



WBG STRATEGY FOR SUPPORTING CLIMATE MARKETS

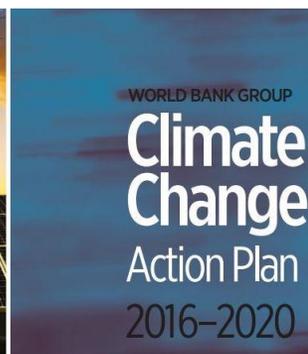
Technical Workshop
Tokyo, 23 October 2017

WBG Climate Commitments

The WBG is committed to “doubling down” on climate change and playing a key leadership role

Aims to accelerate efforts to tackle climate change over the next 5 years and is committed to:

- Increase the climate-related share of WBG’s portfolio from **21 to 28 percent** by 2020, with financing (including co-financing) of potentially **\$29 billion** per year
- Mobilize at least **\$13bn a year** in external private sector investment through IFC operations by 2020
- Record IDA 18 replenishment of **\$75 billion**
- All IDA **SCDs and CPFs to incorporate climate and disaster risk considerations** and opportunities and reflect NDCs
- All IDA operations continue to be screened for climate change and disaster risks and integrate resilience measures



WBG Forward Look & Climate Change

WBG action on climate change aligns closely with the Forward Look exercise and the WBG's ability to support the development agenda for 2030 while staying focused on its own corporate goals

Climate change **challenges the core mission of the WBG**, threatening to push an additional 100 million people into poverty by 2030

The Sendai Framework, SDGs, and Global Climate Agreement **require a major increase in resources** to enhance mitigation and deepen resilience.

The **WBG will deliver climate assistance** through traditional lending, knowledge instruments, and mobilization of private sector and other resources.

The Forward Look highlighted the main strategic directions of the WBG, which link with the CCAP in a number of ways:

1 Leading on the global public goods agenda.

- Climate change threatens global public goods, and implementing the CCAP will allow the WBG to utilize its convening power & technical expertise to help address those challenges effectively & efficiently.

2 Creating markets to broaden reach & impact of private sector solutions & support economic growth

- Just as in development more broadly, the scale of the climate challenge requires that private finance be 'crowded in'. A key goal of CCAP is to mobilize resources.

3 Continuing to improve effectiveness & internal operational model to support strategic direction

- The CCAP has set a priority of aligning internal processes & incentives, which will be necessary to achieve the WBG's climate goals.

4 Sustaining adequate financial capacity to deliver

- A successful IDA replenishment will help the WBG address climate challenges in low-income countries, but sustained IBRD financial capacity and concessional finance is a key prerequisite for CCAP.

VISION

ENHANCE GLOBAL AMBITION THROUGH CLIMATE MARKETS

- Paris signals a paradigm shift to a bottom-up approach with activities driven by national reality, economic growth and political priorities
- Countries have outlined actions through their NDCs, which focus on growth and transition to low carbon economies
- Private capital is required to leverage limited public/concessional finance to achieve those actions
- Many of the actions directly address countries' development challenges, including job creation, and have important climate impacts as co-benefits
- Use of markets will result in increased ambition of action due to reduced costs and greater resource mobilization
- We do not have to wait for the development of international climate markets to reap the benefits of markets – domestic action will drive international cooperation

To catalyze climate markets, the WBG will provide investment support, knowledge, advisory and advocacy services



VISION

ENHANCE GLOBAL AMBITION THROUGH CLIMATE MARKETS



MOBILIZE CAPITAL FOR RESILIENT & LOW CARBON GROWTH BY CONNECTING CLIMATE MARKETS



INVESTMENT SERVICES

- Mobilize public and private capital. Create initial market liquidity:
- Create initial demand for transfers of climate assets
 - Generate supply of climate assets

KNOWLEDGE SERVICES

- Develop concepts and methodologies around:
- Asset creation and exchange
 - Market regulation and institutional frameworks
 - Financial products
 - Market solutions for adaptation
- Thought leadership on market intelligence

ADVISORY SERVICES

- Build countries' readiness and infrastructure to generate and transfer climate assets
- Support low-carbon development policies and instruments
- Strengthen and harmonize clients' NDCs

ADVOCACY SERVICES

- Understand stakeholders' expectations
- Partner with key/interested stakeholders
- Build consensus and awareness on key design elements



DIMENSIONS OF 'NEW' MARKETS

- Integration of climate finance and markets an imperative in view of substantive resource needs
 - Climate finance can be used more strategically to support well-designed and balanced domestic policies and market creation
 - Through cost efficiency and the ability to attract and use private capital, markets will help leverage and eventually allow climate finance to be used for different purposes
 - Climate markets will be designed with stronger environmental integrity than what we saw in the past and sufficient stability and predictability for private and public investors
- Bottom-up approaches likely to lead to diverse players creating diverse types and qualities of assets (MOs/AOs) increasing the scale of market operations
- Countries can develop markets domestically (to comply with NDC targets) before connecting to international market(s)
- Diverse markets approach can enable surrogate units in lieu of carbon emissions reduction units, increasing the scope of climate markets

WBG will support setting up domestic carbon policies and markets aligned with NDCs and scale up efforts on connecting domestic and regional markets

WHERE DO MARKETS FIT UNDER PARIS?

- Climate market transactions do not necessarily need to fall under Article 6 (no matter the progress or outcomes of negotiations)
- Markets will be based on mitigation actions, hence it will be important that transfers of Outcomes be accounted for in countries' NDCs

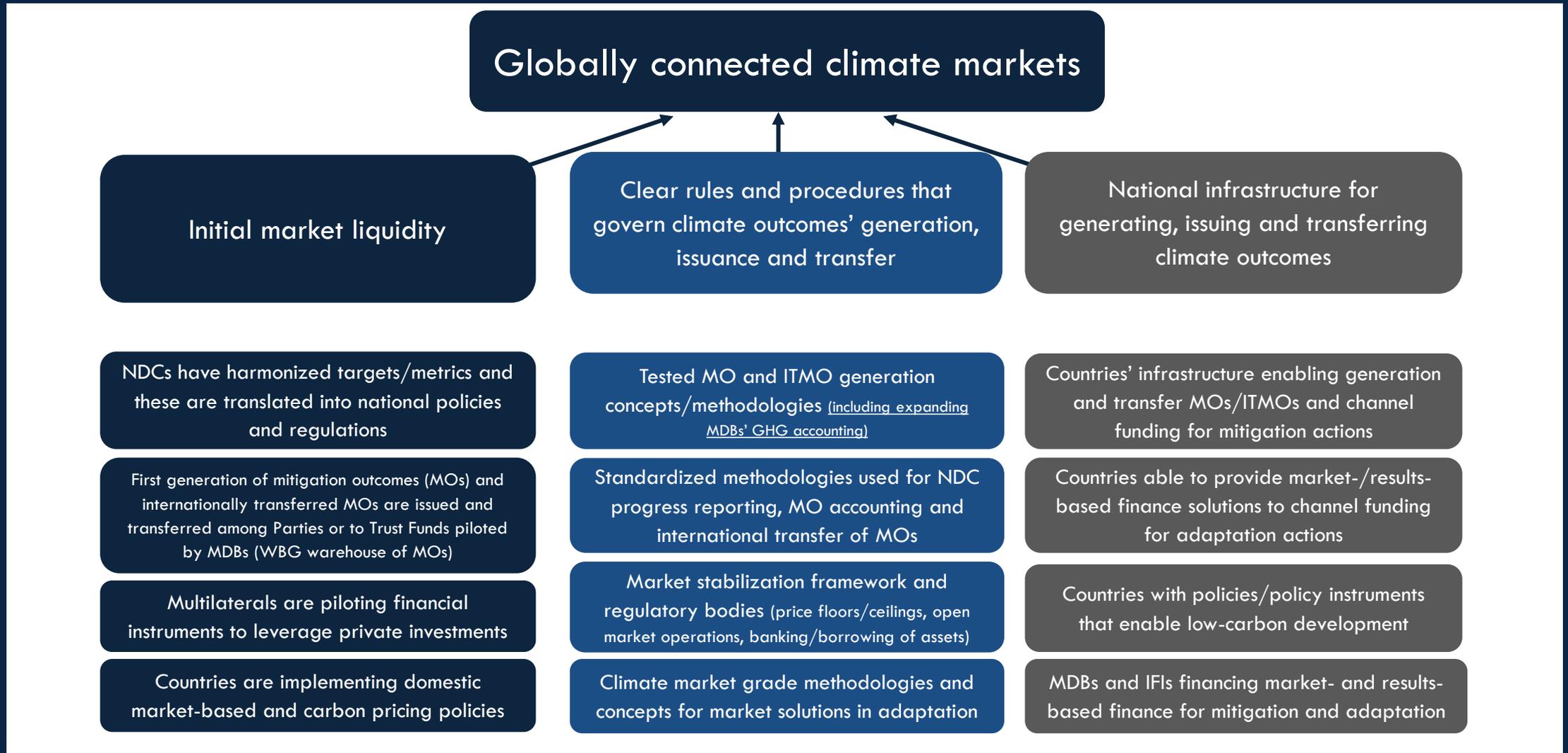


- Many individual components of markets provide stand-alone benefits (e.g., MRV systems, policy support, etc.), making the pursuit of climate markets a 'no regrets' approach

A CLIMATE MARKET SYSTEM



EXPECTED OUTCOMES



WORK PROGRAM (FY18-20)

Investment Services 1.1 Generate demand 1.2 Create market supply	Knowledge Services 2.1 Market intelligence 2.2 Asset creation 2.3 Asset exchange 2.4 Market regulation and institutions 2.5 Financial product development 2.6 Market solutions for adaptation
Advisory Services 3.1 Capacity building (mitigation) 3.2 Capacity building (adaptation) 3.3 Policy analysis 3.4 Policy reform	Advocacy Services 4.1 Understanding stakeholder expectations 4.2 Consensus building on design elements 4.3 Awareness building 4.4 Stakeholder engagement



Complementary Initiatives

Investment Services

- Monetization of climate benefits (e.g. TCAF, CPF, CiDev, PAF)
- Development of financial instruments (e.g. Bonds, Guarantees)
- Invest4Climate (Crowding in financing)

Advisory Services

- PMR (MRV, registries, etc.)
- NCM (MAAP tool)
- NDC Partnership

Knowledge Services

- PMR (Handbooks on ETS and Carbon Tax, etc.)
- NCM (transparency, linking)
- RBCF (crediting methodologies)

Advocacy Services

- CPLC
- CF-Assist
- PMR



Summary

