

Policy Brief

Making NAMAs work for Indonesian provinces

This policy brief looks at how Nationally Appropriate Mitigation Actions (NAMAs) in Indonesia can be developed with provincial diversity in mind. Based on a case study in the renewable energy sector, it presents lessons learned and guidance for process replication and scaling-up similar NAMA initiatives in the provinces. This brief is targeted at policymakers and experts in provinces, in sectoral ministries, and at the Climate Change National Coordination Team (CCNCT) in BAPPENAS.

Introduction

NAMAs are packages of government actions, funded by domestic resources and/or international support. They originate from the international climate negotiations, but the aim is to combine climate considerations with other national priorities. For example, the government of Indonesia is developing a small scale renewable energy NAMA that aims to reduce greenhouse gas (GHG) emissions *and* contribute to energy security – it would do so by making it more attractive for independent power producers (IPPs) to invest in projects [1]. Another example of an Indonesian NAMA is the Sustainable Urban Transport Initiative (SUTRI) – it aims to reduce emissions *and* reduce traffic congestion and associated air quality health impacts [2].

Indonesia recognizes the importance of these ‘win win’ actions, and the government encourages the use of NAMAs to implement its national action plan on GHG reduction, the RAN-GRK, and the province level equivalents, RAD-GRKs. To reach Indonesia’s national targets*, local governments must contribute through their RAD-GRK, based on their local ability and authority in each region. These national and provincial plans hint at the challenge of coordinating actions in Indonesia, where provincial plans both directly contribute to achieving national targets and also inform the design of the overall national action plan. Three categories of action are considered at the provincial level [3]:

- 1) Local scope; local government has full authority. Therefore, the local government can develop the BAU baseline and proposed mitigation actions. A sector that falls under this category is waste.
- 2) National scope; the authority is under the national government (related ministries/institutions). The national government can initiate policies, programs, and activities for mitigation that can be implemented in the local region. The local government’s role in this category is to provide the

* GHG emission reductions of 26% versus business as usual (BAU) with domestic support and 41% with international support



data and information for BAU baseline development and for implementation. The sectors that fall under this category include transport, large industry and power.

- 3) Mixed scope; the boundary authority between the national and local level is difficult to define. In the implementation phase for the mixed scope, support from the local government is needed to ensure the success of the policy endorsement. Therefore, in the mixed scope, coordination between local and national government is very important. The sector that falls under this category is, for example, land-based sector.

In practice the lines between these different scopes become somewhat blurred, as many provinces have proposed actions that have a 'national scope'. For example, more than half the provinces propose renewable energy actions [4], which may require national interventions for implementation if existing support and incentives are not sufficient. This shows the value of working at the local level during NAMA development, even for 'national scope' actions. Provinces can provide information on potentials, but also give important inputs to the national design process on the local needs for implementation; for example, what new policies might be needed?

In November 2013, "Indonesia's Framework for NAMAs" was published to help provide coordination and guidance for developing these actions [3]. The Framework focuses on national processes, which is appropriate given that NAMAs are typically national initiatives, yet their implementation can only be effective if provincial diversity is taken into account. Provinces may have different opportunities and challenges, and these need to be well understood when designing government interventions.

This policy brief discusses how Indonesia can take both national *and* provincial contexts into account, and how to make NAMAs work for provinces.

The next section describes the development of an NAMA to support renewable energy in Indonesia. This is being developed by a team of Indonesian and international experts in close collaboration with both national and local government stakeholders[†]. For this brief we examine how two pilot provinces were involved and how that involvement helped the analysis and design of the NAMA. At the time of writing this brief, the overall concept is established, with work ongoing to detail each element [1].

Case study: small and medium scale renewable energy NAMA

The scope of the NAMA is defined as 'support for private investments in small and medium scale[‡] grid-connected renewable power generation'. Although there is a feed-in tariff in place for these type of projects, growth in the sector has been slow and private investments have so far been insufficient to meet government ambitions. North Sumatra and West Nusa Tenggara (NTB) were invited to collaborate in the development of the NAMA. This selection of provinces for the pilot had two main motivations: first, their active involvement in developing a provincial action plan (RAD GRK) that includes renewable energy and, second, the significant differences between the two provinces' energy systems and economies, which makes them interesting for comparison.

[†] For more detail see www.mitigationmomentum.org

[‡] Up to 10 MWe in size



Initial assessment

As a starting point, the team made an overview of national renewable energy ambitions and the existing policy context. In addition, the team made an inventory of development partner supported initiatives and interviewed a number of stakeholders to get a sense of important issues. Kick-off meetings for the NAMA process were held at both the national and provincial level. At these meetings the initial analysis was used to give the participants an overview of the reality and ambitions in the sector. It also provided a basis for attendees to express their own preferences and priorities. In addition, at the provincial meetings, the participants were asked to reflect on some of the issues raised at the national workshop.

From the initial analysis and workshops, the team made separate plans for national and the provincial processes. The national process focused on the alignment of the NAMA with existing policies and ambitions, as well as on the design of the NAMA components. The provincial processes had less focus on high-level design, but more emphasis on understanding the state of the sector and how the general findings relate to their provincial context. Differences between the provinces also dictated differences in approach at the provincial level. North Sumatra has a larger and more widespread power sector that faces the challenge to rapidly expand. The focus there was squarely on understanding barriers for private sector investment in generation facilities. In NTB the power system is less developed, with a significant portion of the population relying on off-grid generators or without access to electricity. There is also less experience with IPPs. In NTB the focus was on building support for the idea of IPPs and understanding the common challenges between off-grid and on-grid renewable energy projects; i.e. what could support for IPPs potentially offer to off-grid projects?

Barrier analysis

A subsequent barrier analysis – conducted across both provinces and with national project developers – showed that the current enabling environment for IPPs is promising, with a feed-in tariff and robust long-term power purchase agreements (PPAs) available to project developers. However, i) current capacity for the development and assessment of feasibility and design documentation is low; ii) the local banking sector is risk averse and unfamiliar with newer technologies such as renewable energy projects, and iii) the terms offered by banks to IPPs are often prohibitive. Interviewing project developers, who often operate across a range of provinces, allowed for a good comparative assessment of issues. This is because developers are usually not bound to a specific location for their projects, and have to compare provincial contexts when making investment decisions. For example, in North Sumatra, where there is more experience with IPPs, the permitting process was seen as less of a barrier than in NTB, where agencies would be less familiar.

Design

The Ministry of Energy and Mineral Resources and the team developed a design for the NAMA that is common across provinces, as befits a sector that has a national scope, but could still allow for provinces to optimize the way they use it. Three components were chosen for the NAMA (figure 1) based on the analysis and on focus group discussions in Jakarta and the provinces. The first component is a so-called ‘clearing house’ for IPPs; a support unit that provides technical and (small scale) financial assistance for developers. By design, this clearing house can be flexible in its focus, and the services can be tailored to needs in province. Initially this clearing house is a national initiative, but future replication or tailored



outreach at the provincial level is possible. The second component is a provision to reduce down-time risk for developers, because when the electricity grid is down, the generated power cannot be sold and the developers have no income. Although generic in design, the importance of this component will depend on the province (some struggle more with remote connections and grid stability). The third component aims to improve access to viable financing by project developers.

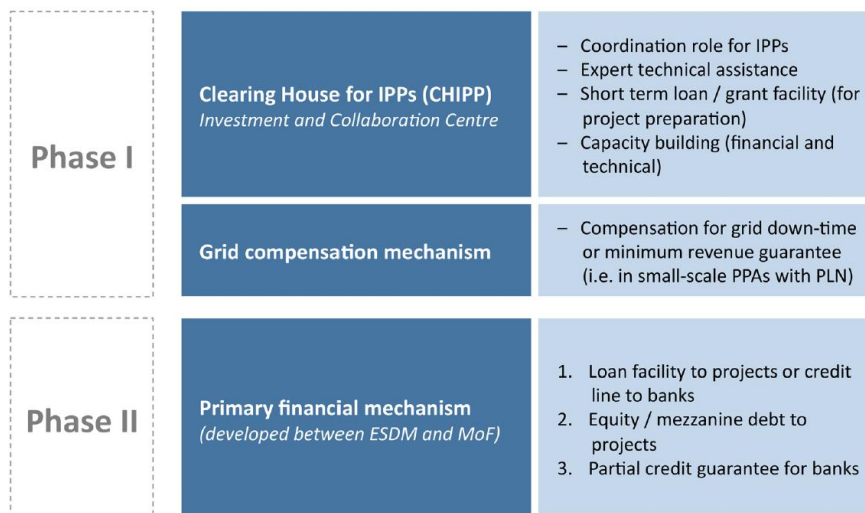


Figure 1: small and medium scale renewable energy NAMA components

Lessons learned

The renewable energy case study illustrates the challenges of taking national and provincial contexts into account when developing a NAMA. A balance needs to be struck between national and provincial engagement versus their respective mandates for action; i.e. whether the scope of the action is national, local or mixed. For most energy sector actions, national engagement will be the priority, with local stakeholders providing inputs to the design and establishing whether there is a need for specific flexibility to suit different provinces. For sectors such as waste, the need to involve provinces from the start is stronger, as they will drive the details of the solution (though perhaps under an overarching national policy framework). The so-called V-NAMAs project – short for vertically integrated NAMA – tries to tackle this challenge in the Indonesian waste sector⁵.

Provinces are the key to replicating and scaling up

Starting NAMA implementation in a limited set of provinces has advantages. First, it allows for a manageable size of pilot implementation that can be used to test and demonstrate success. Second, starting with individual provinces allows for ideas to be tested, for example on how to provide the flexibility that provinces need.

⁵ <http://mitigationpartnership.net/v-namas-%E2%80%93-involving-sub-national-actors-national-mitigation-strategies-through-vertically-integrated>



Based on the results of the pilot implementation, as well as the availability of resources and support, the NAMA pilot can then be replicated and/or scaled-up. In deciding whether a provincial pilot is appropriate as a starting point a number of factors need to be considered. Are the proposed interventions high-risk or novel? In this case a smaller pilot might be easier to get support for. Are there budget limitations that demand a limit to smaller scale? Is the transaction cost of designing a pilot programme too high? For lower risk NAMAs, or those where implementation is seen to be easier, a pilot may add unnecessary costs or take extra time.

The development of a NAMA involves an complex process where analyses are presented, consensus is built and design decisions are discussed with key stakeholders. Involving sub-national stakeholders in the development of a NAMA doesn't mean that the entire national process needs to be replicated. It makes sense to have a separate process that runs in parallel, is less intensive, and focuses on how the overall findings and design fit in the provincial context. For example, the barrier analysis plays a central role in the process for provinces. How local stakeholders perceive and value specific barriers gives guidance on how generic or flexible the associated NAMA components need to be.

Design with diversity in mind ('pick and mix')

Designing NAMA components to take both national and provincial contexts into account requires a balance between a common solutions for all provinces to maximize efficiency, and tailored approaches to maximise effectiveness (by reflecting important variations across provinces). The approach in the renewable energy case study above is to design generic components, but with some flexibility for provinces to 'pick and mix'; i.e. to focus on the aspects that are more relevant. Capacity building lends itself to such an approach, especially when the needs are diverse and to many audiences. In the renewable energy case study, for example, covering the specific needs of a province is possible by setting up a 'clearinghouse' to provide technical assistance with a wide variety of services.

Make the link to stakeholder agendas clear

For most stakeholders, mitigation is not the main reason to support a NAMA. This is particularly true at the local level. Their interest comes from other benefits such as job creation, increasing generation capacity, reducing subsidies, improving energy efficiency, reducing traffic congestion, and improvements in sanitation. It is often best to avoid emphasis on mitigation or discussing conceptual details, since this may distract from the main message, which should be about the benefits of the action with regard to stakeholders' agendas. It may be useful to put a NAMA in a wider context, linking it to implementation of the RAN/RAD-GRK, but in practice it may be better to talk about a 'renewable energy support programme' or an 'improved street lighting scheme'. Just as there is a need to show the benefits of climate actions to line ministries, there is a need to further link RAD-GRKs to the development objectives and priorities of provinces.

Continue to coordinate

The newly founded CCNCT will need to play an important role to coordinate between line ministries, and also to encourage them to have a strategic approach to developing mitigation actions within their



jurisdictions. There is also an opportunity to show the success stories in different ministries and to avoid overlapping initiatives** by continuing to create regular forums to discuss the RAN-GRK. Bringing together stakeholders (of appropriate seniority), after the links to their own agendas have been established, adds value in developing NAMAs that have the necessary buy-in. There may also be a role for the CCNCT to help establish approval processes within lead line ministries with regards to climate actions. Because they are relatively new, a lack of agreed processes for NAMAs and climate actions can make it difficult to move forward on decisions.

Recognising the busy schedules of many senior officials within line ministries, there would also be benefits to have clearly established teams that deal with various initiatives. Identifying both managerial and operational staff within line ministries to liaise with the various assistance efforts would streamline these processes, as roles and responsibilities would be clear.

Encourage learning and sharing:

Lastly, one of the key challenges that is raised at many workshops, and was encountered in the case study above, is a lack of data and information. Basic data on a sector and the experiences of similar initiatives can provide important inputs to NAMA scoping and design. It is often the case that information is available, but may not be published or may be held by different agencies or organisations. Encouraging the regular publishing of reports and outputs from all climate initiatives would improve the efficiency and validity of these efforts.

Next steps

Indonesia has made huge strides in developing a cross-sectoral and ambitious action plan that covers both nationally led actions and provincial contributions. The challenge will now be to design the policies that deliver these actions and to design them in a way that takes the diverse needs of different provinces into account. This brief introduces some lessons from the renewable energy sector and suggests that, in order to make NAMAs work for the provinces, it will be necessary to:

- engage provinces in a way that draws out their specific needs and allows pilot schemes to be tested;
- design NAMAs that take different provincial needs into account through flexible solutions;
- demonstrate the link between climate action and provincial priorities;
- coordinate between ministries to avoid overlap and demonstrate success; and
- encourage learning through sharing of information.

** For example, developing sustainable energy projects through multiple ministries without coordination



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Author/contact

Xander van Tilburg (vantilburg@ecn.nl)
Lachlan Cameron (cameron@ecn.nl)

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