



Ambition
to
Action

NDC Update Report

We have lift off ...

May 2017



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List of abbreviations

A2A	Ambition to Action
BMUB	German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety
COP	Conference of the Parties
CSR	Corporate social responsibility
ECN	Energy research Centre of the Netherlands
DFI	Development finance institution
GCF	Green Climate Fund
GDP	Gross domestic product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (German agency for international development cooperation)
IDB	Inter-American Development Bank
IEA	International Energy Agency
IFC	International Finance Corporation
IIC	Inter-American Investment Corporation
IIGCC	Institutional Investors Group on Climate Change
IKI	International Climate Initiative
INDCs	Intended Nationally Determined Contributions (INDCs)
LECB	Low Emission Capacity Building
LEDS GP	Low Emission Development Strategies Global Partnership
LPAA	Lima Paris Action Agenda
MRV	Measurement, reporting and verification
NAMA	Nationally Appropriate Mitigation Action
NAZCA	Non-State Actor Zone for Climate Action
NDC	Nationally Determined Contribution
OECD	Organisation for Economic Co-operation and Development
SDG	Sustainable Development Goal
SPA	Support Project for the Implementation of the Paris Agreement
UN	United Nations
UNDP	United Nations Development Programme
UNEP	United Nations Environment
UNFCCC	United Nations Framework Convention on Climate Change
WRI	World Resources Institute

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About

About the Ambition to Action Project

This report is an output of the Ambition to Action project, which supports NDC implementation through technical assistance and thought leadership. The project is implemented collaboratively by the Energy research Centre of the Netherlands (ECN) and NewClimate Institute, over a three year period until the end of 2019. Project funding is provided by the International Climate Initiative (IKI) of the German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB).

Ambition to Action's technical assistance aims to support the mainstreaming of climate and development goals at the sector level, through the development of robust evidence quantifying the social, economic and environmental benefits of mitigation actions and pathways. This benefits evidence, for example detailing employment, energy security, and air pollution impacts, will show how sector planning decisions can support NDC implementation as well as national development priorities, and can help reduce policy costs, identify trade-offs, and build stakeholder support for ambitious mitigation approaches at the sector level. The project focusses on the energy sector and provides direct support to Argentina, Kenya, Indonesia*, and Thailand*. A benefits assessment methodology and guidance will be published for use in other sectors and countries.

In addition to sharing insights and lessons on the development and use of benefits evidence, the project's thought leadership work will consider the broader topic of NDC implementation progress. Through a series of twice-yearly reports (of which this is the first), and additional research papers, the project will provide a platform for discussion, analysis and sharing of lessons learned about NDC implementation in developing countries and emerging economies.

*at the time of writing, engagement in these countries has not yet started

About this report

This report is the prologue to a series of update reports on NDC-related topics. The reports will be published twice a year, before international climate change meetings¹, to present analysis, opinion, and discussion pieces. Drawing on the Ambition to Action (A2A) project and input from a wide range of experts and practitioners, the reports aim to be a platform for learning, sharing insights, and discussing topics relevant to technical assistance for implementation of the Paris Agreement.

The reports will focus on mitigation ambition and action in developing countries and emerging economies (with an occasional look at industrialised countries for contrast or comparison). Currently, we are in an 'in-between' phase where lots of action is beginning and initiatives are emerging. As this is the first report and the project is in its start-up phase, this report presents an initial, high level exploration of what is happening on the ground at country level and in the international community.

¹ Climate negotiators, technical experts, and observers typically meet twice a year in Bonn (in May) and in a host country (in November or December) as part of the processes around the United Nations Framework Convention on Climate Change (UNFCCC).

Executive Summary

The Paris Agreement, with the bottom-up country pledges of the nationally determined contributions (NDCs) at its heart, is rightfully hailed as a great diplomatic success. Its ultimate aim of limiting global warming to well below 2 degrees is one of the most important challenges of our time and will require massive dedication of effort and resources across all sectors and actors. But what has been happening on the ground since the signing of the Agreement, and are we moving fast enough to deliver on its goals? For this report, the first of a series that will review and discuss progress on NDC implementation in developing countries and emerging economies on a twice-yearly basis, we looked at recent developments across three different actor groups: governments, international support initiatives, and non-state actors. We observe optimism, confidence, and initiative; but does the action we see now set us up to tackle the implementation challenge ahead?

Understanding the true situation as regards country progress on NDC implementation is undeniably complicated, and the picture will no doubt always be nuanced and open to interpretation. Our survey of experts involved in developing country NDC processes was an initial and necessarily high-level probing of the subject. The responses show a clear perception of the impact of the Paris Agreement at country level, with increased political priority and greater clarity on the actions and finance needed. And while there is recognition of the challenges ahead, there is also high confidence that they can be addressed. Such surveys however can only tell us so much, and the in-depth expert interviews we conducted to complement the survey findings suggest a more cautious interpretation. More work is needed to work out what the key indicators of progress are, and how they could be used to give a true picture of where we are now, and where we are heading to.

At the international level, and in the broad arena of non-state action, we observe that new initiatives to coordinate and step up international support for NDC implementation have been launched and are taking shape, and that non-state actors

show a growing interest in serious climate action. NDCs provide a new topic around which funders and development partners are (rightly) focusing, yet the modalities and details of this support are not yet entirely clear in all cases, and much work is needed to align support for NDCs with efforts to achieve the sustainable development goals (SDGs). Our survey respondents and expert interviewees expressed concern about the coordination and scale of international support provided so far, and whether it was tailored to their needs. These issues must be addressed if the climate and development agendas are to be effectively brought together. Similarly, while the increasingly prominent role of non-state actors in climate action is to be welcomed, there is much work to do to ensure that government and non-state actions complement each other.

So we have lift off, but are we flying in the right direction, and are we going fast enough and high enough?

Individually and at face value, the activity observed by this report at country level and among international and non-state actors looks encouraging. However, it is still early days, and we remain cautious since important questions are still to be answered before we can be confident that the initial NDC implementation efforts we are seeing will translate national targets into meaningful sectoral and non-state actions and emissions reductions.

Future editions of this NDC Update Report will dig deeper and aim to shed light on the status of NDC implementation and support by investigating two overarching questions in collaboration with partner organisations in the NDC Support Cluster: 1) Whether and how the Paris Agreement and the NDCs are leading to increased action on the ground, and 2) which tools and competencies, and support, are needed to help governments in developing countries and emerging economies translate NDC ambition into implementation at the sectoral level. Our aim is share much-needed information and analysis, and provide a platform for discussion and exchange on this critical topic.

NDC IMPLEMENTATION WE HAVE LIFT OFF!

BUT ARE WE FLYING ...

IN THE RIGHT DIRECTION?

FAST ENOUGH?

HIGH ENOUGH?

DESTINATION
1.5° WORLD

INTERNATIONAL
SUPPORT

**Dedicated
NDC support**
coordination,
and collaboration
emerging

NON-STATE
ACTION

**12,500
commitments
on NAZCA
and counting**

GOVERNMENT
ACTION

Survey finds
over 80%
see climate change
as political priority

2040

2030

2020

2015

This report looks at three different actor groups and observes optimism, confidence, and initiative. However, is the action that we see now enough to tackle the massive implementation challenge ahead?

Future editions will provide a platform to discuss unpacking the implementation challenges, sectoral NDC fitness and progress on the ground, and tools necessary to navigate the journey ahead.

1. Introduction

The 2015 Paris Agreement is rightly hailed as a great diplomatic success, as the world finally agreed on a future framework for “strengthening the global response to the threat of climate change” (UNFCCC 2015b; art. 2). The ultimate aim of the agreement is to put in place a post-2020 international climate regime that can keep global warming well below 2 degrees. This will be no mean feat: in order to stay on course for the temperature goal, global emissions will need to peak around 2020, or soon after, and full decarbonisation is necessary in the second half of the century.

The cornerstone of the Paris Agreement is formed by the Nationally Determined Contributions (NDCs): the bottom-up pledges that each country put forward as their share of reducing global emissions. Although there has been much praise for the speed with which the Paris Agreement has been adopted (November 2015) and entered into force (November 2016), the Intended Nationally Determined Contributions (INDCs) that were submitted collectively fall short of the emissions reduction needed to stay well below 2 degrees, and the credibility of some of the INDC pledges put forward in the first round has been questioned². Preparation time for the INDCs was short and we know anecdotally that some of the processes to produce INDCs were rushed or, in some cases, outsourced to international experts. So while the Paris Agreement signifies a breakthrough in international cooperation on climate change, firmly rooted in bottom-up voluntary commitments by nearly all governments around the world, it is only when life is blown into the agreement, through the implementation of the actions necessary to achieve the emissions reductions targeted, that we can assess its true value.

In recent years, we have seen a glimpse of the possible effects of climate change on the real world: global surface temperature records have been broken for three consecutive

years, coral reefs are dying, and glacial melting has recently caused an entire river to change course³. Climate scientists are hesitant to make statements on singular events in relation to global climate change. What they do know however, is that there is a direct relation between greenhouse gas concentrations and global average temperature and that there is a finite remaining carbon budget if we are to stay within the limits agreed in Paris (well below 2 degrees)⁴. Estimates of the remaining carbon budget vary between 12 and 30 times current annual emissions, according to a recent overview published in Nature Climate Change (Rogerlj et al., 2016).

Based on the submitted INDCs, the International Energy Agency (IEA) signalled in advance of COP21 in 2015 that proposed pledges would “fall short of the major course correction required to achieve the agreed climate goal” and would be consistent with a global temperature rise of 2.7 degrees (IEA, 2015). The UNEP Emissions Gap Report and the Climate Action Tracker, two initiatives that track the difference between ambition (the NDCs) and goal (staying well below 2 degrees), give further reason for concern: the Paris Agreement goals require “stronger short-term action and deeper cuts in the medium and longer term” than previously communicated (UNEP, 2016). In December 2016, the Climate Action Tracker found that the unconditional NDC pledges will get us to 3.2 degrees, and the conditional pledges to 3.0 degrees.

One year after Paris, national climate policies show insufficient ambition: of 25 countries that jointly represent over 80% of global emissions, only 5 are found by the Climate Action Tracker to be compatible with the 2-degree pathway, and 14 are deemed inadequate (CAT, 2016b). Therefore, in addition to putting existing pledges into action, Parties will also need to raise ambition. The Paris Agreement provides a framework for this: in an iterative process of five-

² See for example (Averchenkova and Bassi, 2015), who analysed the credibility of 620 INDCs.

³ See The Guardian, April 17th 2017 “Retreating glacier causes immense Canadian river to vanish in four days” ([Link](#))

⁴ A full review of available scientific knowledge on climate change was last done by the Intergovernmental Panel on Climate Change (IPCC) in 2014, and the next full assessment is scheduled for 2022. On invitation of the UNFCCC, the IPCC is preparing a special report on 1.5 degrees to be published in 2018.

year cycles, countries are expected to pledge increasingly ambitious contributions, while progress is monitored. The first dialogue on progress is planned for 2018 and the first NDC revision is due in 2020.

With a global temperature goal, and the pledge of countries to take on emissions reductions, the required overall (long-term) direction is clear. At the same time, and despite the urgency of collective action, national governments have the flexibility to determine the ambition and implementation of their NDC; and the speed and timing of national policies to reach this are likely to vary across countries and sectors. National governments are in the driving seat: although the bulk of the emissions reduction actions will come from businesses and individuals, it is governments who need to make this possible by setting rules and regulations, by (dis)incentivising certain choices over others, and by shifting infrastructure plans and investments.

The following chapter will sample what is happening by national governments. It presents the results of our survey among national NDC experts followed by a short reflection on the survey outcomes based on own analysis and interviews with international practitioners. Chapter 3 takes a look at the world of international cooperation and in particular a number of recently established NDC-specific initiatives to coordinate support, while Chapter 4 briefly illustrates the increasingly prominent role of non-state actors such as businesses and cities. Chapter 5 wraps up and sets the agenda for future editions of this NDC Update Report.

2. National action: confidence and cautious optimism

For this report, experts involved in national NDC processes were invited to reflect on efforts made towards NDC implementation since the adoption of the Paris Agreement. Through a survey, complemented with interviews, they were asked what has changed, which activities are being undertaken and where challenges are expected, and what countries' international support needs are. Also, we asked experts for their impression of progress so far, their confidence that the current NDC can be met, and where there is room for increased ambition. The findings presented here are based on responses from around 80 professionals from developing countries and emerging economies, who answered multiple-choice and open questions across five themes in March and April 2017. In addition, we interviewed a (small) number of international experts to reflect how the findings resonate with their day-to-day experience in providing in-country support to NDC processes.

A fair assessment of progress on NDC implementation takes more than asking around, and we would like to emphasize that our approach for this edition of the report by no means justifies generalised statements about 'all NDCs, countries, or sectors'. That said, it does constitute a starting point for discussion and presents an up-to-date sample of the 'mood' among experts and policy makers who are directly involved in translating NDC ambition to sectoral action. The results presented here form the starting point for the development, together with a range of experts, of a more robust approach to assessing and understanding implementation progress for future editions of this report.

What has changed since Paris?

The Paris Agreement has undoubtedly created momentum and helped link different stakeholders and processes, including those that had previously not been involved. It thereby created stronger awareness of climate change in general. When asked whether addressing climate change is seen as a political priority, respondents move from modest agreement that it was a priority before the Paris Agreement, to firm agreement after. Before Paris, adaptation was reported to have higher political priority than mitigation for many countries, but the level of importance has evened out since. The 2015 United Nations Climate Change Conference (COP21) in Paris seems to have initiated quite a push for inter-ministerial coordination on climate change, moving from less than 60% to over 80% of respondents indicating that this has priority. The direct involvement of high-level political decision makers has (at least temporarily) put mitigation and adaptation high on the agenda.

Turning from political priorities to views on what needs to be done, respondents were moderately in agreement that the options available to reduce emissions were clear before Paris. This has changed considerably since the Paris Agreement, to almost 90%. Clarity on the associated benefits of mitigation actions (e.g. employment, energy security, air quality) moved from 50% before the Paris Agreement to 75% after. The technical and financial support needs were also considered to have become much clearer post-Paris by our survey respondents.

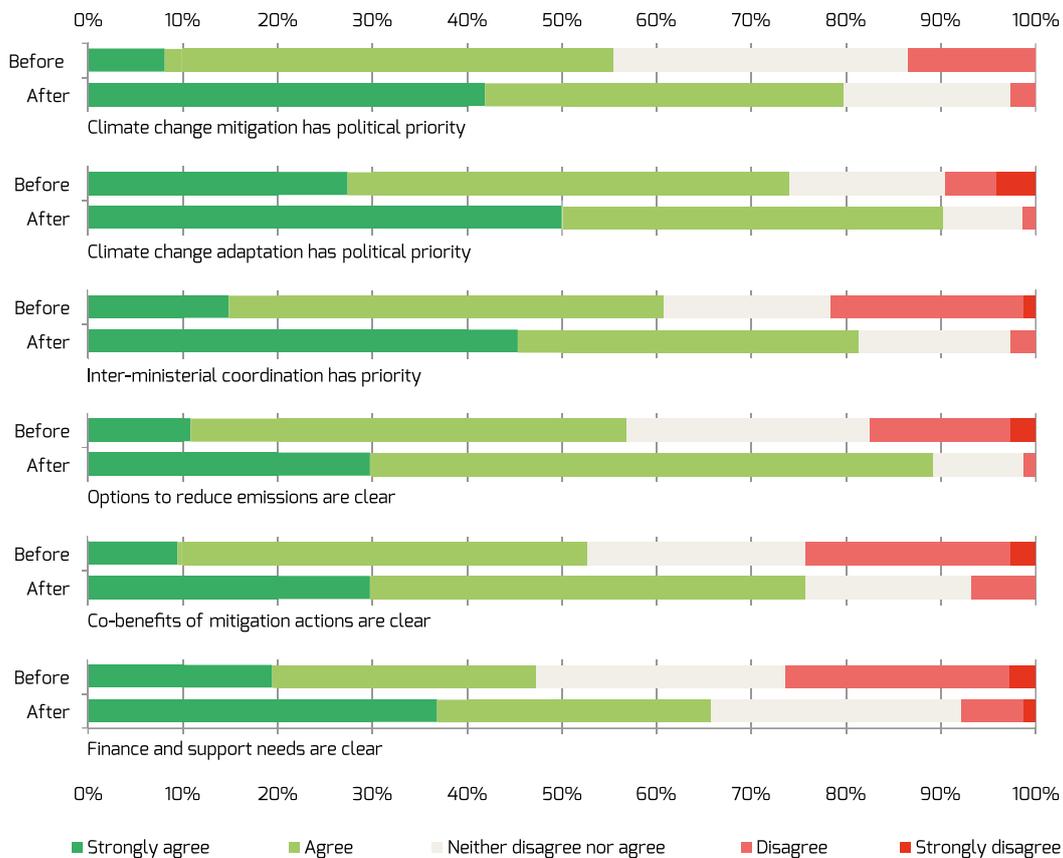


Figure 1: What changed since the Paris Agreement was adopted?

Activities, challenges, and international support

Over half of respondents to our survey indicated that since COP21 their governments have undertaken **activities** such as further analysis on which actions are needed to reach the NDC ambition. Many countries seem to have initiated (or continued) the development of an NDC roadmap and/or sectoral pathways, and are working on new institutions or improved institutional processes. Relatively few indicated that their governments have established new laws or funding mechanisms since, which is not surprising given the long lead times typically involved in these types of initiatives. Overall, it seems that much of the recent activity has been more tactical in nature than strategic, which is further illustrated by the fact that two-thirds of respondents stated that new applications for funding have been submitted, for example to the Green Climate Fund (GCF).

An ambitious shift to a low-carbon pathway inevitably comes with **challenges**. Respondents identified several issues as likely to be more challenging than others, including private sector buy-in, assessing economic impacts and support needs, as well as aligning government processes. Getting sufficient buy-in from private stakeholders, arguably a fundamental requirement for the change ahead, ranked highly, especially compared to public sector buy-in: more than 70% felt that gaining private sector buy-in was either likely or highly likely to be a challenge, with only 6% expecting it not to be challenging. By comparison, almost 30% did not expect securing public sector buy-in to be a challenge. Assessing economic impacts, and assessing support needs were similarly felt to warrant further attention, with over 70% viewing this as likely or highly likely to be a challenge.

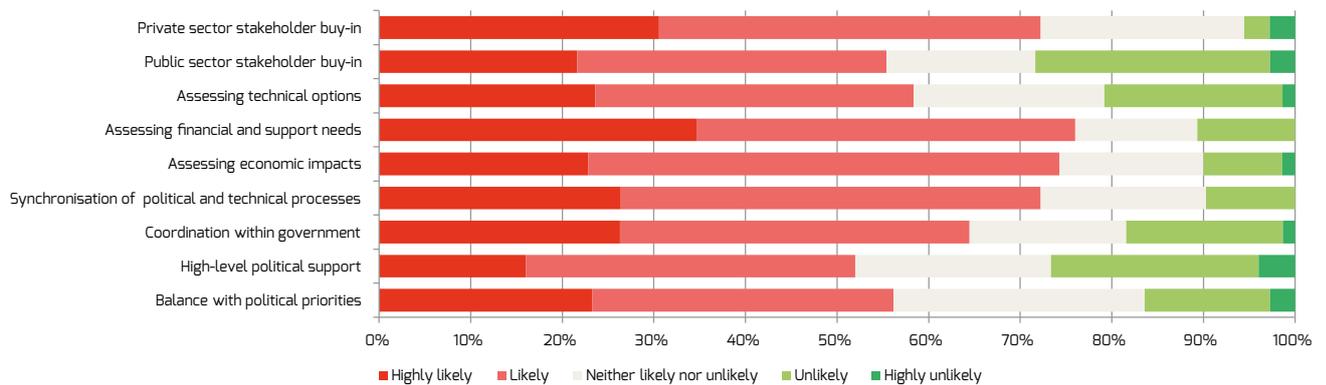


Figure 2: In which area(s) would you expect to encounter challenges with the sectoral implementation of the NDC?

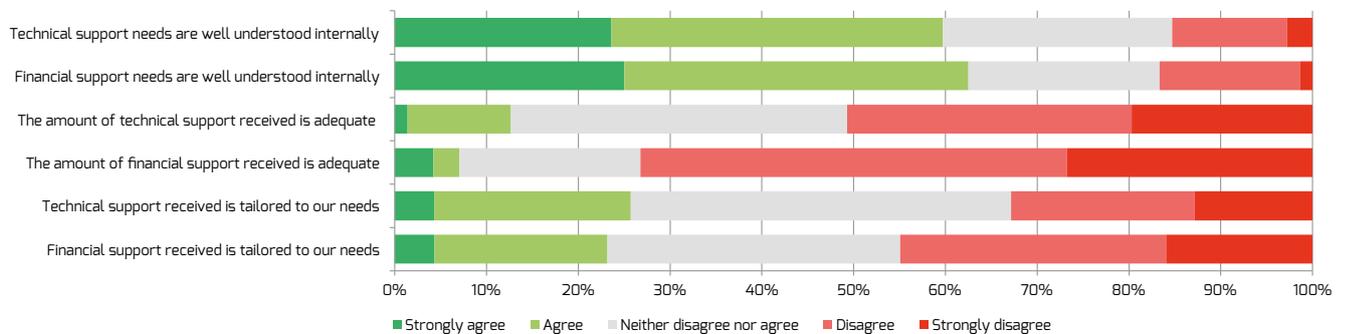


Figure 3: What is your impression on your country's international NDC support needed and received?

On support needs, if we compare this response to the over half of respondents who agreed that since the Paris Agreement their support needs are clear, this could be a sign that the magnitude of support needed has become clearer, but specifics are yet to be detailed and remain a challenge. One final area that respondents viewed as more challenging was the synchronization between political and technical processes; more than 70% felt that was likely or highly likely to be a challenge. This echoes previous analysis on INDC preparation which identified the synchronisation of the technical and political process as a key challenges and major source of delay in the preparation process (NewClimate Institute/GIZ, 2016). Areas that respondents saw as a little less likely to be a challenge were gaining high level political support, securing public sector buy-in, balancing political priorities and assessing technical options (though in all cases at least 50% still felt these areas to be at least likely to present a challenge).

International support is an integral part of the Paris Agreement, and crucial for reaching the conditional pledges. The majority (about 60%) indicate that technical and financial support needs are well understood, but only a small proportion (around 10%) considers the actual amount of support received to be adequate. 35-45% either disagreed or strongly disagreed that support is currently tailored to the country's needs.

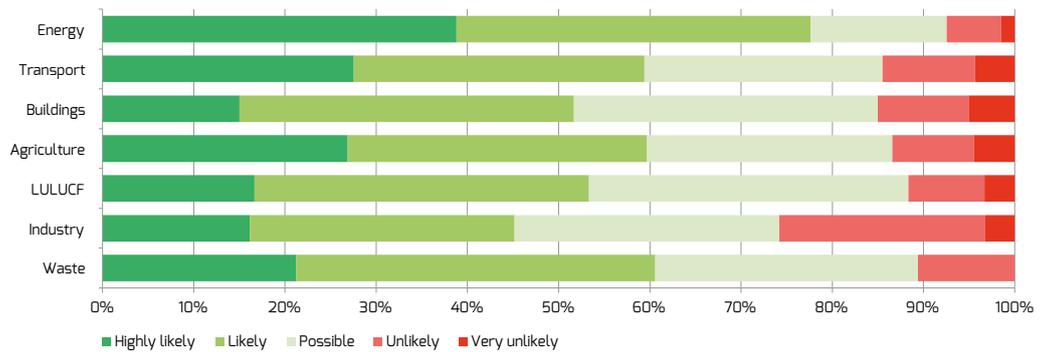


Figure 4: In your view, in which sector(s) could your country achieve higher ambition than in the current national NDC?

Ambition, progress, and confidence

To the question “In your view, in which sector(s) could your country achieve **higher ambition** than in the current NDC?” the response was largely optimistic across all sectors. There is room for increased ambition across the board from energy, transport, industry, waste, and buildings, to agriculture and land use (change). The results for industry are least optimistic, with 25% thinking it unlikely or very unlikely that higher ambition could be achieved. The energy sector stands out positively with almost 80% stating that increased ambition is either likely or highly likely to be possible.

When asked about the **progress** that governments have made on different aspects of their NDC, the answers tend to gravitate towards ‘moderate’. Above average progress is reported on identifying what needs to be done (actions), and on translating NDCs into sector targets (with more than 50% rating progress on these aspects as ‘good’ or ‘very good’). In contrast, significantly below average progress seems to have been made on securing funding for actions to reach the NDC (with almost 60% rating progress here as ‘low’ or ‘none’), and on securing political support from public and private stakeholders (only 26%

rating progress as ‘good’ or ‘very good’). Despite significant efforts on setting up accountability frameworks (MRV and Transparency) over the past years, the majority of respondents indicate that progress in this field is moderate at best. We observe similar results from the same questions at a sectoral level, albeit from a smaller sample.

Turning to the future and respondents’ level of **confidence** in different areas of NDC implementation, in general, responses followed a similar pattern to those about progress so far. High levels of confidence are reported about identification of actions and translation of NDCs to sector targets. The lowest confidence is seen about securing funding (only 31% having ‘very high’ or ‘high’ confidence, compared to 60-65% for identifying actions and sector targets). In all six areas of the survey, respondents were more optimistic in their answers about their level of confidence, i.e. future achievements, than they were in their assessment of progress so far. Where only 13% saw progress on securing funding as good or very good, 31% had high or very high confidence about it, and where only 26% saw good or very good progress on securing political support, 48% reported high or very high confidence about this area.

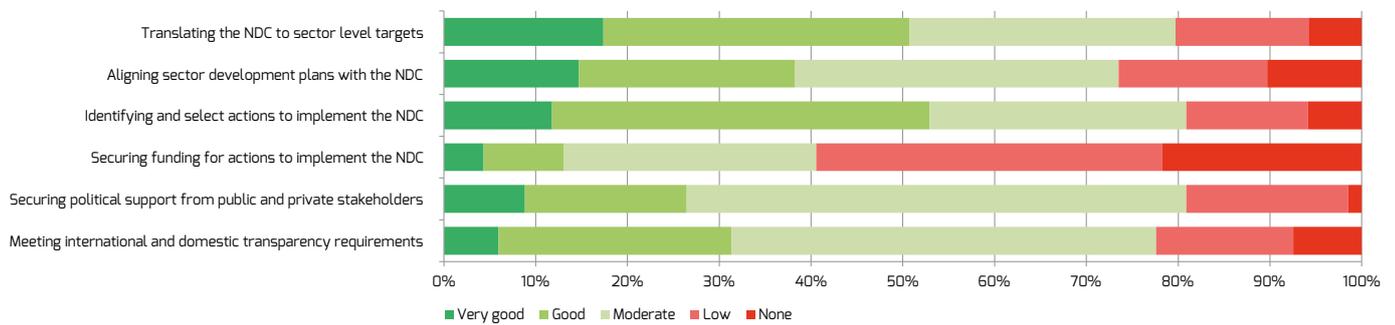


Figure 5: What would you say is your country's progress on...?

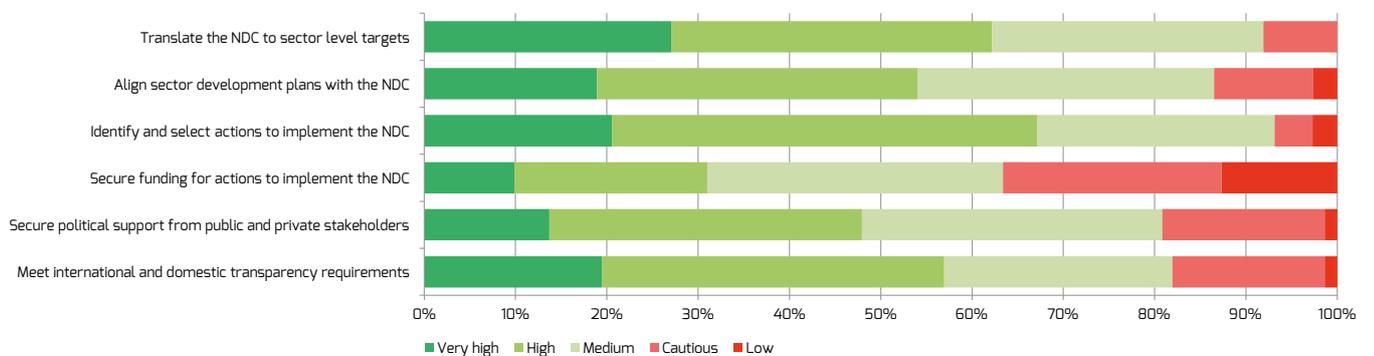


Figure 6: What is your level of confidence for your country to...?

Discussion

If we look at the survey results presented here, and take these at face value, it shows optimism and gives the impression that governments are making moderate to good progress across a range of areas, and are confident and ready to implement their NDCs as soon as financial support and investments materialise. Interviews with experts on the other hand point to a more nuanced and cautious reality: ambition, progress, and confidence are highly dependent on context variables such as national circumstances.

The capacity of many developing countries to absorb international support is limited, and some countries appear to receive so much **technical assistance** that it leaves their government climate change units overwhelmed. In these cases, coordination of support is definitely welcome – both from donors but also on the side of the beneficiary government. The support provided has so far been concentrated on specific areas while leaving others

neglected: certain sectors (e.g. energy) and topics (e.g. transparency) are receiving a lot of attention because of their potential mitigation impact or importance to the international process, while in sectors such as agriculture and forestry, which have significant potential for increasing resilience and adaptation, NDC support is not being offered at scale. Engaging the domestic **private sector**, which is essential to boost investments and absorb support, continues to be somewhat uneasy: technical assistance projects may involve local banks and other commercial parties in preparatory activities, but engagement by international experts too often stops, or is interrupted, before the step towards implementation is made (in the words of one expert, “and this is just where it gets interesting for local businesses”). In order to provide effective and efficient implementation support for NDCs, a frank and open discussion is needed on how NDC support can build on lessons from NAMA (Nationally Appropriate Mitigation Action) development so far, as well as from decades of development finance experience.

Practitioners signal that there is excitement among developing country governments about the prospect and promise of **financial support** and **investments** related to the implementation of the Paris Agreement. The more ambitious the NDC is, the more likely countries will be eligible for financial support – or at least that seems to be the slightly misguided reasoning. There does appear to be a mismatch in expectations here: while developing country governments may have huge expectations on financial support, and mainly would like to receive grants, in reality the majority of the climate finance will likely come in the form of (concessional) loans and private sector investments.

The speed with which INDCs were developed and submitted allowed for the Paris breakthrough, but the other side of this coin is that some of the **INDCs may have been rushed** at the expense of domestic sectoral buy-in. There are positive examples where the INDC process has initiated economy-wide engagement and impact assessments, and inclusive participatory validation processes, but it is also known anecdotally that (at least) several INDCs were constructed by international experts with little or no validation. In many countries, those in charge of the NDC process at national government level, now face the challenge of having to bring sector stakeholders on board at a late stage in the process.

Interviewees indicate that differences across sectors are so important that statements about the 'overall confidence of reaching the NDC targets' are not that useful to gauge implementation progress; while the energy target, for example, may be highly ambitious and just about feasible, in the same country the land-use pledge need not require any additional effort (or vice versa).

Understanding the true situation as regards country progress on NDC implementation is evidently complicated, and the picture will no doubt always be nuanced and open to interpretation. Our survey was an initial and necessarily high-level probing of the subject, and one whose results can only tell us so much, as also suggested by the expert interviews we conducted. More work is needed to work out what the key indicators of progress are, and the right questions to ask. We need to be clear on whether the information can realistically be gathered, and how the results can be used. For example, should the objective be to give an aggregate view of implementation progress, or to identify specific countries that are leading or falling behind? Or should such information be principally used to identify gaps and areas of weakness, to help better targeting of technical and financial support? Over the coming months, and in advance of the next edition of this report, we aim to give thought to this issue, in collaboration with the community of NDC experts, so that future surveys and analyses in these reports can better shed light on national action and the state of NDC implementation on the ground.

3. International cooperation: stepping up and coordinating support

2015 will likely be remembered as the year in which the United Nations reached a breakthrough on the two major challenges of our time: the adoption of a post-2020 regime for addressing climate change (the Paris Agreement) and the definition of a unified agenda to put the world onto a sustainable development pathway (Agenda 2030 for Development). Achieving both simultaneously requires unprecedented international collaboration, mutual learning, and intensified and well-coordinated support. This chapter briefly introduces the increased coalescence of the climate and development challenges and support, and highlights a number of emerging initiatives centred on advancing NDC implementation.

Climate and development

Through the adoption of the SDGs, 193 countries implicitly acknowledge the strong linkages between furthering sustainable development and addressing climate change. How to connect these twin goals was one of the key questions when formulating the SDGs: while the majority of countries agreed that addressing the larger climate question is crucial to achieving sustainable development, there was less agreement on whether climate should be mainstreamed across the SDGs or whether it also warranted a standalone goal.

The compromise that was eventually reached saw the creation of a separate goal on climate change (Goal 13: Take urgent action to combat climate change and its impacts) but with a footnote explicitly acknowledging the

UNFCCC as the primary international, intergovernmental forum for negotiating the global response to climate change. The SDGs on the other hand are a broader framework to be mainstreamed across all UN programmes and agencies (Sharp & Van der Kooij, 2015).

While linking climate and development may sound an obvious priority, it is not necessarily easy to achieve in practice. Although there is growing consensus that achieving sustainable development without tackling climate change is no longer possible, it is not always clear how to integrate both in an effective and efficient way, and trade-offs may be involved⁵. Such potential trade-offs should therefore be identified early on and synergies should be harnessed to the greatest extent possible. In the words of the new UNFCCC Executive Secretary Patricia Espinosa: integrating climate and development agendas into one is “a simple truth but a complex task”, and climate and development must be addressed together (Espinosa, 2016; UNFCCC, 2016a).

While international momentum to strengthen the linkages between the two is building, in many countries the on-the-ground reality is somewhat different, and mainstreaming climate considerations into development plans remains a major challenge for countries. For example, in many countries climate and development agendas are traditionally dealt with by different institutions and linking the two issues will mean adjusting institutional structures to avoid overlaps and inefficient use of resources.

⁵ See Northrop et al. (2016) for potential alignments and synergies; see Dercon (2012) for an analysis showing that greening growth is not automatically beneficial for poverty reduction.

There is still a lot of uncertainty about how NDCs link to SDGs in practice, and how trade-offs between the two can be addressed - these challenges are especially pertinent since credible and systematic documentation of past climate actions and their associated implications for the goals set under the Millennium Development Goals may not be sufficiently known, internalised, and reflected on (Atela, 2016).

Financing NDCs and SDGs

While the Paris Agreement and Agenda 2030 for Development represent newly established guidance for climate and development, the pledge to provide assistance at scale is not: an official development assistance target of 0.7% of donor country GDP has been around since the 1960s and the pledge to mobilising up to 100 billion USD per year by 2020 to address the needs of developing countries regarding their efforts on climate change has its origins in the 2009 Copenhagen Accord (UNFCCC, 2010)⁶. As recently as last year, the OECD published a roadmap in which it reiterates this commitment – with the objective of mobilising 67 billion USD in public finance for 2020 (37 billion bilateral and 30 billion multilateral) while depending on leveraging private capital to match the full amount (OECD, 2016).

The challenge to achieve global transformation is much larger than the 100 billion pledge suggests, and requires a massive shift in current investment flows. According to the New Climate Economy Report (New Climate Economy, 2014), the investment needs in the coming 15 years in urban land use and energy infrastructure alone amount to an estimated 90 trillion USD⁷. The UNEP Inquiry observes that mobilising this amount of investment is likely to require a change in the global financial system: capital needs to be reallocated, risks and responsibilities of financial institutions need to be redefined, reporting and disclosure by financial institutions need to be improved, and national roadmaps for sustainable finance need to be developed and implemented. While there are some encouraging signs that this redefinition (a 'quiet revolution') is slowly taking place, its pace needs to be accelerated to meet the urgency of the challenge (UNEP Inquiry, 2016).

Financing SDGs and NDCs is not only about costs though: the International Finance Corporation (IFC) points out - and illustrates with concrete potential projects – that the low-carbon transition also presents investment opportunities. In their estimate, the Paris Agreement opens up a 23 trillion USD investment opportunity between now and 2030 in emerging markets alone. To unlock these investments, IFC urges governments to integrate their NDC commitments into development plans and budgetary processes, strengthen the overall private sector investment climate, and use limited public finance wisely. Governments must put in place clear and consistent policies – such as carbon pricing, performance standards, and market-based support – and ensure that climate considerations are integrated into other sector policies (IFC, 2016).

Support coordination

Developed and developing countries were quick to realise that implementing the promises in the NDCs would require a step change in government interventions towards low-carbon development, and substantial coordinated international support and collaboration. In order to effectively and efficiently reorient development assistance towards the new climate and development targets, several initiatives to coordinate and provide specific financial support have been established, of which some of the more prominent are briefly introduced below.

The **NDC Partnership** is a coalition of developed and developing countries and international institutions, launched in November 2016 at COP22 in Marrakech. The objective of the Partnership is to enhance cooperation so that countries have more effective access to the technical knowledge and financial support necessary to deliver on their NDCs. The Partnership is guided by its members and assisted by a Support Unit hosted by World Resources Institute (WRI). It is initially co-chaired by the governments of Morocco and Germany. Membership is voluntary and open to countries as well as international institutions and non-state actors that are committed to ambitious NDC and SDG implementation; at the time of writing the Partnership

⁶ See 'History of the 0.7% Target' ([Link](#))

⁷ However the incremental cost of a low carbon pathway of such investment is estimated at (only) US\$ 4 billion, so less than 5% additional investment compared to business as usual.

Box 1: Global NDC Conference 2017

An example of increased coordination is the Global NDC Conference 2017 in Berlin which was jointly organised by the GIZ Support Project for the Implementation of the Paris Agreement (SPA), the UNDP Low Emission Capacity Building (LECB) Programme, and the Low Emission Development Strategies Global Partnership (LEDS GP) in collaboration with the NDC Partnership. The three-day conference brought together around 250 participants from over 60 countries, including representatives from government, selected multilateral and bilateral institutions, think tanks and the private sector, to discuss and exchange on three key dimensions of NDC implementation: integrated governance, finance, and transparency (see <http://www.ndcconference2017.org/>).



The **NDC Leadership Compact** was established in November 2016 as a partnership between the United States government and more than fifteen developing countries from Africa, Asia, Latin America and the Caribbean. The Compact is open to governments on invitation, and has two main objectives: enabling developing countries to move quickly in making substantial progress in achieving ambitious mitigation targets as reflected in their NDCs, and showcasing leadership by partner countries so the countries serve as regional or global role models and inspire replication of their successful approaches by other countries. The Compact operates through two primary components: continued and deepened country-driven technical cooperation with the United States and through a leadership platform in which partner countries can identify areas of NDC implementation leadership they want to highlight and showcase.

Several development finance institutions are establishing tools and approaches to support client countries in aligning their SDG and NDC implementation needs. The Inter-American Development Bank (IDB) and the Inter-American Investment Corporation (IIC) – together the IDB Group, established their **NDC Invest** support platform in late 2016,

designed as a one-stop-shop for clients to turn Paris pledges into investment plans and pipelines of bankable projects, and to provide them with “a comprehensive but also a fairly simple package of support” that can be customised to clients’ needs. The platform comprises four interlinked components: NDC Programmer, NDC Pipeline Accelerator, NDC Market Booster and NDC Finance Mobilizer (see <https://www.ndcinvest.org/>).

The World Bank **NDC Platform** is an easy-to-use, interactive tool that aims to inform a wide range of development initiatives and engagements about countries’ economy-wide and sectoral commitments, and how they translate into implementation and support needs. Established in 2016, the web-based platform presents NDC data in a uniform way and allows users to visualise and summarise NDC data within and across countries. The database does not contain analysis or interpretation but is focused on providing tools that allow users to do that themselves (see <http://indc.worldbank.org>).

The Low Emission Capacity Building Programme (LECB)

is one of UNDP's flagship programmes, spearheading country support for activities related to the Paris Agreement while building on the Programme's longstanding, direct assistance on country-level climate change mitigation action. It was launched in 2011, with support from the European Union, the German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB), and the Australian Government, and has supported 38 countries across the world in transitioning to a low emission pathway through technical and financial support as well as peer to peer knowledge exchange and awareness building. As part of the NDC Cluster, the LECB is the NDC support Programme of UNDP and will continue to provide NDC implementation support to its partner countries (see <http://www.lowemissiondevelopment.org>).

Overall, we observe that new initiatives to coordinate and step up support for NDC and SDG implementation are launched and are starting to take shape. NDCs provide a new topic around which funders and development partners are (rightly) focusing, yet the modalities and details of this support are not yet entirely clear in all cases. Noting the concerns of our survey respondents and expert interviewees about coordination and balancing focus, as well as lessons from past support on mitigation, flexibility in support design and ongoing dialogues between donor and recipient countries seems an important ingredient for NDCs to take firmer shape in the months and years ahead.

4. Non-state action: building on pioneers

In the past few years, non-state actors have claimed an increasingly prominent role in the discussions around the design of a post-2020 international climate regime. This has generally been welcomed by the UNFCCC and countries alike, and attention around non-state action reached new heights in the days and months ahead of COP21 in Paris. Some would say that their show of support for an ambitious climate deal was a crucial ingredient for the momentum behind the Paris Agreement (UNFCCC, 2015a). Non-state action also made it into the final text: the Paris Agreement “Encourages Parties to work closely with non-Party stakeholders to catalyse efforts to strengthen mitigation and adaptation action” (UNFCCC, 2015b; par 119) and “Invites the non-Party stakeholders [...] to scale up their efforts and support actions to reduce emissions and/or to build resilience and decrease vulnerability to the adverse effects of climate change and demonstrate these efforts via the Non-State Actor Zone for Climate Action platform” (UNFCCC, 2015b; par 135).

This high-level recognition of non-state action builds on efforts from the Peruvian and French COP Presidencies, the UN Secretary General, and the UNFCCC Secretariat who collaboratively launched the Lima Paris Action Agenda (LPAA) in 2014. This Agenda was brought into being to catalyse and showcase non-state actions and initiatives, communicate their benefits, and encourage stronger ambition (Wei, 2016). The ‘Non-State Actor Zone for climate action’ (NAZCA) was introduced in Lima in 2014 and has more than 12,500 commitments listed, featuring around 2500 cities, companies, and investors to date (UNFCCC, 2016b).

Linking to the NDC cycle

Non-state actors will be crucial for the implementation of NDCs and can be a positive force behind the ambition-raising ‘ratcheting’ process (or, for that matter, a nega-

Box 2: Defining non-state actors:

No universally accepted definition of non-state actors exists. For the UNFCCC, non-state actors are ‘non-Party stakeholders’, encompassing thus every actor other than a (nation) state. The ‘Non-State Actor Zone for Climate Action (NAZCA)’ – the official non-state action platform hosted by the UNFCCC – refers to ‘non-state actors’ as cities, regions, companies, investors, civil society organisations and cooperative initiatives (citizens are not a separate category). The geographic scope of non-state actions can be local, national or international.

The emergence of non-state actors around the UNFCCC process could lead one to think that there is a distinction between state action and non-state action and that one is an alternative to the other. This is hardly ever the case: save for a (very) small amount of direct emissions from government activities and procurement, the vast majority of emissions – and therefore necessary reductions – in most countries come from non-state actors. Governments set the rules and regulations of the economic activity in their jurisdiction, and thereby guide (or force) investments and activities towards low-carbon alternatives. The two are complementary but not interchangeable.

tive one if they lobby to avoid having to take action themselves). Although not formally linked to the NDC cycle, non-state actors are featured through a series of events and new processes that aim to bring them closer to the official UNFCCC processes: at COP21, it was agreed to hold one high-level event per year between 2016 and 2020, concurrently with the COPs, as an occasion to announce new non-state actions, take stock and provide an opportunity for engagement. The so-called “High-level

Climate Champions” established themselves to promote a durable connection between the Convention and the many voluntary and collaborative non-state actions. In Marrakesh, at COP22, the Champions launched the ‘2050 Pathways Platform’ to couple motivated governments and non-state actors around the 2050 decarbonisation goal. A dedicated non-state action summit is being planned for September 2018, to further showcase non-state actors’ efforts and provide confidence to governments in view of the UNFCCC facilitative dialogue later that year.

Drivers and opportunities

A growing group of companies, investors, and subnational governments is showing interest in addressing climate change on their own initiative, as many are already experiencing the effects of climate change. Cities are concerned by deteriorating air quality and increasing health costs, and investors are worried about climate impacts on infrastructure assets and supply chains, to give just two examples. And these are not trivial considerations: one estimate of the value at risk from climate change to manageable assets puts it at around 4.2 trillion USD (EIU, 2015).

Where climate and sustainability considerations were, in most cases, confined to a company’s corporate social responsibility (CSR) or marketing department just some years ago, climate change has now entered the board room of many large stock-listed companies (CDP, 2016). An increasing number of companies recognise that carbon pricing will materialise at some point, and they are anticipating this by setting internal shadow prices for carbon with a view to managing their climate risks and opportunities (ibid, 2016). There is a growing understanding that addressing climate change can present opportunities for non-state actors. For example, businesses can benefit from (higher) profits through premium ‘climate compatible’ products and services, and cities may find that capital is available for low-carbon transport infrastructure that not only reduces greenhouse gas emissions, but also reduces congestion and air pollution. Whereas non-state actors have in the past primarily been reactive, responding to environmental regulation, fiscal incentives, subsidies, and

other policies introduced by national governments, more and more businesses seem to have a proactive attitude and are voluntarily committing to targets which may go beyond current national climate policies and NDCs (UNEP, 2016)⁹.

What are the challenges?

The increasingly prominent role being played by non-state actors is greatly welcomed, but important questions remain. How credible is voluntary non-state action? How many non-state actors are serious about their commitments and how much is just some form of greenwashing? In the absence of compliance mechanisms and public tracking of progress towards targets, it remains uncertain whether individuals, investors, and businesses will pursue their self-declared goals. In the finance community, short-termism still prevails and climate change receives little or no consideration from the majority of actors. Moreover, many companies and cities have signed up to ambitious initiatives, but, similar to countries, do they know how to implement their targets? Even if they are serious about their pledges, they too are expected to face implementation challenges. Investors are clear that they need (more) confidence in government policies, and confidence that governments will implement their NDCs (IIGCC, 2017). The absence of alignment and coordination between different non-state actors, national governments and their respective targets creates important barriers to harnessing the full potential of non-state action.

⁹ Ranging from a few hundred MtCO₂-eq to over 5 GtCO₂-eq up until 2020 (UNEP, 2016)

5. Where do we go from here?

At the time of writing, the Paris Agreement has entered into force less than half a year ago and although it is early days, we observe optimism, confidence, and initiative; but is the action we see now enough to tackle the implementation challenge ahead? We expect the answer to this question depends on who you ask; the following paragraphs summarise the three perspectives sampled for this report.

In the run-up to COP21, **national governments** have shown amazing collective leadership by submitting their INDCs and thereby shaping the post-2020 international climate architecture. In less than two years after the initial request (at COP19) most had submitted their proposed contributions “towards achieving the objective of the Convention”. But participation in the UNFCCC process alone does not keep global temperatures in check, only action on the ground will. As reported in Chapter 2, around 80 experts close to NDC development processes completed our survey, sharing their reflections on the impact of the Paris Agreement, the progress being made, and the challenges ahead. The results show general optimism, confidence, and initiative, and this may give the impression that governments are making moderate to good progress with implementation and are ready for increased financial support. Additional in-depth interviews with experts involved in providing technical expertise to in-country NDC processes on the other hand reveal a more nuanced picture, pointing to persistent challenges that countries are facing.

It is fair to say that many in the **international community** – and especially those involved in climate and development cooperation - were caught by surprise with the speed of the ratification of the Paris Agreement. Bilateral and multilateral donors and other actors are launching new initiatives to provide support to help countries implement their NDCs and the SDGs. In Chapter 3 we briefly introduced

some of the more high profile new initiatives in the world of international support and observed that while the emergence of these new initiatives is a promising start, and shows the focus and commitment of the international community on NDCs and SDGs, it is not yet clear exactly how these different initiatives can turn this into the broad movement that is needed to deliver the low-carbon transition.

While the international climate talks have traditionally been dominated by governments, international organisations and NGOs, in recent years there has been increased involvement from **non-state actors** such as cities, regions, businesses, and investors. The high-profile business leaders who talk about climate have been generally positive about the Paris Agreement, and indicate that they are ready for governments to provide long-term signals and investment opportunities to respond to. Various pioneering initiatives are emerging and these are highlighted by the climate community to show how some high-profile groups are leading by example. As discussed in Chapter 4, we are prudently optimistic, but need to realise that only continued and convincing government policies can turn this into the broad movement that needs to carry the low-carbon transition(s).

Lift off... but are we flying?

Individually and at face value, all this activity looks encouraging. But it is too soon to know how the sum of the actions will turn out - and important questions remain before we can be confident that the NDCs will be translated into credible sectoral actions. It could well be that we are currently only seeing plans and initiatives that require little or no difficult political trade-offs, or whose action and costs are postponed until (much) later. Given the scale, complexity, and urgency of the decarbonisation challenge, we think it is vital to be able to investigate and discuss the progress countries are making in implementing

actions to achieve their NDCs, across a range of actors and arenas, and to be able to do so without waiting for emissions inventory data and official reporting in the planned UNFCCC 5-year cycles. Under the *Ambition to Action* project, we are currently developing a work programme, in close coordination with other projects in the NDC Cluster, to look more closely at these questions and how we could answer them.

Future editions of this NDC Update Report will dig deeper and aim to shed light on the status of NDC implementation and support by investigating two overarching questions.

The first question, whether and how the Paris Agreement and the NDCs are leading to increased action on the ground, takes more effort than the research we have done for this edition. The matter is closely related to whether the NDC is credible, and whether it is supported and underpinned by an appropriate combination of plans, processes, institutions and resources sufficient to deliver meaningful government action to address climate change: action which is consistent with the NDC target, and reflects ambition that would not otherwise have materialised.

In preparation for the next edition of the NDC Update Report, to be published in November 2017, we will convene a working group of experts to discuss how to assess progress of NDC implementation on the ground to get a more complete picture of the likelihood of achieving the Paris goals, provide a basis for peer to peer learning and to identify areas for further action and support. We aim to focus on sectoral consequences of the NDCs and ask to what extent has the NDC been translated to sector planning and targets? Are sector targets and activities aligned to the NDC? How can benefits-comparisons offer clarity on trade-offs versus business-as-usual alternatives? and what does actual progress of NDC implementation in sectors look like?

Preparing to navigate the short term

The second question that future reports aim to shed light on is: *which tools and competencies, and support, are needed to help governments in developing countries and emerging economies translate NDC ambition into implementation at the sectoral level?*

We are now in a relatively calm period before the UNFCCC facilitative dialogue in 2018 and the next round of NDC submissions which will only take place in 2020. Now, if NDCs provide medium- to long term direction and governments have the flexibility in the short term to determine speed and timing, then how do we prepare and navigate for what lies ahead? To lay the foundations for the implementation actions that must follow, governments will need to make progress across a number of areas, including the following four thematic areas of support provided by the projects in the NDC Cluster:

- **Political and institutional frameworks:** governments need to strengthen climate related capacity and expertise in sector- and line-ministries; ensure effective linkages between NDC and long-term strategies (LEDs), secure and reinforce ownership and buy-in for the NDC, foster engagement and dialogue with private sector and civil society, and prepare for the next NDC revision.
- **Sector approaches:** although the NDC is developed and committed to on the national level, most actions and policies will need to be sector specific, and will be implemented at the sector level. That requires analysis of potential and priorities within and across sectors, and identification and scoping of the measures needed to achieve priority outcomes. Assessment and promotion of benefits such as opportunities for investments and jobs, pollution and health, and energy security could help build support among stakeholders.

- **Financing:** to access and manage the funding needed, countries will need to strengthen domestic financial infrastructures; identify national and international, public and private funding sources; develop investment strategies and measures to support NDC implementation; and design and deploy appropriate financial instruments to scale up private investment.
- **Data and transparency:** to meet new transparency requirements and effectively monitor progress, countries will need to develop systems for tracking and monitoring NDCs; set up and strengthen MRV and GHG accounting systems; institutionalise the collection and processing of data; and further develop emission projections and scenarios.

It is the aim of the NDC cluster to help countries address implementation challenges across these four themes and it is our intention with this report to provide a space for discussion on the best way to do this.

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