BCPA Program and the World Bank Carbon Finance Unit

Renewable Energy/Energy Efficiency and the CDM


Lasse Ringius. World Bank Carbon Finance Unit.
Presentation Overview

- CDM Project Cycle
- World Bank’s Carbon Funds
- Description of BCPA
- How to get started with your project
CDM Project Cycle
CDM project activity cycle: generating emission reductions

The CDM Executive Board (EB) oversees the CDM project activity cycle:

1. Preparation of project documentation applying an approved methodology for calculating emission reductions (Project Design Document)

2. Validation of project documentation by environmental auditor accredited by CDM EB

3. Acceptance of project by the CDM EB (Registration)

4. Verification of generated emission reductions by an accredited verifier

5. Acceptance of verified emission reductions and issuance of credits by CDM EB (Certification and Issuance)
Bank CDM project cycle

1. Project identification
   • PIN submission by sponsor
   • PIN acceptance and fund allocation
   • Agreement with region

2. Carbon asset due diligence
   • Evaluate methodology and additionality (may need to develop new methodology)
   • Project Design Document
   • Quality control of project documentation

3. Project due diligence (e.g., environmental and social safeguards)

4. Validation

5. Negotiate and sign Emission Reductions Purchase Agreement (ERPA)

6. Registration

7. Construction and start up

8. Verification

9. Certification and Issuance

10. End of contract period (may be post-2012)
Annual carbon revenue payment

- Periodic verification & certification
- Project completion
- Periodic payment (in Euros)
- Annual carbon revenue payment
Carbon finance: payments for a stream of emission reductions

Emission reductions created only after project is implemented and operational.
World Bank Carbon Funds
Growth of carbon funds under management by the World Bank

Kyoto Protocol entered into effect in 2005
World Bank carbon funds & facilities
Total funds pledged = US$ 1.92 billion (13 governments, 62 companies)


Netherlands Clean Development Mechanism Facility. $268.3 million. Netherlands Ministry of Environment. CDM energy, infrastructure and industry projects.

Community Development Carbon Fund. $128.6 million. Multi-shareholder. Small-scale CDM energy projects.

BioCarbon Fund. $53.8 million. Multi-shareholder. CDM and JI land use and forestry projects.

Italian Carbon Fund. $155.6 million. Multi-shareholder (from Italy only). Multipurpose.

Netherlands European Carbon Facility. $56.6 million. Netherlands Ministry of Economic affairs. JI projects. IFC manages similar fund.


Danish Carbon Fund. $69.4 million. Multi-shareholder (from Denmark only). Multipurpose.

Umbrella Carbon Facility. $737.6 million. 2 HFC-23 projects in China.
How carbon funds work

Industrialized Governments and Companies

Bank Managed Carbon Funds (Trust funds)

Technology
Finance

Developing Countries/Economies in Transition

CO₂ Equivalent
Emission Reductions

CO₂ Equivalent
Emission Reductions
Technological distribution of CF portfolio
Based on volume of emission reductions

- HFC-23 Destruction, 58%
- Renewable Energy, 14%
- Energy Efficiency, 6%
- Oil & Gas, 3%
- Coal Mine Methane, 7%
- Transport <1%
- Waste Management, 7%
- Afforestation/Reforestation 5%
- SF6 Recovery <1%

ΔIRR

0.5-3.5%
10-60%
Regional distribution of CF portfolio
Based on volume of emission reductions

- East Asia & Pacific: 73%
- Europe & Central Asia: 8%
- Latin America & Caribbean: 9%
- Africa: 5%
- South Asia: 3%
- Middle East & North Africa: 2%
BCPA Program
BCPA program description

• Bilateral CERs Purchase Agreement (BCPA) is a bilateral cooperation agreement bt. KLH and VROM
• MoU between VROM and KLH signed in Feb. 2005
• Managed by the WB
• Program initiated 2006
• Capital placement period: 2006-2008
• WB contact points:
  • Lasse Ringius. WBCFU. Washington DC
  • BCPA Program Manager, Jakarta: Ms. Architrandi Priambodo
Program objectives

The BCPA aims to achieve two main objectives:

1. Transfer of CERs from projects in Indonesia to NL
2. Contribute to local capacity-building within the Indonesian consulting sector

Target of delivered emission reductions: > 2MT
Approximate # of CDM projects to be developed: 4-7
Period of emission reductions generation: today-2012
WB portfolio in Indonesia

ERPA stage:
• Indocement project
  • ERPA signed in 2004
  • Contract volume 3MT (2005-2012)
  • Included in the PCF portfolio
  • Two new methodologies developed
  • Successfully validated
  • Applying for registration

LoIs signed:
• Lahendong geothermal project (PLN)
• City of Bekasi: Landfill Gas Flaring Project
BCPA: Project selection criteria

• Projects should be (potentially) eligible under the CDM
• Projects proposals will be reviewed for suitability
• Flexible as to type of greenhouse gas reduced (CO₂, CH₄, N₂O)
• Preference for medium size projects (>0.5 MT CERs)
• ER generation occurs in the near term, i.e. short lead-time
• Use of approved methodology preferable
• No geographical preference
BCPA pipeline

ERPA stage:
• No ERPAs signed yet

Signed Lols:
• City of Makassar: Landfill Gas Flaring Project (~800,000 MT CERs)

Projects at PIN stage:
• 2
Contracts and payments:
• Long term forward contracts, i.e. Emission Reductions Purchase Agreement (ERPA) between WB and the owner of the CERs
• Fixed unit price over life of contract
• Payment upon delivery
• CER payments in hadd currency (Euros)

Financing:
• World Bank purchases the CERs
• WB does not invest in the underlying project
• But WB / IFC may provide loans to governments / private-owned companies
How to Get Started with Your Project
The first step (PIN)

- Contact the WB about project ideas
- WB performs a project pre-screening
- Develop PIN
- Submit PIN to WB
- Decision by WB PIN Review Meeting on suitability of project
- If approved, start develop project
Carbon finance project activity risks

Project risks – if project is delayed, ERs are delayed.

- financing,
- obtaining licenses,
- construction,
- and operation.

Carbon asset risks – related to CDM regulations

- methodology approval,
- additionality – will the project be deemed additional – or truly beyond business as usual – by the CDM EB
- host country approval,
- clearances by independent 3rd party validator and verifier,
- registration by CDM Executive Board
Downloadable PIN template
Submit PIN

Submit a Project Idea

If you would like to submit your project idea to the Carbon Finance Unit (CFU), we ask that you put your project idea in the form of a Project Idea Note (PIN). The first contact between the CFU and project proponents is through a PIN. This is a short form (about 5 pages) that provides the basic information about the project.

Also, a financial analysis model is mandatory when submitting your PIN. If you do not yet have a full financial analysis, please use the template supplied below. This allows the CFU to determine the financial viability of your project.

If your PIN is for the Community Development Carbon Fund (CDCF) we ask that you complete the Community Benefits Questionnaire (link below) to help us assess the community benefits arising from your project.

Once you have filled out the PIN template and any other additional documents, please send them to projects@carbonfinance.org.

The PIN is used as a first screening and to provide feedback to the proponents. At this stage it is purely the exchange of an idea and there are no legal obligations on either party to proceed further. Your project will be reviewed and comments will be provided in due time.
WB: beyond carbon deals

- Learning by doing
- Help develop carbon market infrastructure and regulatory system (e.g., Carbon Expo, inputs to CDM Executive Board)
- Assist Bank client countries in maximizing their benefits from carbon finance (CF-Assist)
- Prepare for a future climate change regime (post-2012)
Thank you for your attention

For more information, pls. contact:

• [Lringius@worldbank.org](mailto:Lringius@worldbank.org). WBCFU.
• Architrandi Priambodo. WBOJ
• [www.carbonfinance.org](http://www.carbonfinance.org)