CENTER FOR CLIMATE AND ENERGY SOLUTIONS

INTERNATIONAL

What are “Investable” NDCs?

Discussion Paper

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Sophia Haber, Kaveh Guilanpour, and Jennifer Huang

A. Summary

1. When preparing their upcoming Nationally Determined Contributions (***NDCs***), due to be communicated by February 10, 2025, with an end date of 2035, Parties have the advantage of drawing on several years of experience in their formulation and implementation. At the same time, they will continue to face challenges in developing NDCs that are not only ambitious, 1.5 degrees Celsius aligned, and take forward the outcomes of the first global stocktake (***GST***), but can also attract the investment needed to implement them.[1]

2. Although many first and second round NDCs were designed to attract investment, they did not deliver the results that many hoped for in that regard.[2] As Parties prepare to submit their next round of NDCs, the question of how they can make their NDCs “investable” is once again gaining attention, including at the political level.

3. Recognizing that differentiated national circumstances impact the methods most appropriate for each Party to design their NDCs, this paper considers good practice for attracting investment to accelerate implementation. Lessons from previous rounds of NDCs include the need for:

   - ensuring a stable domestic policy and regulatory framework
   - accompanying NDCs with implementation and investment plans
   - assessing capacity
   - including sectoral differentiation and sector-specific targets
   - prioritizing social inclusion
   - engaging the whole of government.

Questions for consideration

- What does it mean for an NDC to be "investable?"
- How can Parties maximize the possibility of their NDCs attracting the investment needed to implement them?
- What lessons can be learned from the previous rounds of NDCs?
- What is needed to stimulate ambition in NDCs?

B. Context

4. Politically, there is growing interest around the challenge of how to ensure that NDCs are "investable." For example, this was a major focus of discussion among ministers at the Petersberg Climate Dialogue in April 2024.
5. While there is guidance on information to facilitate clarity, transparency, and understanding (***ICTU***) of NDCs, the Paris Agreement and its implementing decisions do not directly address the question of how to make NDCs investable, nor do they require it. As such there is no clarity or common understanding as to what is meant by an "investable" NDC. At the same time, there is considerable experience to draw on from the previous rounds of NDC development and implementation.
6. Adequate access to finance is crucial to achieving tangible outcomes based on NDCs. Securing the necessary finances to implement NDCs, however, faces multifaceted challenges.
7. In particular, there are constraints of the political economy that impede the implementation of NDCs.
8. For climate commitments to attract the investment required for implementation in the long-run, it is critical to address systemic issues related to the political economy. This could include deeper integration of climate considerations in economic policies and encouraging economic development within the context of net-zero planning.
9. A push for systemic change, however, is unlikely to have a positive impact with the expedience necessary to affect NDCs to be communicated by the looming February 10, 2025, deadline. Given the timeline, it is important to also consider ways to build confidence in national climate commitments to attract investment in the near term.

C. Current State of NDCs

10. The GST encouraged Parties to adopt ambitious, economy-wide emission reduction targets, covering all greenhouse gases, sectors and categories that are aligned with limiting global warming to 1.5 degrees Celsius, as informed by the latest science, in the light of different national circumstances. While 80 percent of current NDCs include economy-wide targets, only 44 percent of Parties have NDCs that cover all sectors and greenhouse gases.[3]
11. To take one specific example, the GST called on Parties to triple global renewable energy capacity by 2030. More than 95 percent of current NDCs have renewable energy components, but only 76 percent of NDCs include quantified targets on renewable energy. Only 12 Parties committed to a percentage of renewables in their overall energy mixes.[4] Only six percent of Parties have included targets that are in line with the IEA's 2023 Net Zero Roadmap for tripling total installed renewable capacity by 2030.[5]

12. While there is an eagerness to increase ambition and accelerate the renewable energy transition, particularly in developing countries, a lack of sufficient finance has impeded progress. Between 2013 and 2020, least developed countries (***LDCs***), for example, attracted less than one percent of global investment in renewables, and estimates predict that the share further decreased in the years since 2020.[6]

13. In their current NDCs, 46 percent of Parties provided quantitative estimates of financial support needs for NDC implementation.[7] While less than half of NDCs report climate finance requirements, they account for nearly $4.3 trillion in climate finance needs, underscoring the importance of a robust New Collective Quantified Goal (***NCQG***).[8]

D. Requirements for NDCs

14. The Paris Agreement —and the Conference of Parties serving as the meeting of the Parties to the Paris Agreement (***CMA***) decisions that followed —provide crucial guidance for Parties on how to design and implement NDCs. Parties are expected to submit NDCs of increasing ambition every five years. Those updated NDCs are expected to be informed by the outcomes of the GST and representative of common but differentiated responsibilities in light of national circumstances.[9]

15. The GST provides further guidance for the upcoming round of NDCs, encouraging Parties to align their NDCs with the next round of Long-Term Low Emissions Development Strategies (***LT-LEDS***), adopt ambitious economy-wide targets aligned with the latest science that cover all greenhouse gases and sectors, and strengthen targets to align with the Paris Agreement temperature goal.[10] The new NDCs should also be informed by the outcome of the GST.

16. Parties are also expected to provide ICTU when they submit their NDCs.[11]

17. There is, however, no explicit requirement in the Paris Agreement or its implementing decisions that NDCs be "investable," nor is there a common understanding or guidance as to what this term means.

18. Information pursuant to biennial transparency reports (***BTRs***), which are due in December 2024, could support NDCs that attract investment.

E. Lessons Learned From Previous Rounds of NDCs

Good Practice

19. A **stable domestic policy and regulatory framework** designed to implement the NDC is crucial to generate the certainty required to attract the needed private sector investment to implement NDCs. When countries come forward with an NDC they should have a vision for the policies and regulation that will be required to implement it. In that context, it is important to recall that Article 4.2 of the Paris Agreement sets out a legally binding requirement for Parties to pursue domestic mitigation measures, with the aim of achieving the objectives of their NDCs.

20. **Engaging the whole of government**, at all levels, in the NDC design process can help build trust and elicit increased investment. For example, Parties can work to integrate NDC targets into national budgets and work with national legislatures to build out policies and regulations that incentivize further investment. To date, less than half of Parties have indicated that they have integrated their NDC targets into national legislative, regulatory, and planning processes.[12] Beyond coordination with

national governments, the NDC process is also an opportunity to engage subnational actors, including cities, states, regions, and local communities. This can help ensure alignment between local and national climate goals, strengthen subnational implementation via policies and budgets, and increase countries' overall ambition.[13]

21. **Accompanying NDCs with implementation and investment plans** is essential for translating climate goals into actionable projects that can attract the necessary funding and support, driving meaningful progress towards climate action. To effectively accompany NDCs with investment plans, it is crucial for countries to prioritize building their capacity, fostering supportive environments, and securing adequate financial resources.[14] Investment strategies should be tailored to local contexts and opportunities and should draw input from potential partners and investors.[15] Given the looming deadline for Parties to communicate their new NDCs, calling upon Parties to include investment plans along with their initial NDC submissions could cause delays.

22. The current capabilities of countries constrain their ability to implement NDCs. When planning investments, it's crucial to consider the specific context of each country and **assess capacity**. Therefore, before beginning an NDC investment planning process, it is necessary to evaluate what can realistically be achieved with existing resources, as well as to identify gaps in institutional capacity and resource availability that can be addressed and built up over time.[16]

23. Including **sectoral differentiation and sector-specific targets** in NDCs can help attract further investment. Some countries have developed detailed targets and plans to implement them for different sectors. In some instances, Parties may create sector-specific NDC investment plans, using these plans to set targets across more sectors.[17]

24. Some NDCs have already connected their actions to the Sustainable Development Goals (***SDGs***), while others mention just transition, decent work, and gender rights. Incorporating just transition, gender mainstreaming, and **social inclusion in NDC development** and investment planning can help Parties attract investment, especially as funds increasingly incorporate expectations and requirements of social inclusion into their investment criteria. Issues of social inclusion can be integrated into stakeholder engagement, tracked with unique indicators during monitoring and reporting, included in project prioritization methods, or identified as additional financing barriers.[18] In current NDCs, 10 percent of Parties have addressed ambition of inclusive design, including cross-cutting considerations related to investment plans, gender-responsiveness, education, and just transitions.[19]

F. Support for Designing NDCs to Attract Investment

25. Several organizations support Parties to build NDCs that attract investments and investment plans to accompany their NDCs. These organizations include:

- **UN Development Programme's (*UNDP*) Climate Promise** brings together UNDP's infrastructure and networks to provide comprehensive support on NDC development and implementation. UNDP helps countries reduce their emissions, increase their resilience to climate impacts and support sustainable development priorities.[20] Launched in April 2024, UNDP's Climate Promise 2025 builds upon Climate Promise's ongoing work with more than 125 countries to align their NDCs with the goals of the Paris Agreement. A key pillar of this work is climate finance, an area for which UNDP works with governments to better track public and private spending related to countries' NDCs, and support Ministries of Finance to access new sources of finance.[21] Climate

Promise continues to work to help Parties identify, plan for, and mobilize the finance needed to implement their climate commitments, including through green bonds and carbon markets.[22]

- **NDC Partnership**, which leverages more than 200 members and more than 80 institutions to support Parties with translating identified NDC implementation priorities into actionable policies and programs.[23] To help Parties strengthen their NDCs by building climate investment plans that are rooted in good practice, NDC Partnership built a guidance, the "NDC Investment Planning Guide and Checklist," which establishes guidelines for countries to design and implement their NDC investment planning in three stages. NDC Partnership also built the Climate Funds Explorer, a searchable database of international public climate financing options.

- **The World Bank NDC Support Facility (*NDC-SF*)**, which is a multi-donor trust fund established under the World Bank's Climate Support Facility to facilitate the implementation of NDCs. Working in close coordination with and in support of the NDC Partnership, NDC-SF seeks to support rapid, material action on NDC implementation, including through policy, strategy and legislation, budgeting, and monitoring and evaluation frameworks. It channels funds to teams within the World Bank working towards implementing NDC targets and works with other trust funds within the World Bank and the International Finance Corporation (***IFC***).[24]

- **The Asian Development Bank's (*ADB*) NDC Advance programme**, which provides technical assistance to support the implementation of NDCs, including through mobilizing finance and building capacity. Through NDC Advance, the ADB helps developing member countries i) translate NDCs into investment plans, including by identifying priority projects that the ADB can help execute, ii) access increased public and private finance to support NDC implementation, including through innovative finance mechanisms, iii) develop improved tools to measure, monitor, and report on NDCs, and iv) attract investments for climate adaptation and identify policies and reforms that can aid in their implementation.[25]

- **The Inter-American Development Bank's (*IDB*) NDC Invest program**, which helps countries translate their NDCs into investment plans by coordinating public and private sector stakeholders to assist with building investment plans, mobilizing funding from internal and external sources, leveraging non-reimbursable and reimbursable grants for innovative business models, and supporting studies to improve technical and financial feasibility of projects.[26]

G. Options for Improving Investment in NDCs

26. Ways to attract adequate investment to implement NDCs could include:

- putting in place the **domestic measures aimed at achieving the objectives of NDCs**

- drafting **investment and implementation plans** to complement their NDCs

- encouraging Parties to clarify how they will mobilize finance to implement their NDC targets through future **further ICTU guidance**

- **strengthening the role of/involving finance ministries** so that they may support the development of coordinated and fully costed national climate strategies,[27] including LT-LEDS, NDCs, and National Adaptation Plans (***NAPs***)[28]

- drawing from **lessons learned from climate prosperity plans (*CPPs*)**, which aim to use public finance from governments and multilateral banks to attract larger amounts of private finance quickly and seek to maximize socioeconomic outcomes for countries on the frontline of the climate emergency. For example, they propose projects and programs to deliver the plan over a specific timeframe and detail what financing and investment is needed to realize those projects and programs[29]

- adopting a **robust NCQG decision at COP29** to further mobilize available investment for the implementation of new, enhanced NDCs.[30]

27. In advance of the February 10, 2025 deadline for the third round of NDCs, there are several milestones that could be leveraged to encourage the development of ambitious, investable NDCs, including:

- the United Nations General Assembly (***UNGA***), taking place in New York from September 10-24, 2024

- the Group of 20 (***G20***) Summit, taking place in Rio de Janeiro from November 18-19, 2024

- COP29, taking place in Baku from November 11-24, 2024.

Annex: Some Normative Requirements in Relation to NDCs[31]

Paris Agreement	
Paragraph	Requirement
Article 4, paragraph 2	Each Party shall **prepare, communicate and maintain successive nationally determined contributions** that it intends to achieve, and that Parties shall pursue domestic mitigation measures, with the aim of achieving the objectives of such contributions.
Article 3 and Article 4, paragraph 3	Reaffirms that **each Party's successive nationally determined contribution will represent a progression beyond the Party's current nationally determined contribution** and reflect its highest possible ambition, reflecting its common but differentiated responsibilities and respective capabilities, in the light of different national circumstances.
Article 4, paragraph 9	Each Party shall **communicate a nationally determined contribution every five years** in accordance with decision 1/CP.21 and any relevant decisions of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement and be **informed by the outcomes of the global stocktake.**

Decision 1/CP.21	
Paragraph	Requirement
25	Parties shall **submit to the secretariat their next nationally determined contributions at least 9 to 12 months in advance of the seventh session of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreemen**t (November 2025) with a view to facilitating the clarity, transparency and understanding of these contributions.

Decision 4/CMA.1	
Paragraph	Requirement
7	In communicating their second and subsequent nationally determined contributions, **Parties shall provide the information necessary for clarity, transparency and understanding** contained in annex I to decision 4/CMA.1, as applicable to their nationally determined contributions.

Decision 1/CMA.5	
Paragraph	Requirement
39	Reaffirms the nationally determined nature of nationally determined contributions and Article 4, paragraph 4, of the Paris Agreement and encourages Parties to come forward in their next nationally determined contributions with ambitious, **economy-wide emission reduction targets, covering all greenhouse gases, sectors and categories and aligned with limiting global warming to 1.5 °C**, as informed by the latest science, in the light of different national circumstances
40	Notes the importance of aligning nationally determined contributions with long-term low greenhouse gas emission development strategies and encourages Parties to **align**

	their next nationally determined contributions with long-term low greenhouse gas emission development strategies.
171	Invites all Parties to **put in place new or intensify existing domestic arrangements for preparing and implementing** their successive nationally determined contributions.
189	Invites organizations in a position to do so and the secretariat, including through its regional collaboration centres, to **provide capacity-building support** for the preparation and communication of the next nationally determined contributions.

Endnotes

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[17] NDC Partnership, *NDC Investment Planning Guide: Best Practices Brief*, 5; Jamal Srouji et al., *Next Generation Climate Targets: A 5-Point Plan for NDCs* (Washington, DC: WRI, April 25, 2024), https://www.wri.org/insights/next-ndcs-5-point-plan.
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