



SUPPORTING THE NEXT GENERATION OF CARBON MARKETS: FUNDS & FACILITIES







CLIMATE CHANGE GROUP
THE WORLD BANK GROUP
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Strategic Focus of World Bank Carbon Market Initiatives



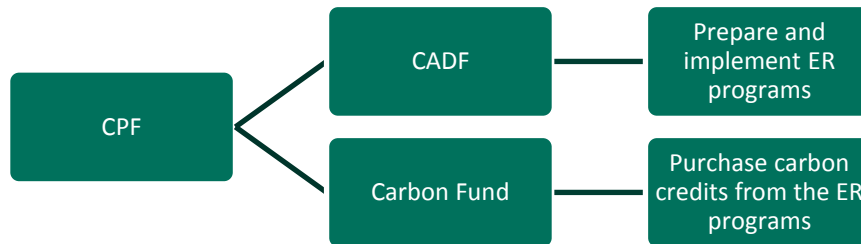
Facilities for the Next Generation of Carbon Markets: 2015 →

	WB Facility	Focus	Resources (\$ million)	Partners
1	 Partnership for Market Readiness	Capacity building to support market based tools for GHG reduction	\$125	30 country participants including 13 donor governments
2	 Carbon Partnership Facility	Piloting scaled-up carbon crediting programs	\$147	6 selling country, 3 buying country and 2 donor participants
3	 Carbon Initiative For Development	Support low-income countries to benefit from carbon finance	\$125	2 donor governments and 1 foundation
4	 BioCarbon Fund <i>For Sustainable Forest Landscapes</i>	Incentivizing sustainable landscapes with private sector	\$300	3 donor governments; under development for private sector relationships
5	 Forest Carbon Partnership Facility	Guiding readiness and carbon finance for REDD+ and testing purchase of REDD+	\$823	44 country participants including 15 donor governments; 2 private sector; 1 foundation
6	 Pilot Auction Facility <i>For Methane & Climate Change Mitigation</i>	Testing disbursement of climate finance using auctions w/ initial focus on potent SLCP	\$100 (target)	TBD

Carbon Partnership Facility

Objective & Structure

- ◆ CPF's mission is to innovate in developing scaled-up crediting mechanisms, utilizing programmatic modalities that go beyond the project-by-project approach



Existing Work Program

- ◆ The CPF currently funds:
 - Portfolio of 8 large CDM PoAs
 - Development of economy-wide policy MRV including carbon crediting concepts for cities
 - Initial ideas for scaled-up crediting pilots at the country level
- ◆ Supporting the design of “blueprints” that could lead to ER programs that try to anticipate/inform modalities and procedures the next generation of carbon crediting

CPF's Next Phase – Pilot Fund for the Next Generation of Carbon Markets

- ◆ World Bank is developing Pilot Fund with dual objectives:
 1. to catalyze the transition from the "preparation" of scaled-up emission reductions crediting approaches to piloting their "implementation"
 2. to explore ways to create fungibility across a range of different carbon asset types and network carbon markets together.
- ◆ Pilot Fund will be separate from the Partnership for Market Readiness, but links made to ensure complementarity
- ◆ The CPF will be the vehicle on which new Pilot Fund will be built. Reasons include:
 1. Alignment with CPF original objectives
 2. Build from CPF existing work program
 3. Flexible legal structure with dedicated tranches
- ◆ Working Group of interested donor governments and implementing countries will provide feedback on design

Carbon Initiative for Development

Objectives

- ◆ Assist LDCs to use carbon finance to promote energy access and low carbon development
- ◆ Support CDM projects with high development benefits through technical assistance and CER purchases
- ◆ Support the design and dissemination of new methodologies, standardized baselines and proposals for simplification of the CDM project cycle

Participants and Funding

- ◆ Switzerland, Sweden and UK participate in the fund
- ◆ The facility has a budget of circa 125 million US\$
- ◆ 30 million US\$ in Readiness Fund, and
- ◆ 95 million US\$ in Carbon Fund

Priority areas / supported activities

- ◆ Private sector lead – energy access programs
- ◆ Household level / community scale programs
- ◆ Priority countries – poorest countries with strong focus on Africa and LDCs
- ◆ Programs under consideration include:
 - Renewable Energy and Clean Cooking PoAs in East Africa
 - Off-grid Solar Home systems and On-grid Extension programmes in East Africa
 - Water purification programmes in South Asia and East Africa



BioCarbon Fund for Sustainable Forest Landscapes

Background

- ◆ Launched in Warsaw in November 2013
- ◆ Results-based financing for 4 large-scale ER Programs (\$40-50m) combined with substantial TA packages (\$5-10m).
- ◆ Adopting a landscape approach to transform large rural areas by addressing agriculture, energy, and forest protection.
- ◆ Programs designed to maximize private sector engagement and financial leverage. The objective is to "forest-proof" the sourcing of commodities and redirect market forces towards more sustainable and equitable land management practices.

Objectives

- ◆ Moving from projects to large-scale land-use programs at jurisdictional scale.
- ◆ Deploy results-based finance to incentivize changes at the landscape level.

Targeted countries



Forest Carbon Partnership Facility

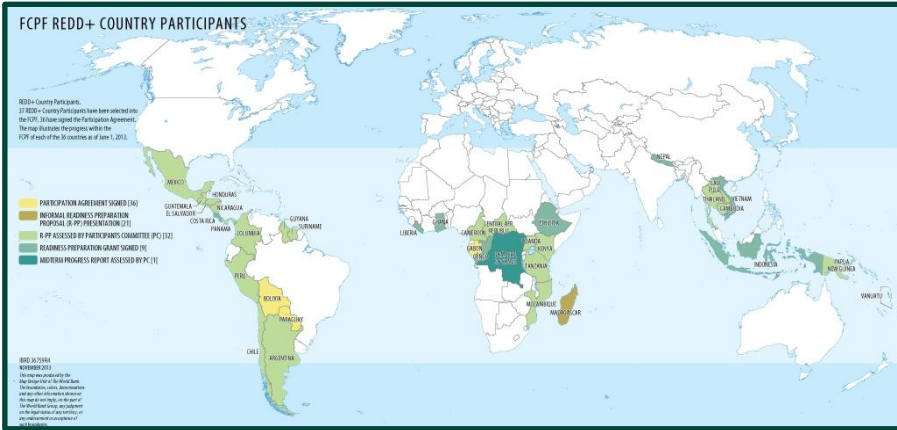
Has established collaborative partnership & transparent platform for meaningful exchanges on REDD plus issues

Mission

- ◆ Operational since June 2008
- ◆ Readiness fund – \$360 million pledged (\$5 million minimum contribution) to
 - Prepare developing forest countries for REDD+ (national monitoring, reference scenarios, strategies, management arrangements)
 - Inform UNFCCC negotiations on REDD plus
- ◆ Carbon Fund – \$465 million raised to date
- ◆ Guide REDD+ readiness preparation process

Participation

- ◆ Due to high demand, REDD Country participation increased from 0 to 20 to 37 to 44
- ◆ 15 Donor Participants
- ◆ 10 Carbon Fund Participants
- ◆ Balanced governance structure; role of the Bank is facilitator
- ◆ 6 Observers





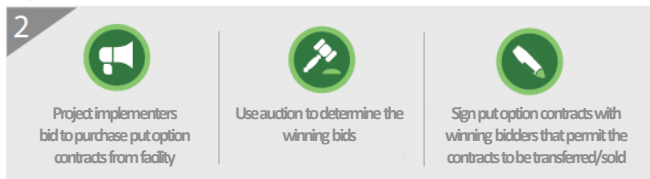
Pilot Auction Facility For Methane and Climate Change Mitigation

How the Facility Works

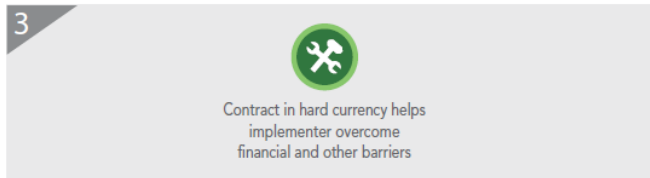
Develop selection criteria and call for proposals



Select and contract for methane reduction



Implement projects



Verify & Pay-for-Performance



Current status

- ◆ Facility proposal presented and discussed at series of recent climate meetings, including Ministerial meetings of the Climate and Clean Air Coalition
- ◆ Several potential donors expected to contribute
- ◆ The fund is targeting \$100 million
- ◆ Public launch expected in 2014; first auction round by end-2014
- ◆ Intended to inform future scaled-up flows of pay-for-performance climate finance, including through the Green Climate Fund

Key design issues

- ◆ Auctions will encompass multiple countries to foster competition
- ◆ Auctions will be sector specific (starting with targeted methane sectors)
- ◆ Facility will consider opening to non-methane sectors in subsequent auction rounds

Contact Information



**Partnership for
Market Readiness**

Xueman Wang

xwang5@worldbank.org



**Carbon Partnership
Facility**

Richard Zechter

rzechter@worldbank.org



**Carbon Initiative For
Development**

Daniel Radack

dradack@worldbank.org



BioCarbon Fund
For Sustainable Forest Landscapes

Ellysar Baroudy

ebaroudy@worldbank.org



**Forest Carbon Partnership
Facility**

Ellysar Baroudy

ebaroudy@worldbank.org



Pilot Auction Facility
For Methane & Climate Change Mitigation

Brice Quesnel

bquesnel@worldbank.org