



Strategic Framework on Climate Change and Development (SFCCD) for the World Bank Group (WBG)

and

Climate Financing Instruments

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Outline

1. Global Context
2. World Bank Context
3. Climate Financing Instruments
4. Next Steps and Questions



1. Global Context



Climate Change is a Development Issue

- Developing countries are already affected
- The poorest countries and communities stand to suffer the earliest and the most
- Development gains and achievement of the Millennium Development Goals are at risk
- Lower carbon and climate resilient growth offers opportunities for sustainable development with multiple benefits



Countries Most At Risk: 6 Climate Threats

<i>Drought</i>	<i>Flood</i>	<i>Storm</i>	<i>Coastal 1m</i>	<i>Coastal 5m</i>	<i>Agriculture</i>
Malawi	Bangladesh	Philippines	All low-lying Island States	All low-lying Island States	Sudan
Ethiopia	China	Bangladesh	Vietnam	Netherlands	Senegal
Zimbabwe	India	Madagascar	Egypt	Japan	Zimbabwe
India	Cambodia	Vietnam	Tunisia	Bangladesh	Mali
Mozambique	Mozambique	Moldova	Indonesia	Philippines	Zambia
Niger	Laos	Mongolia	Mauritania	Egypt	Morocco
Mauritania	Pakistan	Haiti	China	Brazil	Niger
Eritrea	Sri Lanka	Samoa	Mexico	Venezuela	India
Sudan	Thailand	Tonga	Myanmar	Senegal	Malawi
Chad	Vietnam	China	Bangladesh	Fiji	Algeria
Kenya	Benin	Honduras	Senegal	Vietnam	Ethiopia
Iran	Rwanda	Fiji	Libya	Denmark	Pakistan

Low Income
 Middle Income

Source: World Bank



IPCC4 Highlights for East Asia

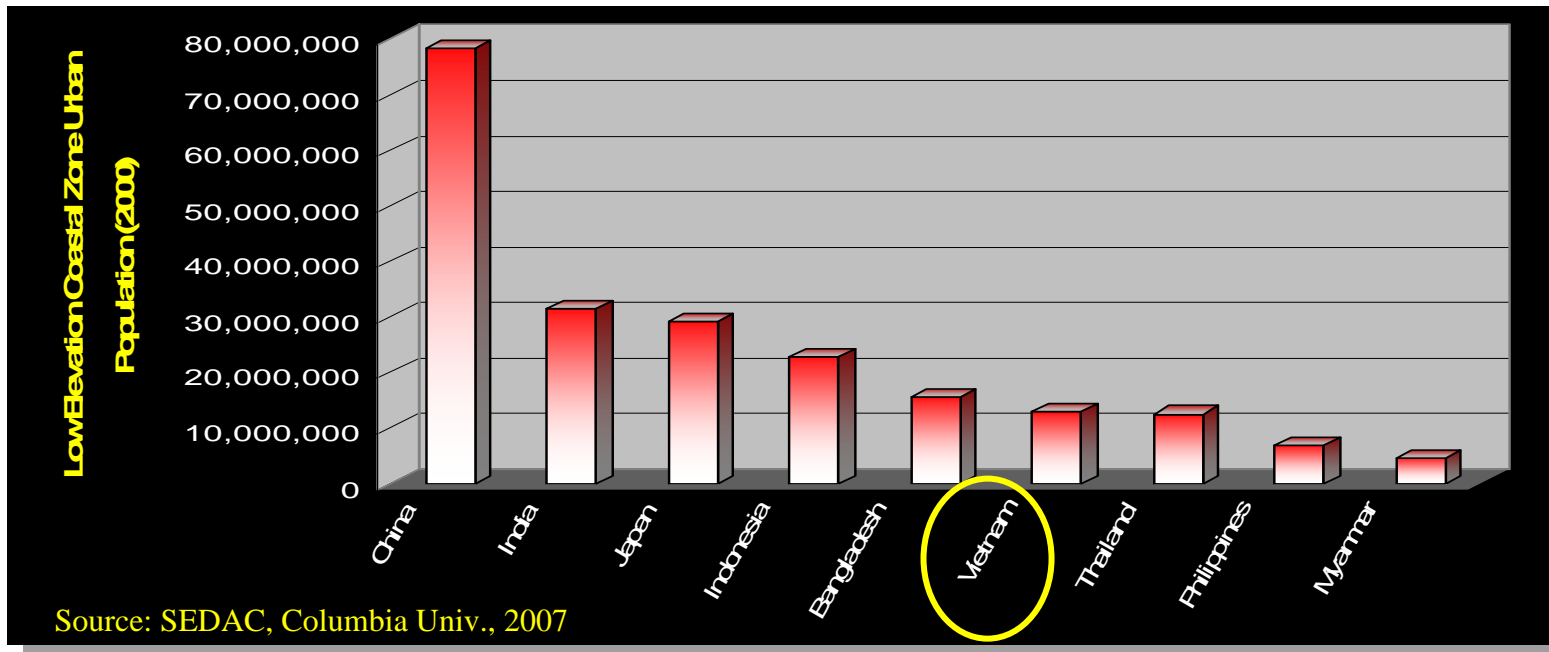
- Water and agriculture sectors are most affected
 - Increased precipitation variability with impacts on floods, droughts, and agricultural productivity
 - Production of rice, maize and wheat is declining, 2.5-10% crop yield loss is projected by 2020 in parts of Asia
- Increased frequency/impact of natural disasters
 - Increased intensity and economic damage caused by cyclones Cambodia, China, Philippines, Vietnam
- Current sea level rise in EAP is larger than global average and accelerating



Illustration: Sea Level Rise—a Major Risk

- China, Indonesia, Thailand and Vietnam are among top 10 countries with largest urban populations in low lying coastal areas

Urban Population Most Impacted by Sea Level Rise





Impacts of One Meter Sea Level Rise in Vietnam would effect...



- 11% of population
- >5 % of land area
- 30% wetlands

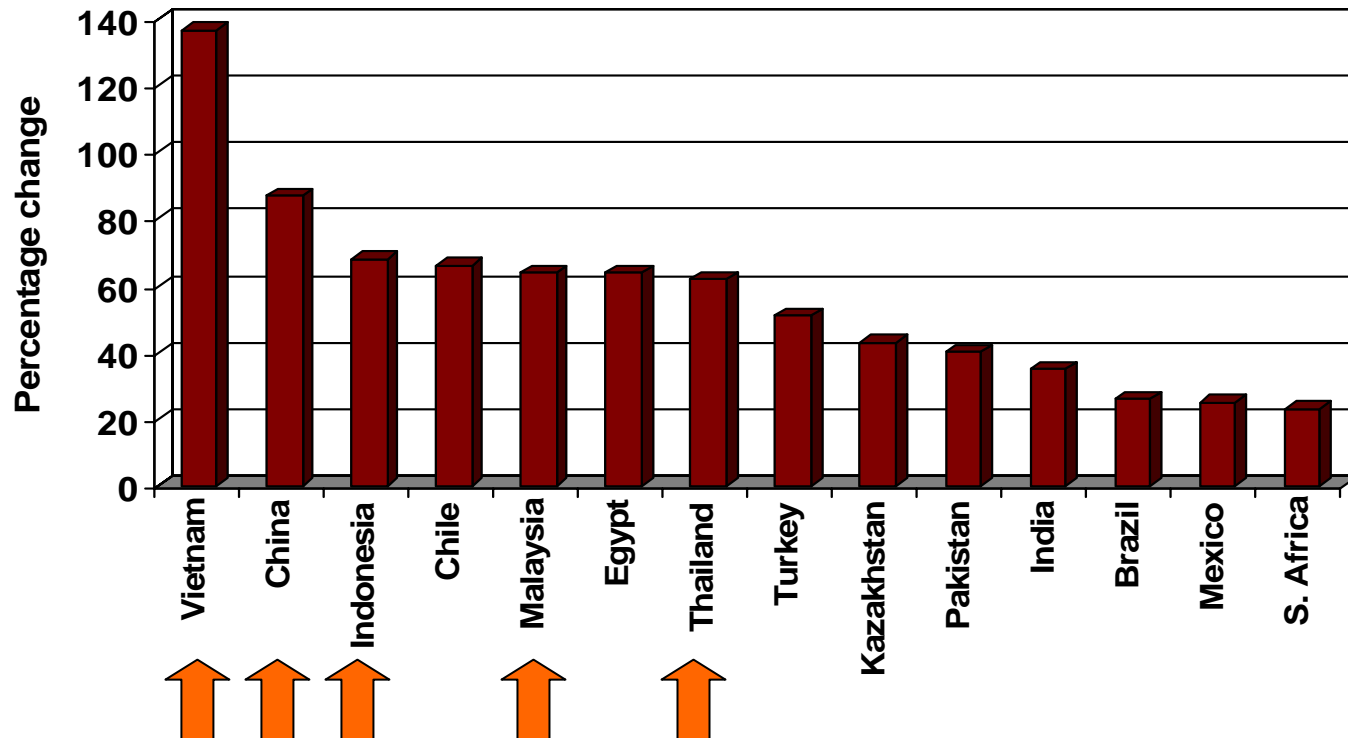
...and result in declines in

- 7% of agricultural production
- 10% of GDP



Several East Asian Countries have Some of the Highest Fossil Fuel CO₂ Emission Growth Rates Globally

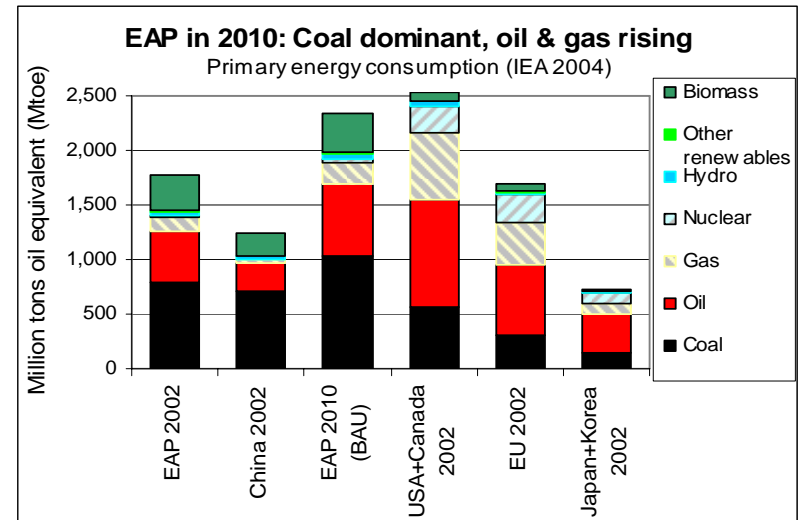
Countries with Largest Fossil Fuel CO₂ Emission Growth, 1995-2005





Coal Dominates Energy Production

- Coal dominates power generation (~75%)
- Coal consumption growth outpaced total energy growth by 65%
- China became coal importer in 2006
- Vietnam's coal share in total energy mix is expected to increase from 13% in 2005 to 20% in 2010



Total Primary Energy and Coal Consumption

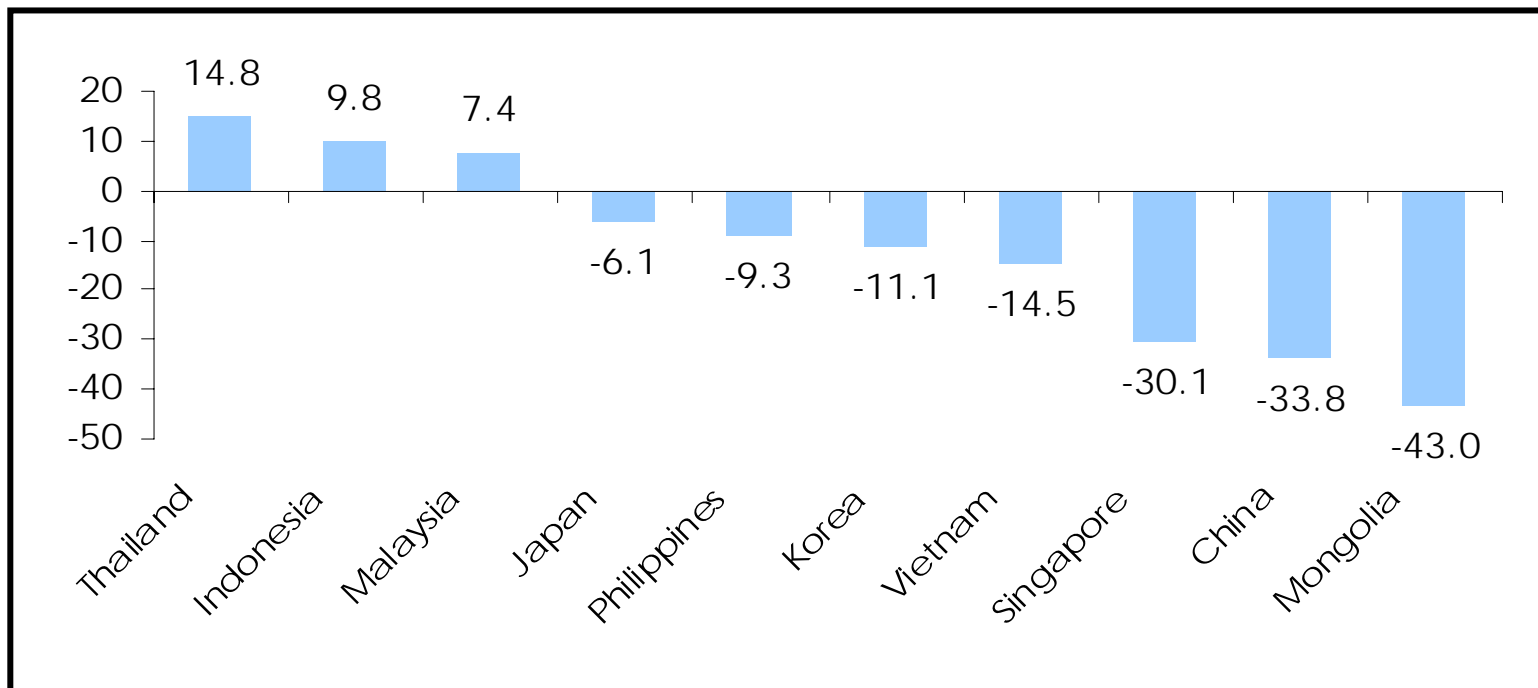
Country	Consumption	2003-2006 Annual Growth Rate
China	Total Energy	11.38%
	Coal	11.78%
Indonesia	Total Energy	3.24%
	Coal	15.69%
Malaysia	Total Energy	6.01%
	Coal	14.55%
Thailand	Total Energy	4.85%
	Coal	9.86%
Philippine	Total Energy	1.00%
	Coal	11.15%



Energy Intensity Trends Show a Mixed Picture

- Regionally, declining energy intensity has offset about half the emissions increase contributed by GDP growth, however...
- ... energy intensity increased in Indonesia, Malaysia, and Thailand

Percent growth in energy intensity (1994-2006)



Source: EAP Energy Flagship Study



2. World Bank Context



Climate Change is not new for World Bank

- 1993: Began leveraging GEF funding for climate change
- 1999: Pioneered Carbon Finance through \$180 million Prototype Carbon Fund
- 1999: "Fuel for Thought" Environment Strategy for the Energy Sector
- 2001: Environment Strategy with climate change pillar
- 2006/08: Clean Energy Investment Framework
- 2007: IDA and Climate Change Paper



Recent Progress on Climate Change

- Share of support for low-carbon energy projects up from 28% in FY03–05 to 40% in FY06-08
 - GEF and Carbon Finance (CF) contributed US\$546 million, or 13%, with significant leveraging
- RE and EE lending exceeded Bonn commitment 1.5 years ahead of schedule
- CF business grown to \$2 billion, with two new facilities - CPF and FCPF- approved in September 2007
- Low carbon growth and adaptation studies
- Pilot program to begin measuring GHG emissions of the WBG lending portfolio is underway
- Strengthened partnership with MDBs



The SFCCD

- SFCCD requested at the Bank's 2007 Annual Meetings
- Timeline:
 - March, 2008: Concept, early consultations
 - April – June, 2008: Consultations on draft concept and issues paper
 - July – October 2008: Consultations on draft final paper
- 2008 and beyond: Implementation and continued consultations



SFCCD Key Principles/Approach

- Maintaining neutrality to UNFCCC Negotiations
- Keeping flexibility to accommodate new developments in international negotiations, scientific knowledge, and experience
- Working with Multiple Partners: UN agencies, UNFCCC Secretariat, Global Environment Facility (GEF), MDF, bi-lateral donors
- Pursuing an inclusive and consultative process





SFCCD is about Development in the Context of Climate Change

- Priority of growth, poverty reduction and MDGs
- Importance of meeting energy needs of developing countries
- Development imperative of helping to adapt to climate risks
- Resource mobilization in addition to the current ODA levels





SFCCD Approach: Integrating Climate Action into Development

- Country-driven approach
 - Customized to adaptation needs and low carbon growth opportunities in a country-specific context
- Focus on *multiple benefits* and development opportunities of climate action
- Tailored to the needs of both public sector (WB) and private sector (IFC) clients
- Attention to social dimensions and local institutions
- Dialogue on economic and fiscal policies



Six Action Pillars of the SFCCD

- 1. Make effective climate action – both adaptation and mitigation – part of core development efforts**
- 2. Address the resource gap through existing and innovative instruments for concessional finance**
- 3. Facilitate the development of innovative market mechanisms**
- 4. Create enabling environment for and leveraging private sector finance**
- 5. Accelerate the deployment of existing and development of new climate-friendly technologies**
- 6. Step-up policy research, knowledge management and capacity building**



Illustration of New Initiatives in EAP

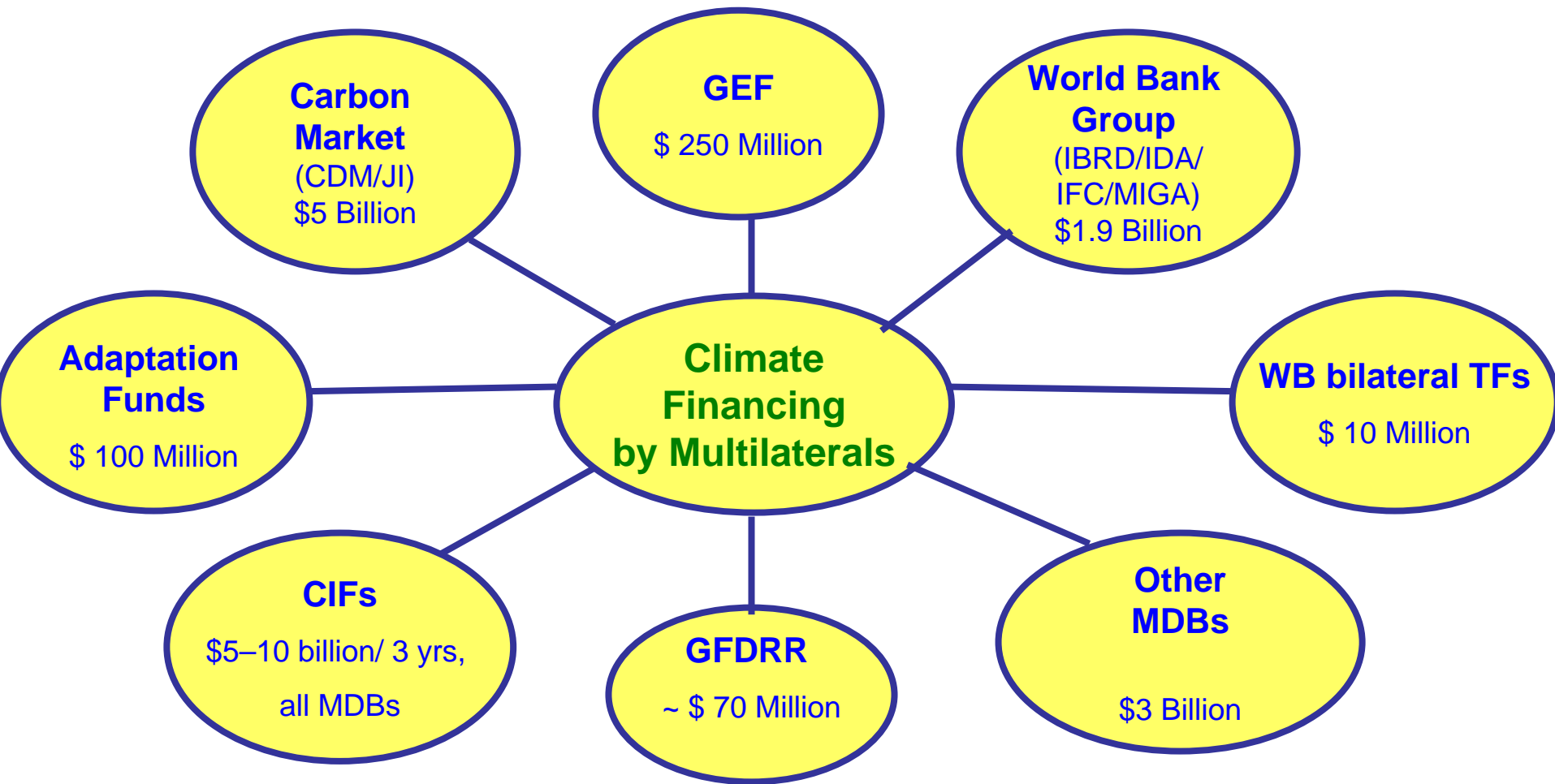
- Global/Regional platform
 - Regional Energy Flagship study: security and sustainability
 - Joint ADB/JBIC/WB study of the impacts of climate change on coastal cities (HCMC participant)
 - Global study on the economics of adaptation to climate change (Vietnam participant)
 - Global Facility for Disaster Reduction and Response (GFDRR) supports high priority countries to help build capacity (Vietnam)
- Country platforms
 - Support to climate change strategies
 - Energy efficiency and renewable energy scale-up projects
 - Adaptation pilot projects (China, Kiribati, Philippines...)
 - Low carbon economy studies (China, Indonesia)
 - REDD studies (Indonesia, Laos, Vietnam?)



3. Climate Financing Instruments



Suite of Climate Funding Instruments



Annual availability of funds unless noted differently



Climate Investment Funds (CIFs)



CIF Framework

- Building on new initiatives:
 - UK Environmental Transformation Fund, US Clean Technology Fund, Japan *Cool Earth 50* Initiative
- CIF is “Umbrella” to start with 2 sub-funds:
 - Clean Technology Fund
 - Strategic Climate Fund
- Joining forces:
 - ADB, AfDB, EBRD, IDB and the WBG to coordinate
- Additional to existing ODA



Simplified Structure of CIF Governance

Partnership Forum

Clean Technology Fund

Trust Fund Committee
(to include equal number of contributor & recipient countries)

Observers from organizations with mandates to provide investment in clean technology, such as GEF

Strategic Climate Fund

Trust Fund Committee
(to include equal number of contributor & recipient countries, others)

Pilot Program for Climate Resilience

Other SCF Program

Other SCF Program

Sub-Committee

Sub-Committee

Sub-Committee

contributors / recipients

contributors / recipients

contributors / recipients



Clean Technology Fund (CTF) Criteria

- Promote scaled-up deployment and transfer of low carbon technologies, significant GHG reduction
- Embedded in national development plans or programs
- Country access: ODA-eligibility & active MDB country program
- Blending with MDB and other non-concessional financing
- Concessionality calibrated to make project financially viable
- Types of investments: power sector, transportation, energy efficiency in building, industrial and agricultural sectors
- Expectations for the first “Investment Plan” for CTF:
 - Joint WB/ADB mission
 - Preparation of a Multi-Year Investment Plan
 - Country sign-off
 - Trust Fund Committee review and endorsement of pipeline



Strategic Climate Fund (SCF)

- Consolidate various new financing initiatives in a single framework
- First program is Pilot Program for Climate Resilience
- Provide programmatic finance for country-led national climate resilient development plans
- Lessons for Adaptation Fund and IDA
- Strong collaboration with Adaptation Fund Board
- Other potential programs: Forest Investment Fund and Greening Energy Access



CIF: Current Status

- World Bank Board date July 1, 2008
- Start of capitalization: July-Sept 2008
- 2008-09 to be a “start-up” year
- Three year target: \$5-10 billion for CIFs



New Carbon Funds

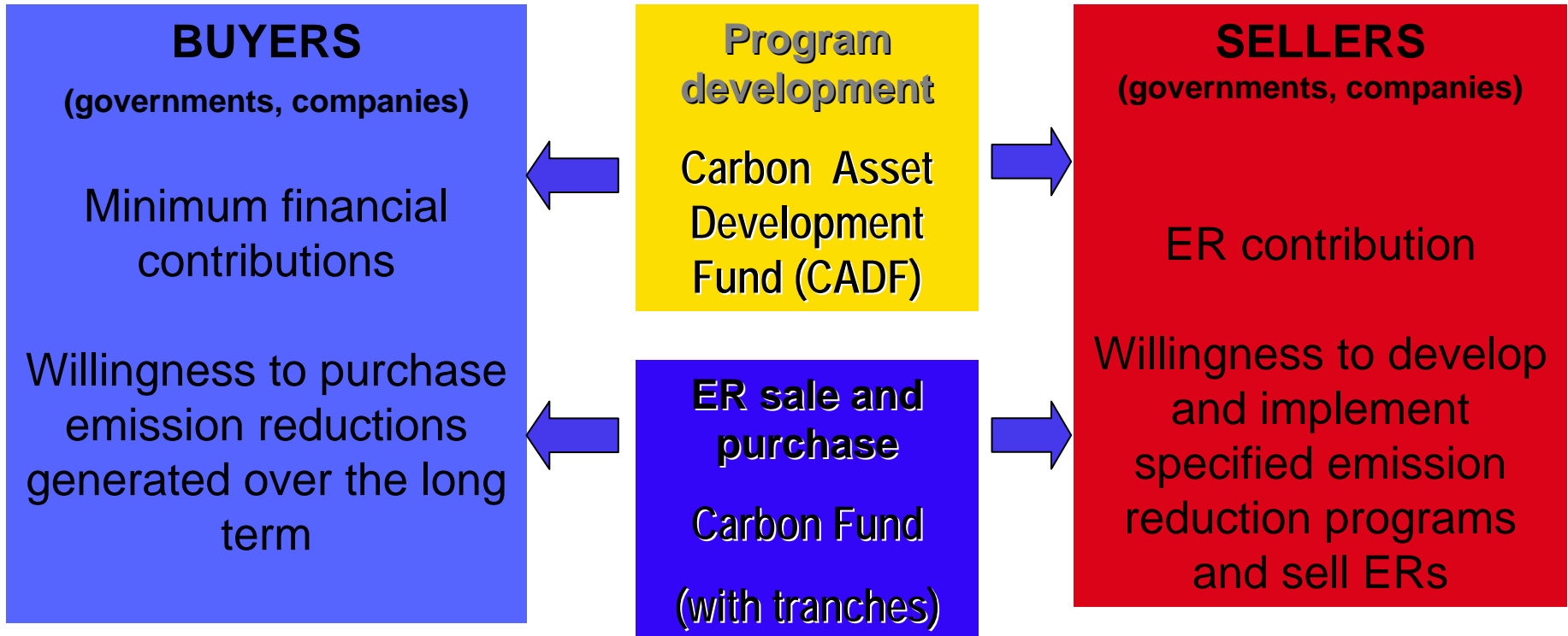


Carbon Partnership Facility (CPF)

- Building on the extensive experience with project-specific carbon financing
- Move to “programmatic” approach (e.g. sectoral, regional)
- For the regulatory period beyond 2012 (the end of the Kyoto Protocol’s first commitment period)
- Flexible with regards to climate policy regime



CPF – “Partnership”: Buyers and Sellers in Decision-Making



**Partners (advisory role):
Host Governments, Donors, other**



CPF Capitalization

- Target size €5 billion over 5 years
- First tranche will become operational at €[350]m
- €35m minimum contribution:
 - Buyers allowed to pool their resources to reach the minimum contribution limit
- Withdrawal by each individual Buyer Participant will be possible if no International Agreement is reached by a certain date



CPF First Tranche Portfolio Criteria: Eligible Categories & Themes

- Energy generation, transmission and distribution
 - Energy efficiency measures
 - The issue of hydropower to be resolved
- Waste Management
- Oil and gas sector
- Transportation
- Thematic programs
 - Urban, rural development, integrated industrial development programs (e.g. industrial zones/parks), other multi-sectoral and cross cutting programs



CPF Carbon Asset Development Fund

- Provides Sellers and host country resources/grants for ER program development and methodology work
- Also covers management costs of Facility, World Bank due diligence, appraisal and supervision, ER program/ERPA maintenance costs (verification, modifications to methodology etc.)
- Funded by Buyers (upfront signing and program preparation charge plus an annual management charge), Sellers (contribution from ERPA payments) and Donors



CPF Target Timeline

- Facility opened for contributions end of July
 - CADF operational once €10m reached (€5 million pledged so far)
 - Target to reach €350m in the Carbon Fund by end of the calendar year (two confirmed participations so far totaling €100+ million)
- Organizational meeting and full operationalization once at least [6] Seller Participant Agreements signed



Forest Carbon Partnership Facility (FCPF): Rationale and process

- Avoided deforestation excluded from the CDM
- World Bank experience with carbon finance in forestry sector:
 - BioCarbon Fund: LULUCF pioneer since 2004
- Request from G8 Heiligendamm Communiqué to design forest carbon partnership
- Extensive consultations over the past year+ with donors, international organizations, NGOs, private sector

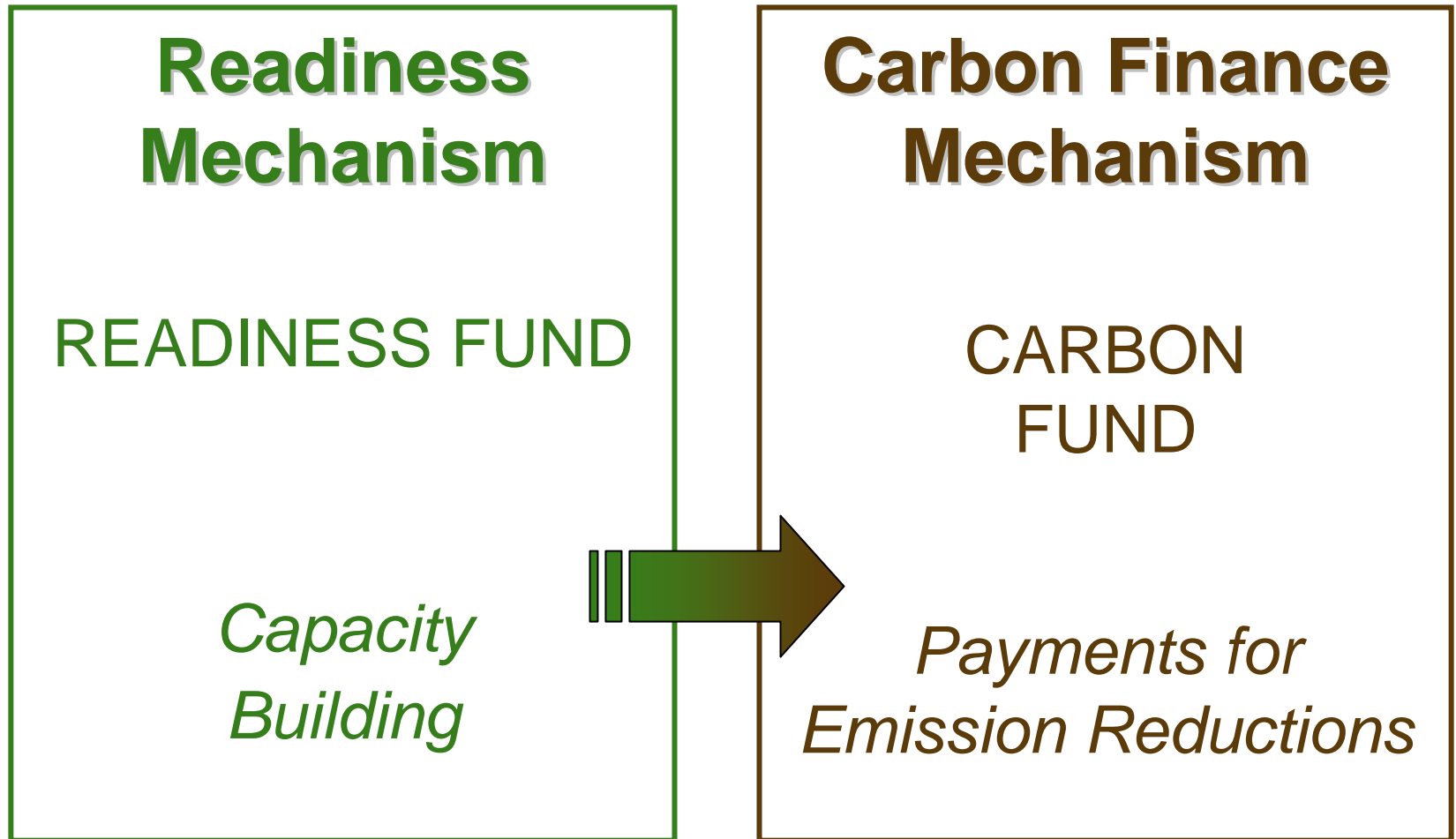


PCPF Objective

- FCPF would assist developing countries in their efforts to reduce emissions from deforestation and land degradation (REDD)
- Dual objectives of:
 - building capacity for REDD in developing countries (target about 20 countries, based on demand)
 - testing a program of performance-based incentive payments in some pilot countries, on a relatively small scale, in order to set the stage for a much larger system of positive incentives and financing flows in the future (target about 5 countries based on readiness)



FCPF Structure





FCPF Governance

- Governed by Participants Committee (decision making body), a broad Participants Assembly, and help from independent Technical Advisory Panels (TAPs)
- Observers: International Organizations, NGOs, Indigenous Peoples and Private Sector representatives



FCPF Current Status

- Already open for contributions
- Current pledges \$190 m (Readiness: \$82m, Carbon Fund: \$108m)
- Likely to be declared operational in June 2008
- Country selection for Readiness underway (Technical Panel meets July 8, Steering Committee July 9/10)



FCPF Programming Underway

39 Requests
for
Participation

22 R-PINs
received

Technical
Advisory Panel
to initiate
selection in July
2008

South America (7):

- Argentina
- **Bolivia**
- **Colombia**
- Ecuador
- **Guyana**
- **Paraguay**
- Peru

Meso America (7):

- **Costa Rica**
- El Salvador
- Guatemala
- Honduras
- **Mexico**
- **Nicaragua**
- **Panama**

SE Asia & Pacific (8):

- Indonesia
- **Lao PDR**
- Malaysia
- Papua New Guinea
- Philippines
- Thailand
- **Vanuatu**
- **Vietnam**

Africa (15):

- Cameroon
- **Central African Republic**
- **Dem. Republic of Congo**
- **Ethiopia**
- **Gabon**
- **Ghana**
- **Kenya**
- **Liberia**
- **Madagascar**
- **Republic of Congo**
- Senegal
- Sierra Leone
- Sudan
- Tanzania
- **Uganda**

South Asia (2):

- **Nepal**
- Pakistan



4. Next Steps and Questions



Objectives of Consultations

- Listen to different views
- Better integrate perspectives of diverse stakeholders
- Facilitate consensus on the World Bank Group's role
- Identify areas of collaboration



Questions for Discussion

1. What should the World Bank Group's (WBG's) role on climate change be within the international development community?
2. What should be the balance between focus on mitigation and adaptation in the WBG's assistance?
3. What role can the WBG play to accelerate the development and deployment at scale of climate friendly technologies for energy, transport, agriculture and other sectors in developing countries?
4. How can the WBG contribute to building capacity within countries, regions and institutions to address climate change issues?
5. What should be the role of the WBG in mobilizing additional concessional financing and private sector investments to respond to climate change?



We Are Listening...



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Xin cảm ơn!

Thank You!