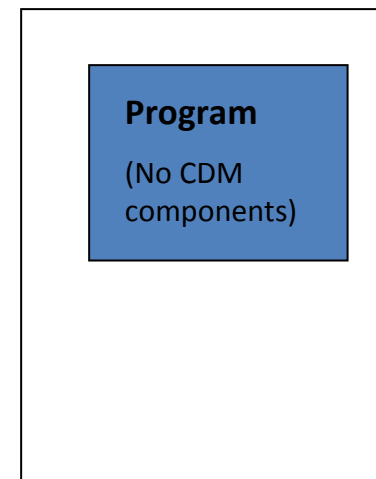
- Help achieve nat’l policy objectives
- Multiply the amount of low carbon activities – even if you don’t sell them all
- Allows space for coordination between national and international support schemes
- Creates capacity to develop large sectoral and/or cap and trade schemes



Mixed
Program & Project CDM



‘Programmatic CDM’
(Program of Activities PoA CDM)

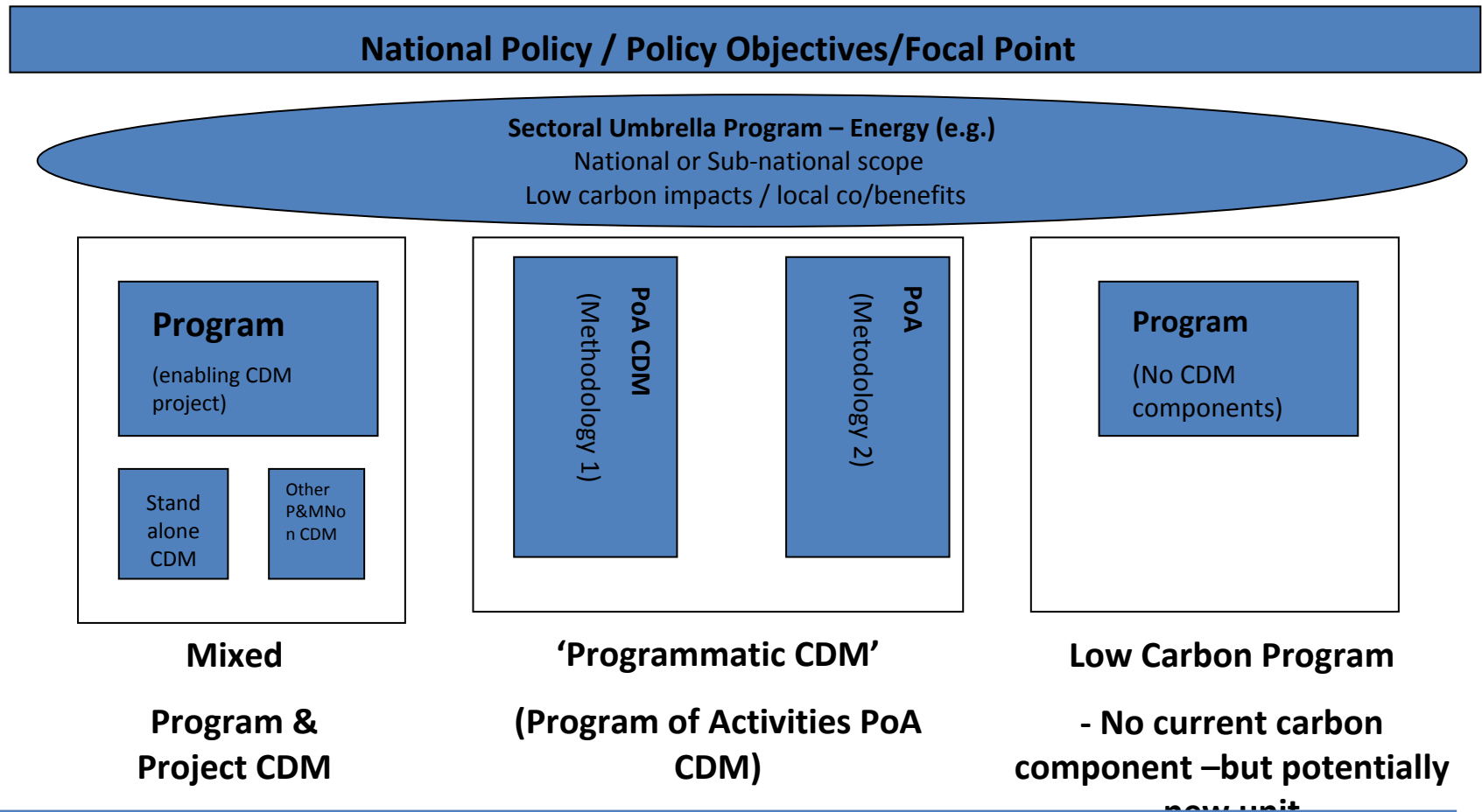


Low Carbon Program
- With no CDM or carbon finance component

(1) See Annex for difference between sectorial and regional approaches in PoA.

Strategic Program-Based Approaches

And to be used as a transition to other instruments ...



Parallel and nested MRV Methodology to take into account reductions from all sources under program – able to discount projects from national accounting of reductions
Not hostile to sector no lose targets, discounted, or targeted in country - sectorial approaches

Effectively an in country sectoral – or regional- approach...

Strategic Program Aggregators

- Vertical
 - Within a sector or technology
- Horizontal
 - Within a region or area of competence

Governance does not necessarily imply government

- Governance of programs can be public or private, and needs not be led by public sector law authority

Linkage to IFI Financial Instruments - Levels

	Instrument	Examples
Policy level	<p>Public Finance Policy loans Sub-national Finance</p>	<ul style="list-style-type: none"> • <i>Policy based loans</i> or Policy development Loans (PDL) or <i>Environmental Structural Adjustment Loans</i> (ENV-SALs) for pre agreed government wide nationally agreed targets • <i>Conditional Credit Lines for Investment Projects</i> (CCLIPs) for ongoing sector specific or subnational interventions with measurable agent based outcomes • GEF support for strategic partnership deployment through implementing agencies.
Program level	<p>Pub. Finance Programmatic Instruments Revolving funds CEFV type Partial or secondary guarantees</p>	<ul style="list-style-type: none"> • <i>Carbon Partnership Facilities</i> and/or <i>Forest Partnership Facility</i> based pre and post 2012 transactions, and/or soft loans to national development agencies • Credit rating improving <i>secondary or partial guarantees</i> by IFIs to National development banks, private program or project developers • Funds and facilities deployed by IFIs or RDBs for region based <i>investment or venture capital</i> funds.
Project level	<p>Venture Capital Public agency incentives Soft loans CER sale funding</p>	<ul style="list-style-type: none"> • Generation or deployment <i>Incentives</i> delivered at project level through program coordinating agencies • <i>Revolving funds</i> to facilitate incentive payment and/or equipment deployment • <i>Green mortgages, loans or consumer finance</i> delivered through domestic banks • <i>CERs sales</i> employed to partially replenish funds, support discounted purchases of equipment, soft loans, and or fiscal instruments

An example in a sector

Financial Instruments

Policy

Public Finance
WB ENV SAL, or
WB or ASDB
program based
loans

Program

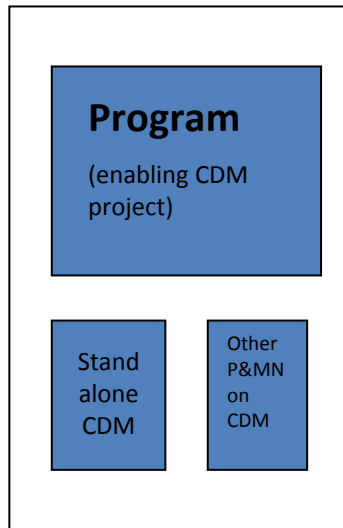
Pub. Finance
WB
Programmatic
Instruments (or
ASDB CF facility)
Additional
revolving funds,
CEFV look alike
and/or
secondary
guarantees

Project

Incentives from
public
agencies,
interest rates,
soft loans, CER
sale funding
discounted
equipment

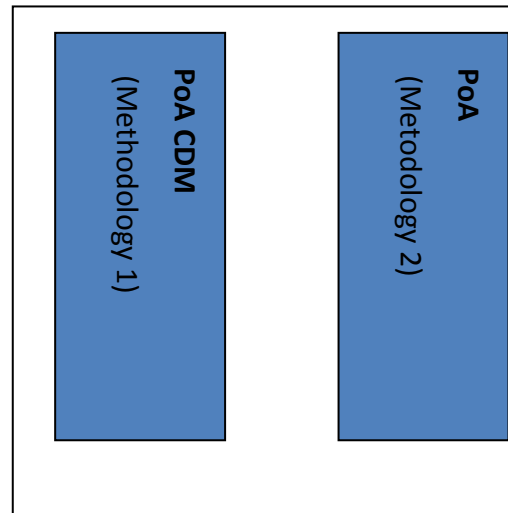
National Policy / Policy Objectives/Focal Point

Sectoral Umbrella Program – Energy (e.g.)
National or Sub-national scope
Low carbon impacts / local co/benefits



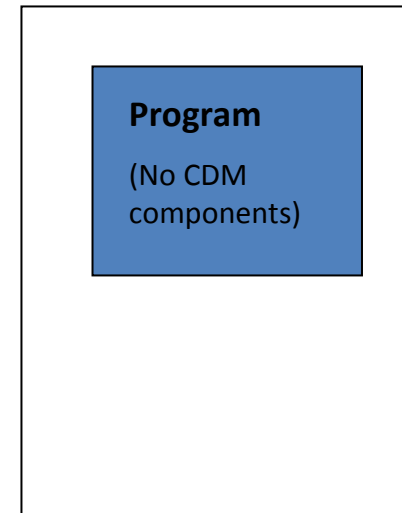
Mixed

**Program &
Project CDM**



'Programmatic CDM'

**(Program of Activities PoA
CDM)**



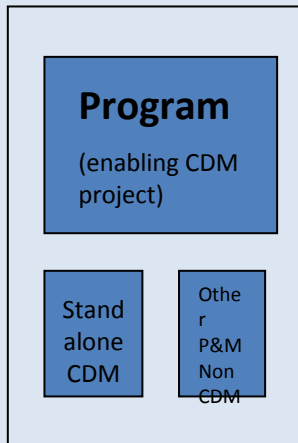
Low Carbon Program

**- No current carbon
component –but potentially
new unit**

Strategic Program-Based Approaches

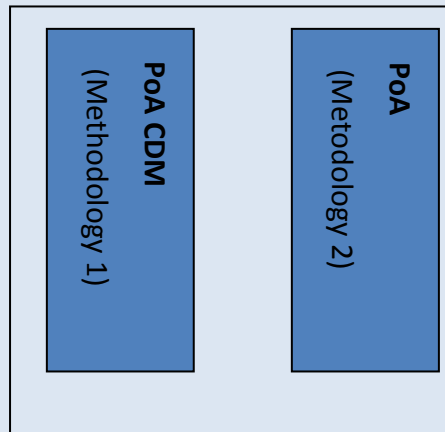
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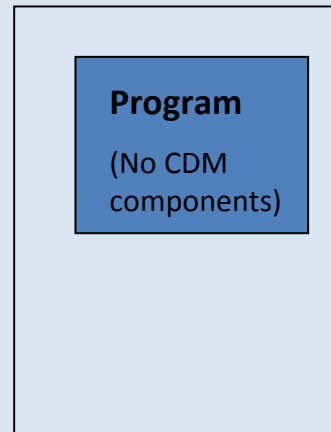
Mixed

Program & Project CDM



'Programmatic CDM'

(Program of Activities PoA CDM)



Low Carbon Program

- No current carbon component –but potentially new unit



A Pre-2012 setting...

- Under current instruments
- Within domestic policy scope
- Not hostile to private or multilateral finance
- Providing an incentive for govt domestic action
- Allowing for post 2012 evolution

Parallel and nested MRV methodology from programs – by sectors and/or regions as appropriate

Strategic Program-Based Approaches – one evolution option...

National Policy / Policy Objectives/Focal Point

Sectoral Umbrella Program – Energy (e.g.)
National or Sub-national scope
Low carbon impacts / local co/benefits

**Program
P&M**

(enabling Carbon
Finance)

Carbon
flows

Other
enabli
ng enviro
nment

Carbon Flows

Financial blend
to support
underlying
development
shift

**Underlying UNFCCC
and non UNFCCC
Project and other
finance**

SD PAMs

With no
carbon flows

**Domestic Low Carbon
and climate resilience
Policies and Programs**

Parallel and nested MRV methodology from programs –
by sectors and/or regions as appropriate

A Post 2012 setting...

- MRV nested methodologies to account for degree of country action
- Action Reflected in new units –uERU
- uERUs could be sold into markets and/or discounted according to differentiation schemes

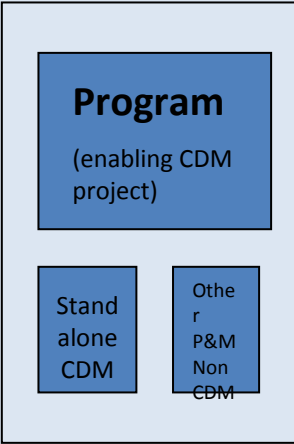
Unilateral
emission
reduction units
uERUs

-
Reflecting
MRV degree
of country
action

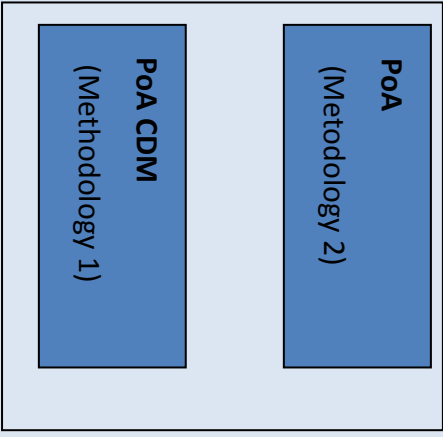
Strategic Program-Based Approaches – and another...

National Policy / Policy Objectives/Focal Point

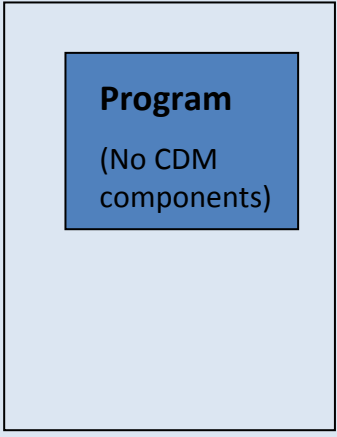
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Low Carbon Program
- No current carbon component –but potentially new unit



You just remain in a Pre-2012 setting...

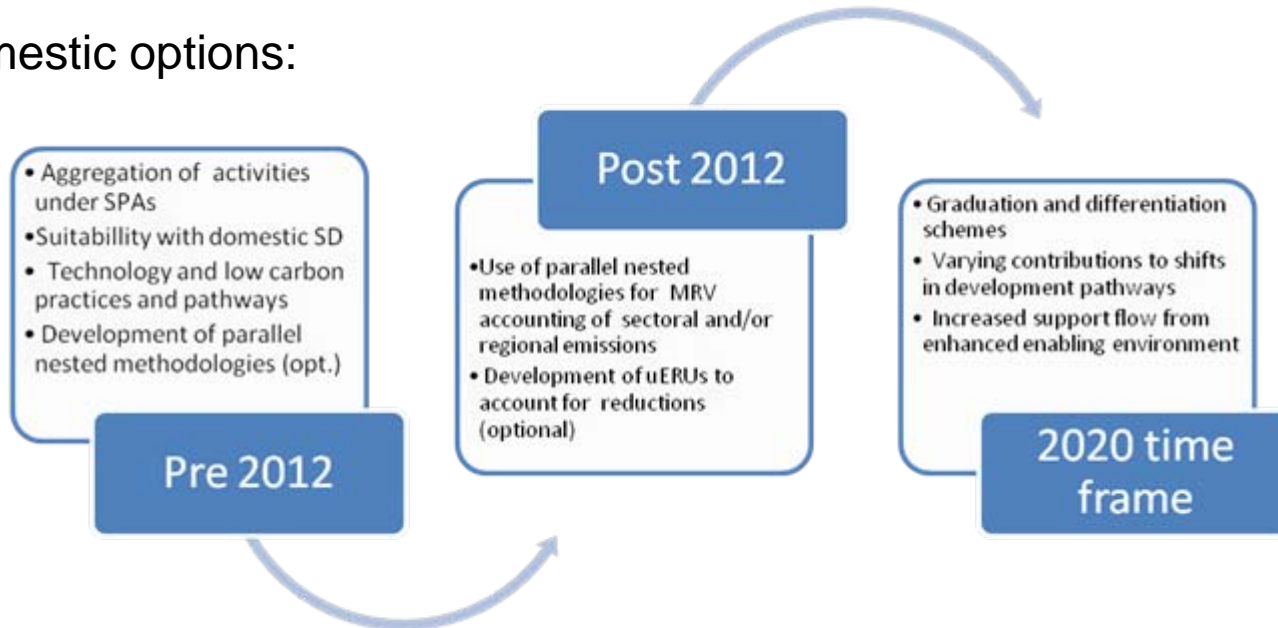
- Under current instruments
- Within domestic policy scope
- Not hostile to private or multilateral finance
- Providing an incentive for govt domestic action

...but without precluding future evolution pathways

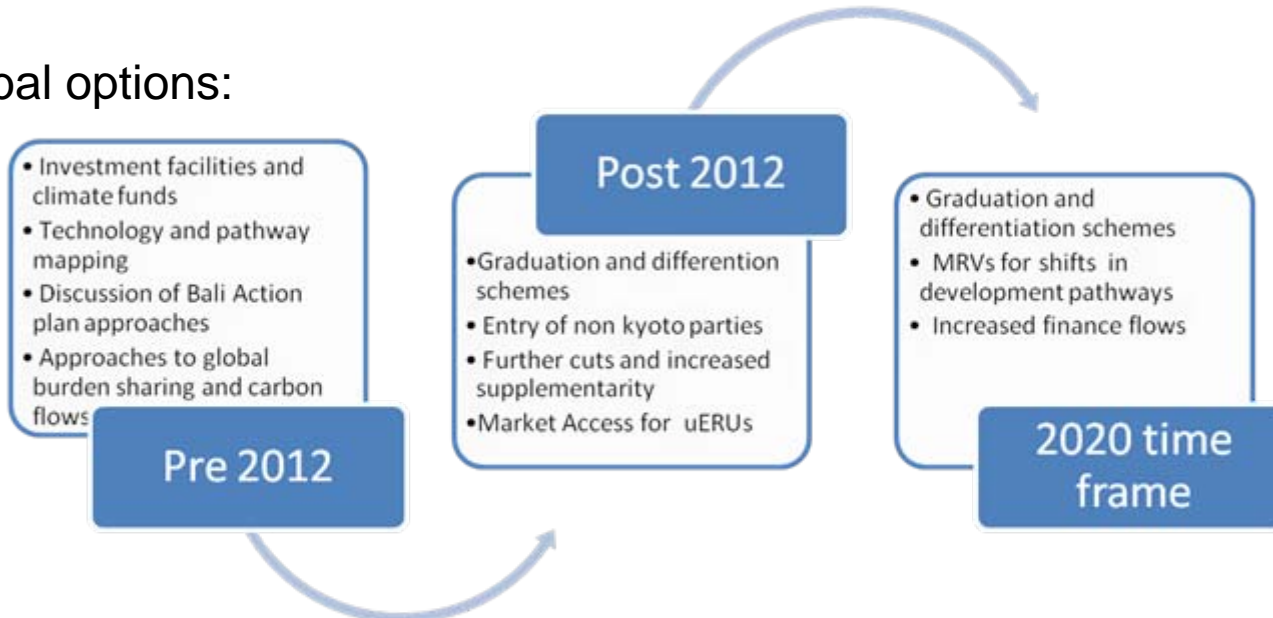
Parallel and nested MRV methodology from programs – by sectors and/or regions as appropriate

A time frame: what to do when?

Some domestic options:



Some global options:



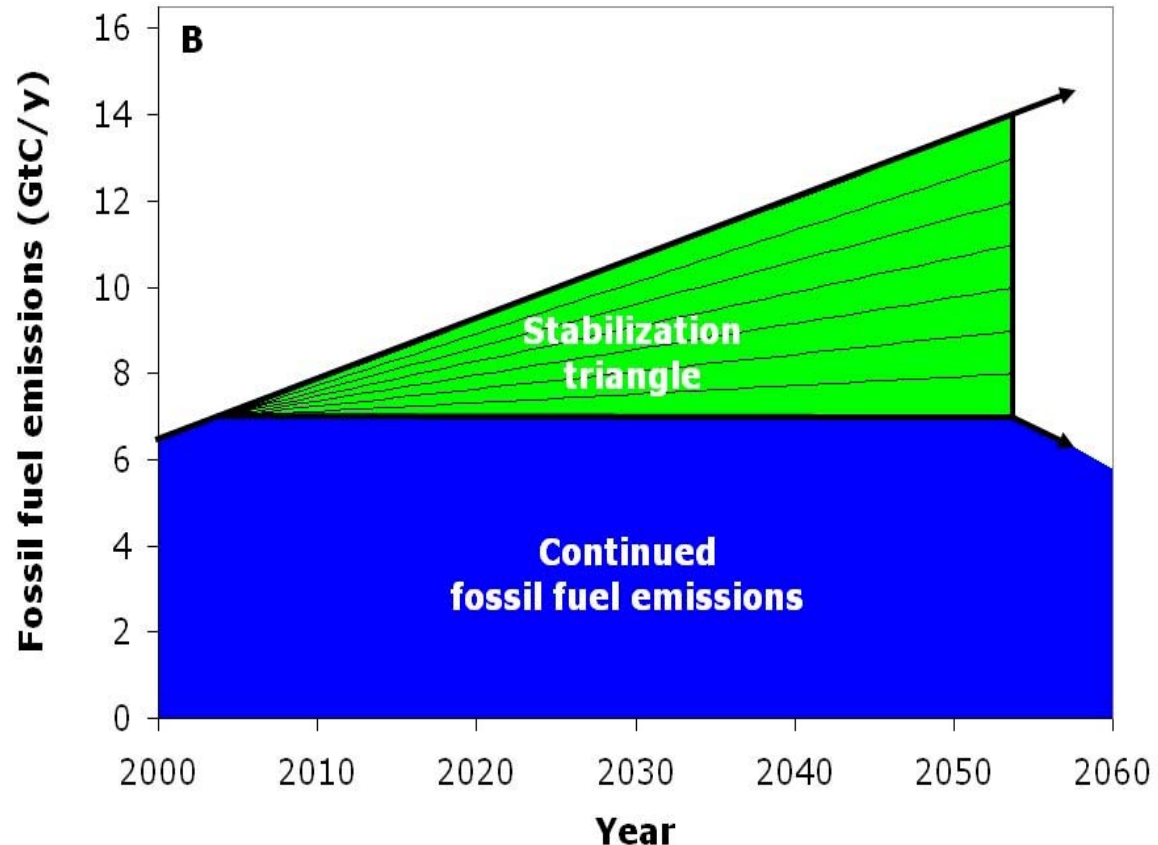
Coherent with global technological wedge reduction sectoral composition (e.g. Paccala and Socolow)

The wedges approach argues the required technologies are basically known – but not deployed at the scale required

Wedges are likely to vary in distribution by regions...

...be deployed in developed and developing countries...

...and comprise regional wedge technological and low carbon practice pathways accordingly



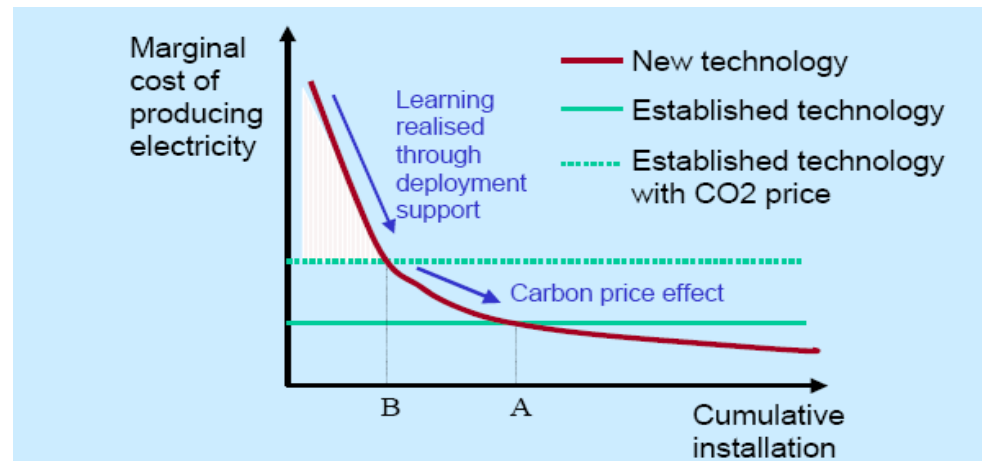
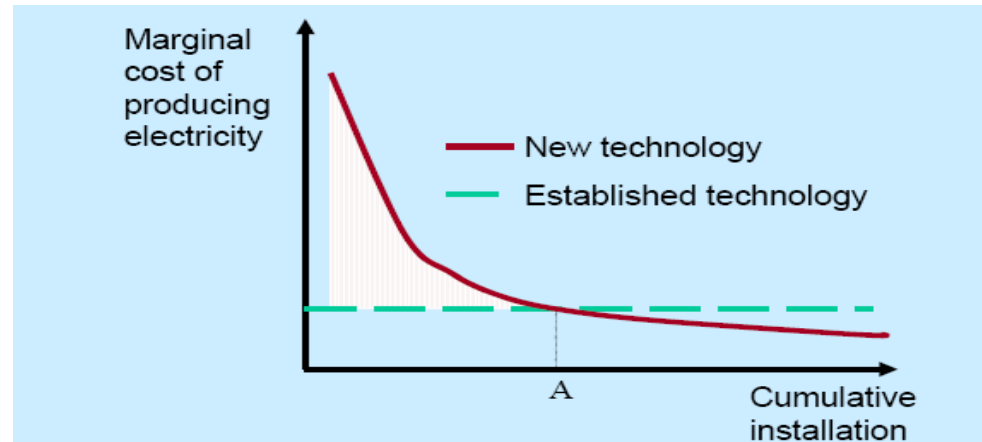
wedges opportunities and interests are likely to vary by regions

Coherent with deployment at scale at a global level (e.g. Stern, among others)

As technologies are deployed, their associated costs tend to diminish due to learning by doing

Impacts magnified if

- 1) there are possibilities for learning by research (i.e. including joint R&D mechanisms)
- 2) Carbon pricing to signal an interest for low carbon technologies
- 3) Focus on potentially scaleable technologies -and not always necessarily cutting edge
- 4) Subsidies cut



Increasing the scale, coupled to carbon scarcity and pricing, and technology support, should help decrease costs and increase technological uptake globally.

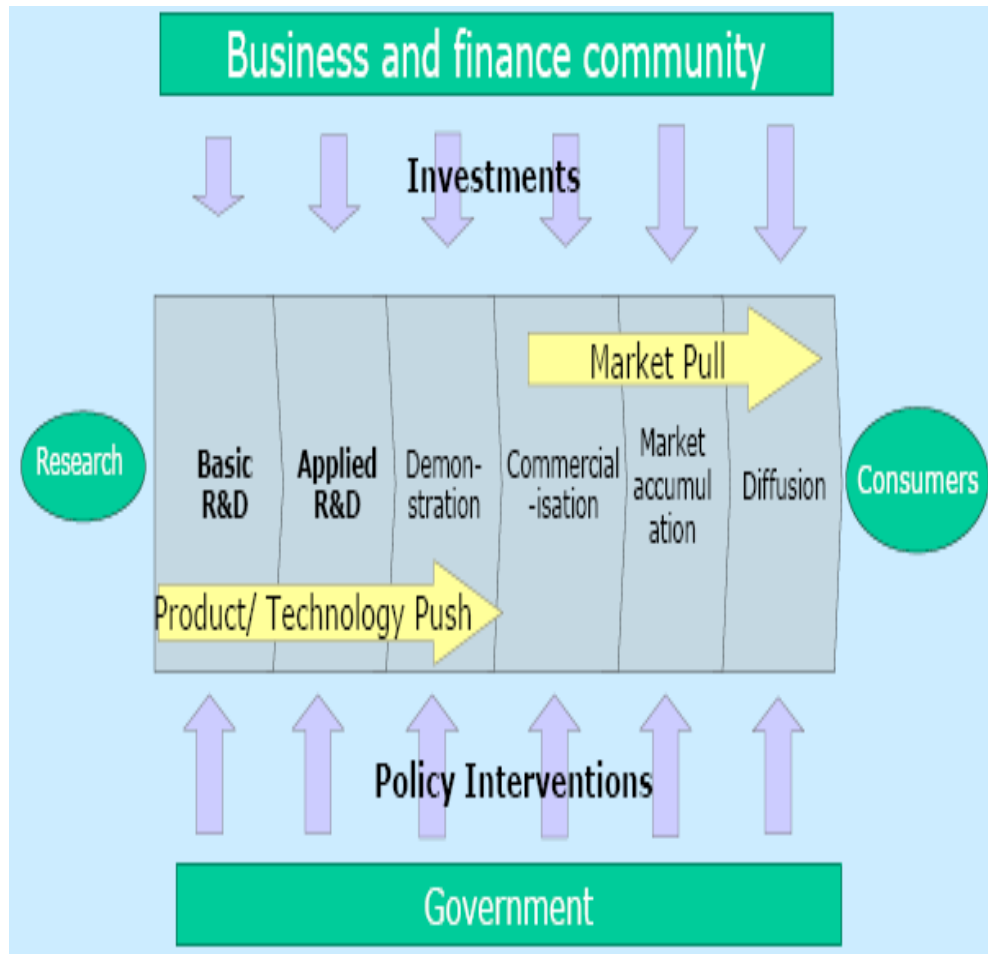
Coherent with movements within the Innovation cycle (Grubb, et al. amongst others)

Horizontal Tech Transfer:

Through the innovation chain

Vertical tech Transfer

Through regions / partners



Policies can support innovation to move through the innovation cycle

Push Policies

(technology / industrial)

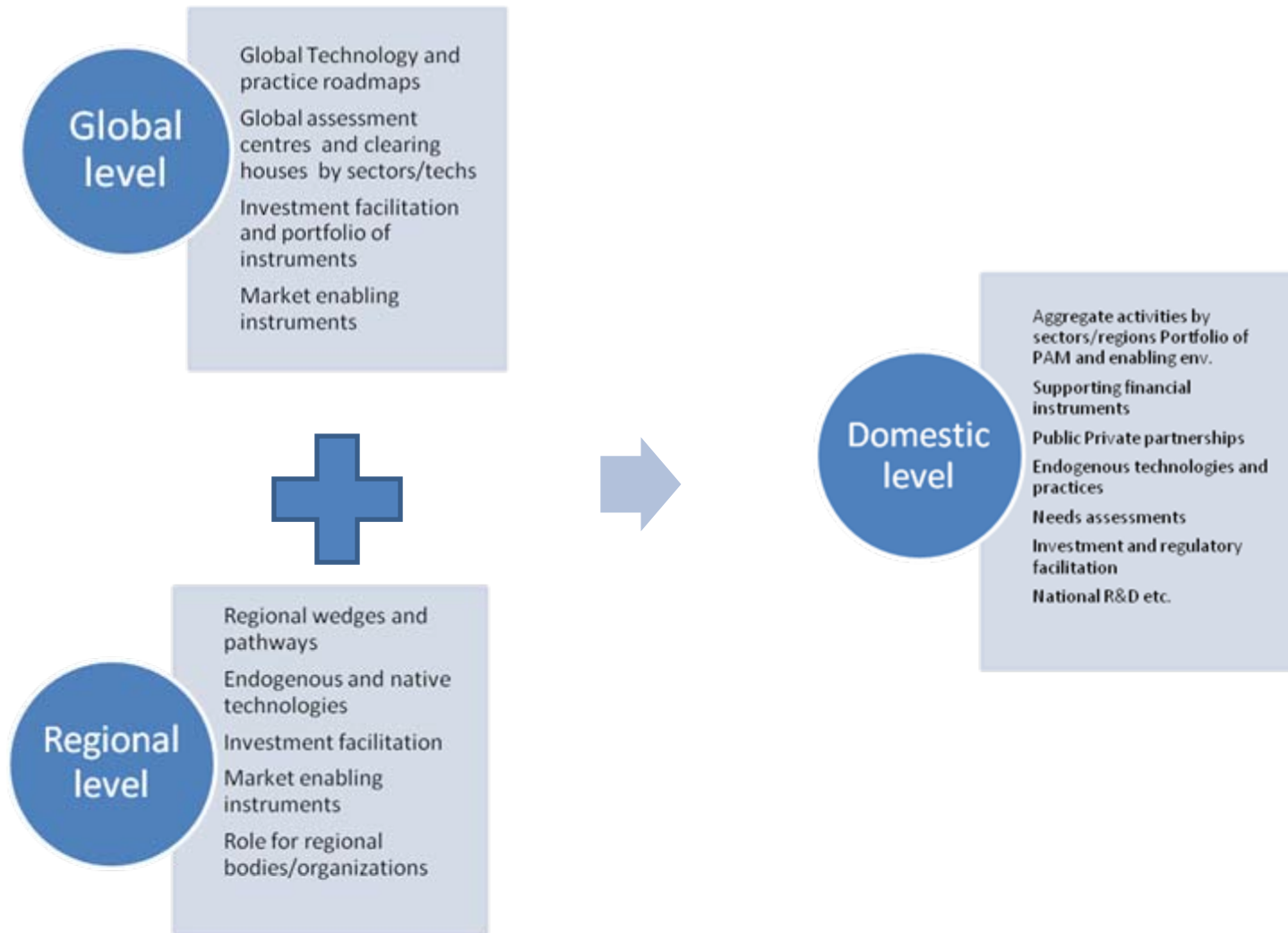
Pull Policies

(market driven policies)

While expanding knowledge -and not only capital

This can be seen at the national level, but also at the international scene

Coherent with technology cooperation schemes for sectors (e.g. IEA, OECD, EGTT, UNFCCC –amongst others...)



Where it stands in the process?

- Not against the grain of non Annex I submissions so far –including those from LAC.
- Not incompatible with Annex I submissions' emphasis on addressing sectors (as expressed by e.g. Japan) as have resulted in agreed Bali Action text
- Components included as a main option within World Bank UNFCCC submission as a scaling up vehicle
- Included as a delivery component for the EGTT strategy paper at its second meeting

All in all...

- Focuses on the ultimate objective of the convention
- ...and does not ignore the common but differentiated principle
- Not imposed from outside, but developed domestically from within
- Flexible to accommodate evolution of the CDM and/or post 2012 potential instruments
- Capable of being deployed by public and private actors...
- ...and of blending financial sources and instruments with different levels of risk and maturity
- Instrument compatible with the scale of financial flows required (as identified e.g. by the Secretariat 2007 finance paper)
- Not hostile to MRV approaches and baselines by sectors –and regions.
- Does not ignore the operation and regulations of existing carbon markets, instruments, and flows
- Coherently responds to mitigation, finance and technology tracks within Bali Action Plan
- ...
- And can be implemented as we speak.