



**WORLD BANK GROUP**  
Climate Change

# “Fund for Scaled-Up Crediting”: Status update

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# Outline

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1. Objectives and rationale

2. Fund portfolio

3. Fund structure, funding and coordination with PMR

4. Next steps

# Objectives

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- Support countries to implement sectoral mitigation measures and market-based carbon pricing
  - Pilot new and innovative greenhouse (GHG) emission reduction crediting mechanisms
  - Providing blueprints for efficient and low-cost mitigation globally and at scale
- The Fund will purchase carbon credits/assets from mitigation programs in developing countries
  - Support programs that can achieve results relatively quickly with priority given to programs that have previously undergone the readiness and design phases
- Fund will seek to support programs that will also achieve lasting impact and lead to transformational change
  - Fund's support through payments for carbon credits is intended to catalyze domestic action
  - Credits generated by the programs may be used in a domestic emission trading schemes (ETS) or for a carbon tax that would allow offsets as a means of compliance
  - Programs supported by the Fund pave the way to or increase ambition of domestic carbon pricing measures

# Rationale

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- Piloting effort will not prejudice the outcome of, but help inform the international process to develop standards and agreements for future carbon crediting instruments and transfer of mitigation assets
- Putting a price on carbon is increasingly recognized as a necessary element in realizing action on climate change mitigation
  - By paying for the verified emission reductions that result from these actions, the Fund would support varied types of direct and indirect domestic carbon pricing efforts
  - The pricing signal that the pilot programs will deliver will in turn incentivize action by private firms, mobilizing and leveraging private capital
- Synergies with INDCs
  - Countries are opening the possibility to increase their mitigation ambition with the addition of external financial support as evidenced by Mexico's INDC submission
  - The Fund would provide this support via performance-based payments for verified emission reductions (carbon credits)

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# Criteria for program assessment (1/3)

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The general criteria listed below will guide the assessment of programs for the Fund. They will help target any technical assistance support that will be provided by the Fund and inform the ultimate decision to include them, or not, into the Fund's portfolio.

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

# Criteria for program assessment (2/3)

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- Transformational impact and ability to catalyze domestic action
  - To demonstrate their transformational effect, individual scaled-up crediting programs will have to prove their ability to generate long-term, sustainable GHG mitigation impacts (i.e., a large volume of high-quality and sustainable emission reductions) and to leverage domestic action
- Sustainability
  - It is critical that the proposed programs plan for their continuation beyond the life of the Fund. Implementing country governments can achieve this by, e.g.:
    - progressively supporting more of the programs' financing themselves
    - introducing regulatory and policy reforms to remove barriers to private sector investment on low-carbon technologies
    - strengthening MRV capacity to help build the necessary data infrastructure to transition to other market-based instruments, such as an ETS
- Financing
  - The type of funding that the Fund will provide will leverage public and private funding for the implementation of the programs
  - In order to have maximum impact, payments for carbon credits will have to be combined with ex-ante financing sources, including private sector investments, government budget, and financing from the World Bank and other development institutions (concessional or not)

# Criteria for program assessment (3/3)

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- **Enabling environment and governance**
  - Strong institutional capacity and high-level political commitment for the program by the implementing government will be another important factor in the Fund's assessment.
  - Each program will need to demonstrate that it is aligned with the country's climate mitigation strategy and ambition (i.e., goals and targets).
  - The programs must also demonstrate there is a sound regulatory and institutional context in which to support their implementation.
- **Diversity, innovation and learning value**
  - The Fund will seek ambitious crediting programs that demonstrate, at a large-scale, the implementation of a variety of mitigation actions in different sectors of the economy and in different implementing countries that cover a broad segment of their economy.
- **Core crediting components of programs, and related crediting infrastructure and regulation**
  - The Fund will assess the core crediting components of the program, including the status of the "crediting infrastructure" and associated regulation. Based on this assessment, the Fund will evaluate the gap that exists and determine the crediting-related activities that are still needed.



# Net mitigation and environmental integrity

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- Net mitigation: concept reflects shift in international climate architecture where all countries define INDCs
  - Different definitions and ways to implement “net mitigation” have been proposed
- Environmental integrity will be achieved via the approach to baseline setting:
  - It will be done in relation to the overall policy context and the relationship of the crediting program with the objectives and instruments outlined in the INDCs
  - It will be further strengthened by the principle of “net mitigation”
- Monitoring, reporting and verification (MRV) approaches for the crediting programs should ensure that impacts of the implemented measures and policy actions can be accounted for with transparency and sufficient levels of accuracy.

# Consultation outline

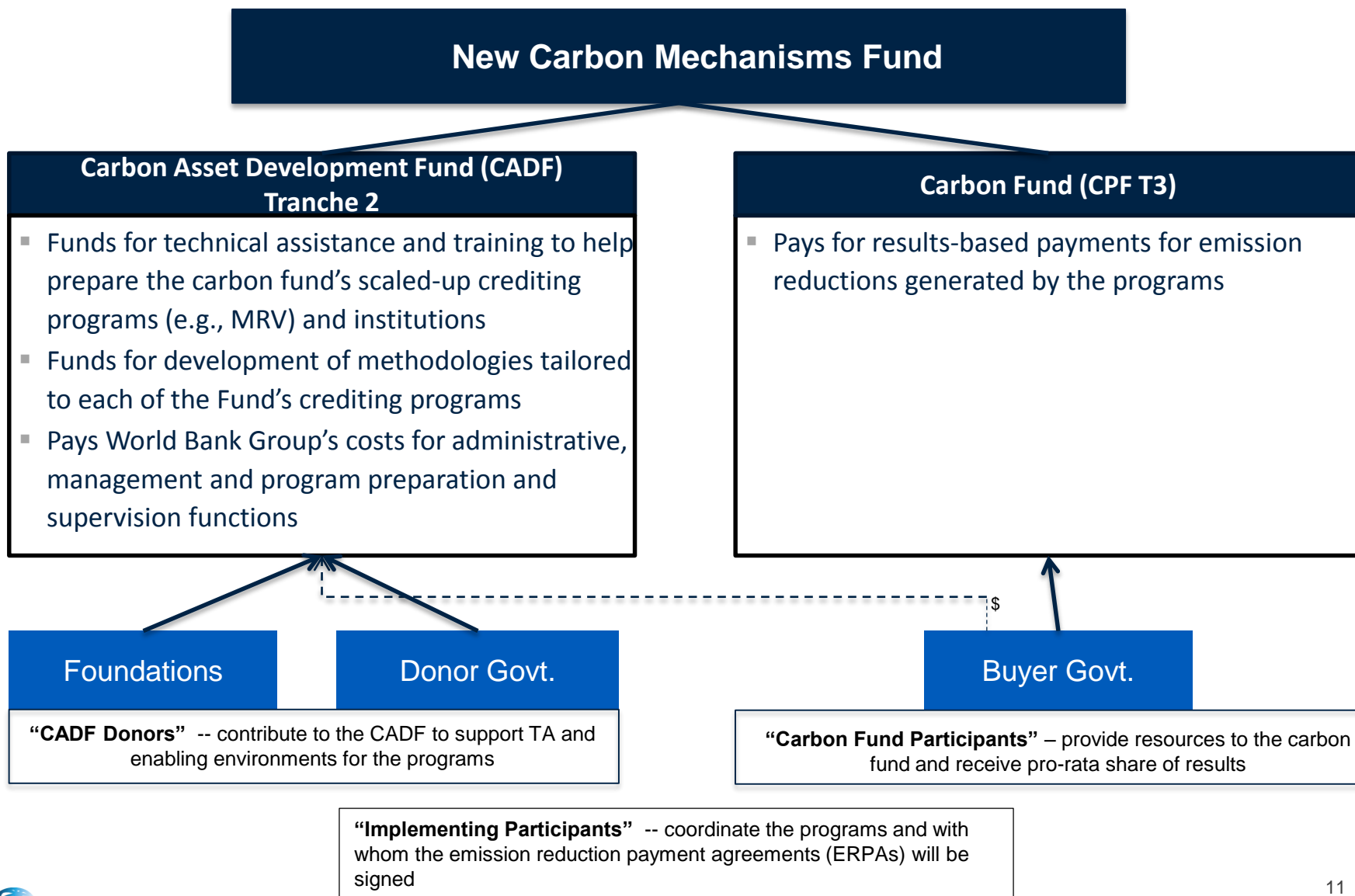
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## Types of participants and target funding

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- The Fund will accept three types of partners
  - Carbon Fund Participants
  - Implementing Participants
  - CADF Donors
- Carbon fund has an ambitious funding target of US\$500 million, with a minimum funding level of US\$250 million to become operational
  - US\$30 million to US\$60 million per program, with 5 to 10 programs in the portfolio

## Coordination with PMR and other sources of funding

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- Fund will be structurally and legally independent from the PMR
  - Separate and distinct decision-making and funding process
  - Close coordination with PMR and other sources of preparation funding for the programs will be critical
- The Fund will complement TA provided by PMR or other sources of funding to explore and prepare scaled-up crediting programs
  - Fund's screening and assessment process will identify the core technical components of a crediting program that have already been prepared under the PMR process and determine the complementary ones that may be developed with the Fund's support
  - It will also help define the amount and type of additional support that will be needed to finalize program design, enter the portfolio, and reach the implementation stage

## Coordination with PMR and other sources of funding

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- Programs developed under the PMR or other funding mechanisms, and interested in seeking support from the Fund, will not be required to complete the process before entering the Fund'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 CADF may co-exist in parallel
  - All facilities will set out specific responsibilities and roles on a case-by-case basis
- In case a program receives additional readiness support from another source, precise division of labor and costs will be determined
- Concrete examples with PMR countries:
  - Mexico and Morocco MRPs both explicitly indicate that additional and specific capacity building activities will be required to move to piloting phase

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## Next steps for the establishment of the Fund

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- Bilateral consultations during Carbon Expo in Barcelona
- Workshop on net mitigation in June
- Based on momentum in these consultations, begin to draft legal documents and amendments to CPF instrument
- Target announcement at or before COP 21 (December 2015)
- April 1, 2016 target date for Fund becoming operational



# Thank you

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