Carbon Partnership Facility

Gas Flaring Reduction Best Practice Workshop

Ciudad del Carmen, Campeche, Mexico

January 2010
World Bank in the carbon markets

- Bank pioneered early development of the project based mechanisms and carbon markets – Prototype Carbon Fund
- Developed about 30% of CDM methodologies
- Builds capacity in developing countries
- Mobilizes funding – 12 carbon funds
- Knowledge sharing/market development
  - State and Trends of Carbon Markets report
  - Carbon Expo
Total value of carbon funds managed by the World Bank Carbon Finance Unit

Million USD

<table>
<thead>
<tr>
<th>Year</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
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<th>2006</th>
<th>2007</th>
<th>2008</th>
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<tbody>
<tr>
<td>Value</td>
<td>145</td>
<td>145</td>
<td>290</td>
<td>350</td>
<td>415</td>
<td>915</td>
<td>1,970</td>
<td>2,020</td>
<td>2,270</td>
<td>2,450</td>
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Kyoto Protocol enters into force

Million USD
Carbon Funds

4 Specialty funds/facilities

- ** Prototype Carbon Fund:** Pioneering Kyoto mechanisms since 2000
- ** Community Development Carbon Fund:** Small projects that measurably benefit poor communities
- ** BioCarbon Fund:** Land use, land-use change and forestry projects
- ** Umbrella Carbon Facility – Tranche 1:** Focused on two China HFC 23 projects

6 Country funds/facilities

- ** Netherlands Clean Development Mechanism Facility**
- ** Netherlands European Carbon Facility (jointly managed with IFC)**
- ** Spanish Carbon Fund**
- ** Italian Carbon Fund**
- ** Danish Carbon Fund**
- ** Carbon Fund for Europe (jointly managed with EIB)**
Contribution of project-based CDM

- Carbon markets and CDM have proven effective in leveraging private investments and mobilizing resources for thousands of projects.
- However, project-based CDM has limitations:
  - Backlogs in registration and issuance
  - Not effective in catalyzing energy efficiency, transport or land use/forestry ERs
  - Does not include reducing deforestation and land degradation (REDD)
  - Not conducive to systematic approaches across sectors/industries
  - Difficult to scale up further under post-2012 framework
Carbon Partnership Facility (CPF)

- Carbon finance for the post-2012 world
- Support systematic approaches to low-carbon growth
  - Support country initiatives to catalyze public and private investment in clean technologies
  - Include carbon finance as part of integrated financing packages
  - Utilize programmatic approaches to scale up emission reduction programs
  - Promote innovative methodologies and technologies
  - Engage where the private sector cannot succeed alone
New Directions in Carbon Finance

• Scaling-up will require building on rich project experience and evolve towards programmatic approach.

• Starting with putting CDM Programmes of Activities (PoA) into practice:
  – Enables a single regulatory approval for program involving similar activities
  – Supports systematic approaches at scale
  – Broadens coverage of CDM to untapped areas, e.g., energy efficiency and urban transport
  – Works towards reducing transaction costs

• Able to respond to evolution of market mechanisms
CPF - Buyers and Sellers in a Partnership

BUYERS
(governments, companies)

Minimum financial contributions
Willingness to purchase Emission Reductions (ERs) generated over the long term

Program development
Carbon Asset Development Fund (CADF)

ER sale and purchase
Carbon Fund

SELLERS
(governments, companies)

Emission Reduction contribution
Willingness to develop and implement specified emission reduction programs and sell ERs

Partners (Host Governments, other) and Donors
Carbon Asset Development Fund (CADF)

- Provides funds for:
  - Methodology work
  - ER program identification and development, carbon asset feasibility work
  - Project Design Document and monitoring plan preparation
- Includes direct preparation grants to Sellers and Host Countries
- Also covers all Facility costs for ER Program preparation and supervision functions
- Funded by:
  - Charge from Buyers due upon signing of Participation Agreement
  - Donor contributions of minimum €2 million per Donor
Carbon Fund

- Holds funds for Emission Reduction (ER) payments
- First tranche to provide carbon finance to several key sectors (e.g. power, energy efficiency, waste, transport, thematic/cross-cutting programs)
- Carbon Fund will buy part of CERs from programs, CPF can assist sellers with marketing additional CERs
- Buyers and sellers together as members of Partnership Committee will decide on ER pricing approach
Emission Reductions (ER) Program Development

• Signed agreements with sellers to start in-depth preparation of:
  – Morocco Solid Waste Management Program
  – Vietnam Renewable Energy Program
  – Brazil Solid Waste Management Program

• Working on programs in:
  – Several sectors, including power, energy efficiency, transport and oil & gas
  – China, Indonesia, Mexico, Nigeria, India, Egypt, Thailand, Jordan

• Integrated financing and support packages, including World Bank lending, Clean Technology Fund, and other instruments
Additional Programs under Development

Latin America
- Mexico Urban Transport (BRT mostly, CTF)
- Mexico Energy Efficiency (CFLs, appliances, CTF)
- Brazil Waste Management (lending)

Middle-East and North Africa
- Amman City (city wide methodology approach)
- Concentrated Solar Power (multi-country, CTF)
- Egypt -- several possibilities:
  - Irrigation pumping EE
  - Urban transport (CTF)
  - Wind RE (CTF)
  - SWM (DPL)
  - Lighting (CFLs, possibly also LED)
Additional Programs under Development

East Asia
• Indonesia Geothermal
• China IGCC and Regional Biogas
• Bangkok City (city wide approach)
• Buildings EE (methodology development)

South Asia
• India solar thermal
• Power grid (lending)
• Urban sector programs

Africa
• Nigeria IPPs (DPL) / Gas Flaring
• Ghana Oil & Gas Sector/Gas Flaring
• South-Africa/Botswana power sector (lending, CTF)
CPF - Methodology Agenda

• Demonstrate efficacy of Program of Activities approach in a variety of situations
  – Design PoAs with incentives for private investment in individual project activities
  – Develop country level expertise in managing Coordinating Entities

• Urban GHG mitigation framework – power, energy efficiency, transport and waste management

• Innovative approaches to energy efficiency
  – Buildings, appliances, lighting

• Carbon capture and storage, gas flaring reduction

• Competitive industrial sectors

• Lay groundwork for sector-based approaches
Conclusions

• Achieving progress on limiting greenhouse gases will require strong, sustained cooperation among industrialized and developing countries.

• The World Bank, through a range of financial instruments and capacity building activities, is deeply engaged in this effort.

• Carbon finance will continue to play a major role in catalyzing low carbon investments in developing countries.

• Carbon Partnership Facility is positioned to play a pioneering role in the next generation of carbon finance.
Thank You!

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Please visit us online at
www.carbonfinance.org