RBCF as a delivery model to mobilize and expand the amount of financing flowing to mitigation actions

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An international carbon market could deliver huge savings in the low-carbon transition

These costs savings could be used to scale up ambition

**Note:** 2030 abatement costs based on INDCs. 2050 abatement costs assume transition to rights to equal per capita energy CO₂ emissions consistent with staying below 2°C by 2100
But there is a need for a huge scale up in carbon market activity to deliver these benefits
There are a host of factors holding back the development of an international carbon market.

- Market uncertainty
- Environmental integrity concerns
- Loss of co-benefits
- Asymmetric ambition
- Loss of regulatory control
- Absence of market rules
Results-based climate finance makes payments for climate-related outputs or outcomes

**Inputs**
- Concessional finance

**Activities**
- Solar panel installation

**Outputs**
- Newly installed capacity

**Outcomes**
- Reduced emissions

**Impacts**
- Reduced climate impacts

RBCF as a delivery model to mobilize and expand the amount of financing flowing to mitigation actions
Results-based climate finance can help pave the way to an international carbon market

**Benefits of RBCF**
- Supporting development of MRV e.g. REDD+

**Carbon market barriers**
- Environmental integrity
- Market uncertainty
- Asymmetric ambition

**Facilitating private sector responses to price signals e.g. Energy +**

**Broader learning and ‘ecosystem development’ e.g. China CDM → ETS**
Using (results-based) climate finance to generate emission reductions raises important policy questions

how should generated emission reductions be treated

— if host country NDC compliance → climate finance
— if contributor country NDC compliance → market mechanism
— if cancelled → ?

how to stop ERs intended to be used for host country NDC compliance being sold to a third party?

how to treat emission reductions simultaneously supported by RBCF and other climate finance?
RBCF is not a panacea

at the project/programme level, RBCF may not be effective when:

— access to finance is a challenge
  — and complexity of multiple sources of finance in context of NDC compliance?
— wide range of results are targeted
— links between activities and outcomes are uncertain or have long lags

other barriers to carbon market development will require other solutions

— loss of co-benefits requires complementary domestic policies in contributor/purchasing country
— loss of domestic market control applies specifically to ETS linking and might be overcome by collaboration or heterogeneous linking
But the case for reversing the decline in RBCF programmes seems strong.
Summary

1. There is a huge gap between the current use of market mechanisms and the potential benefits they can bring. Numerous barriers hold back their rapid development.

2. RBCF, while not a panacea, can help bridge this gap by
   — enhancing MRV capacity,
   — providing a strategic, de-risked price signal that can foster competition and innovation in the delivery of emission reductions; and
   — building the broader ecosystem needed to fully exploit market mechanisms.

3. At present the use of RBCF is set to decline while the need for its use is growing.