



WORLD BANK GROUP
Climate Change

Transformative Carbon Asset Facility (TCAF): Status update

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Outline

1. TCAF in the context of Paris Agreement

2. What will TCAF do?

3. Facility portfolio

4. Facility structure, funding and coordination with PMR

5. Status update

TCAF's relevance post-Paris

- The Paris Agreement's (in particular Article 6) opens a pathway to a new international carbon market.
- Support for markets and carbon pricing, the NDCs' reporting and global stocktaking process, and the international need to establish a regime and mechanism for transfers, confirmed the relevance and timeliness of TCAF.
- TCAF will support different types of direct and indirect carbon pricing efforts by paying for verified carbon assets that result from these actions.
- TCAF will support MRV of NDCs by developing baselines and monitoring performance of the programs.
- Piloting will also inform the international process to develop standards and agreements for future carbon crediting instruments and the transfer of mitigation assets.

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What will TCAF do?

Domestically:

- TCAF will assist countries to implement market-based carbon pricing and sectoral mitigation measures;
- TCAF will leverage public finance through its pilot programs to create favorable conditions for private sector investment in low-carbon technologies, provide blueprints for efficient and low-cost mitigation and achieve lasting transformational impact.

Internationally:

- TCAF's efforts will inform the international process to develop standards and procedures for future carbon crediting instruments and transfer of mitigation assets;
- TCAF will test various methods to transparently transfer “mitigation outcomes” between parties and to provide stringent accounting and transparency.

How will TCAF achieve results?

- Develop innovative carbon monitoring methodologies to attribute emission reductions to the implementation of policies as well as economy/sector-wide programs, beyond project-by-project mitigation activities.
- Support mechanisms that account for carbon credits from various carbon pricing schemes, allowing for flexibility in market-based climate mitigation approaches and for countries to implement more ambitious carbon pricing instruments.
- Generate carbon assets that have strong environmental integrity and a high likelihood of being compliant in a future international regime.
- Purchase a portion of the carbon assets (mitigation outcomes) from the programs, leaving the remaining available for host country use in achieving their NDC targets.

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Criteria for program assessment

General criteria to guide the assessment of programs

1. Transformational impact and ability to catalyze domestic action
2. Sustainability
3. Financing
4. Enabling environment and governance
5. Diversity, innovation and learning value
6. Core crediting components of programs, and related crediting infrastructure and regulation

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Types of participants and target funding

- TCAF will be a single programmatic trust fund - not a separate tranche of the CPF.
- TCAF has a specialized capacity building technical assistance Facility, the Development Carbon Asset Facility (DCAF)
- Organizations that contribute to the Facility will be known as Contributors.
- Minimum contribution is \$2 million and \$25 million is contribution required to be in the Facility Board.
- TCAF has a funding target of US\$500 million, with a minimum funding level of US\$250 million to become operational.

Coordination with PMR and other sources of funding

- TCAF will be structurally and legally independent from the PMR
- TCAF will complement TA provided by PMR or other sources of funding to explore and prepare scaled-up crediting programs.
- Programs developed under the PMR or other funding mechanisms, will not be required to complete the process before entering the Facility's pipeline.
- Preparation and implementation phases are expected to overlap in time, and even to feed from each other.
- The readiness processes (through PMR and others) and the preparatory work of the Facility may co-exist in parallel.
- If a program receives additional readiness support from another source, precise division of labor, coordination, and costs will be determined.

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TCAF Status

- TCAF was announced during COP 21 in Paris.
- In cooperation with the contributors, the facility design and legal documents have been finalized.
- TCAF has been approved by World Bank management.
- Plan to launch TCAF by the end of 2016
- Target date for TCAF organizational meeting is February 2017

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