












THE FUTURE OF CARBON FINANCE POAs IN A POST-2012 WORLD

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The World Bank was the pioneer in the development of the first generation of carbon funds

<p>April 2000</p>  <p>Prototype Carbon Fund</p> <p>World's First Global Carbon Fund</p> <p>\$220,000,000</p>	<p>May 2002</p>  <p>Netherlands Clean Development Mechanism Facility</p> <p>Pioneer purchaser of CDM</p> <p>**</p>	<p>March 2003</p>  <p>Community Development Carbon Fund</p> <p>Poorest country focused</p> <p>\$128,600,000</p>	<p>March 2004</p>  <p>Italian Carbon Fund</p> <p>Government & private sector</p> <p>\$155,600,000</p>	<p>May 2004</p>  <p>BioCarbon Fund Tranches I & II</p> <p>Afforestation, Reforestation, REDD+ & soil carbon</p> <p>\$90,400,000</p>
<p>August 2004</p>  <p>Netherlands European Carbon Facility</p> <p>Purchasing JI</p> <p>**</p>	<p>January 2005</p>  <p>Danish Carbon Fund</p> <p>Government & private sector</p> <p>€90,000,000</p>	<p>March 2005</p>  <p>Spanish Carbon Fund</p> <p>Government & private sector</p> <p>€220,000,000</p>	<p>August 2006</p>  <p>Umbrella Carbon Facility Tranches I & II</p> <p>Adding liquidity to market at key moments</p> <p>€904,100,000</p>	<p>March 2007</p>  <p>Carbon Fund for Europe</p> <p>Governments & private sector</p> <p>€50,000,000</p>

** Unpublished

However:

- **The window for developing CDM and JI projects and programs that can be registered before the end of 2012 has effectively closed.**
- **So, what does this mean? Can I still develop a methane PoA ?**
- **Need for carbon markets** to identify and mobilize funding for least-cost options, to allow quantified commitments and to create required economic/business dynamic to achieve 2°C target.
- **Need for new approaches** as 2/3 of mitigation must occur in developing countries by 2030 on global least-cost path.
- **Scale up and move away from 100% offsetting** through:
 - Reformed CDM (standardization and extension to sectors/policies);
 - New international carbon crediting mechanisms;
 - Potential bilateral carbon crediting schemes anticipating and/or complementing international mechanisms;
 - Pure domestic measures in developing countries, including domestic carbon markets with potential for international linkages (e.g., China, Chile).
- **So, yes there is still potential, but...**

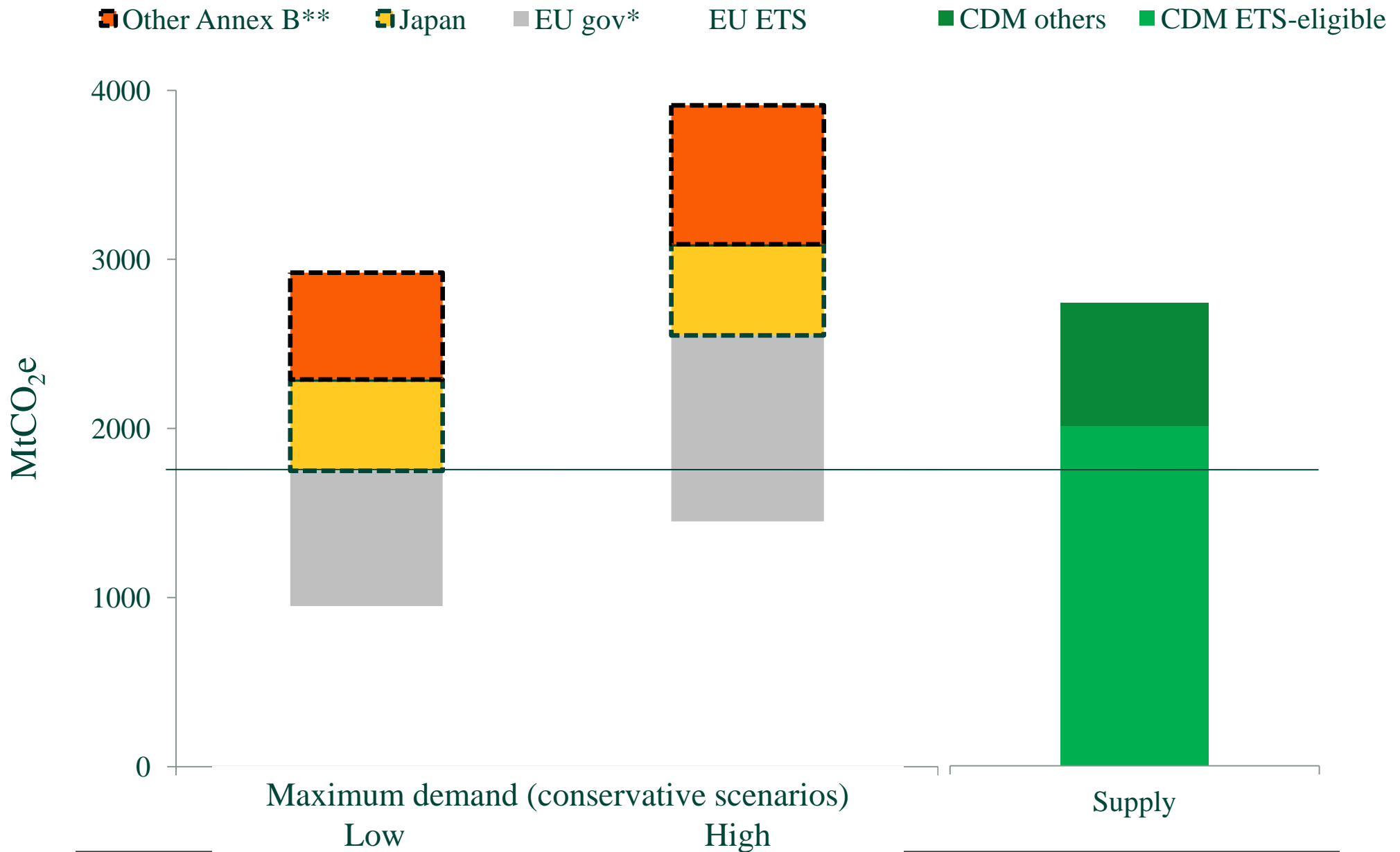
...first, to anticipate the future, you need to understand the current situation of carbon markets:

- **Strong decline** of primary CDM transactions over the last 3 years, 2010 market below 2005 volume.
- **Declining demand** from industrialized countries due to:
 - Economic crisis;
 - Current deadlock in international negotiations on post-2012 regime;
 - LDC limitation for EU market (ETS, governments) for post-2012 projects;
 - Unmanageable uncertainty for private sector.
- **High costs of potential market disruption:**
 - Loss of capacity in both developing and industrialized countries;
 - Loss of confidence in carbon markets for private investors;
 - Missed opportunity to build up the supply of low-cost mitigation projects/programs (preparation time : 5+ years on average).
- If expectation is that 5-10 years from now at the latest, a much scaled-up carbon market will be created, then **a market disruption must be avoided.**

So, looking forward...



Market projections indicate constrained demand over 2013-20



OVERVIEW OF CARBON FINANCE VEHICLES

*Including Iceland, Liechtenstein, Norway, and Switzerland

** Australia, New Zealand and United States



Carbon Finance
AT THE WORLD BANK

Potential demand 2013-20 (data in the State and Trends 2011 report)

Country (group of)	Scenario 1: Enacted and proposed initiatives, unconditional pledges		Scenario 2: Enacted and proposed initiatives, higher pledges		Scenario 3: ETS in major Annex I countries, higher end of Copenhagen Accord pledges*
	Description	Potential demand (MtCO ₂ e)	Description	Potential demand (MtCO ₂ e)	
EU, as well as Iceland, Liechtenstein and Norway	20 percent below 1990, with differentiation EU ETS and effort sharing	1,750† (1.7-750+800)	30 percent below 1990, with differentiation EU ETS and effort sharing	2,550† (2.2-750+1.1)	All countries deliver on Copenhagen Pledges resulting in aggregate reductions in Annex I GHG emissions of 17 percent below 1990 levels)
New Zealand	NZ ETS: 10 percent below 1990	77	NZ ETS: 20 percent below 1990	106	
Australia	CPRS (2015): 5 percent below 2000	516	CPRS (2015): 15 percent below 2000	637	
Japan	Between 25 and zero percent below 1990	≤539	25 percent below 1990	539	
Switzerland	20 percent below 1990, with ETS and other measures	28	30 percent below 1990, with ETS and other measures	55	
United States & Canada	No U.S. federal ETS, California and limited WCI, RGGI‡	12	No U.S. federal ETS, with full WCI (incl. California), RGGI‡	24	
TOTAL		2,922		3,911	

*: Demand under Scenario 3 is only for year 2020, thus not comparable with the first two scenarios.

†: Already accounts for an inflow in the EU ETS of 750 million CERs and ERUs during Phase II.

‡: No significant demand is expected to come from RGGI.

Responding to the challenges in the market – the World Bank’s Carbon Finance Unit’s has developed the latest generation of product offerings



+ Current ^ Preliminary target * Target, current \$68 million raised

The Carbon Partnership Facility

A fund to scale up investment in clean technology through programmatic (PoA) and sector-based approaches

Mission

- ◆ Support systematic approaches to low carbon growth by countries to catalyze investment in clean technologies
- ◆ The governance of the CPF is based on a partnership of buyers and sellers of carbon credits
- ◆ CPF utilizes programmatic approaches to scale up emission reduction programs
- ◆ Carbon finance included in integrated financing packages linked to Bank operations
- ◆ Develop innovative methodologies in areas such as energy efficiency and city-wide programs; and promote the introduction of new technologies

Participation

- ◆ € 132 million in buyer commitments to Carbon Fund; 1st tranche is closed
- ◆ Agreements signed with Seller Participants for six programs
 - Morocco Solid Waste Management
 - Vietnam Renewable Energy
 - Brazil Solid Waste Management
 - Amman Green Growth (City-wide approach)
 - Thailand Clean Energy
 - China Hebei Regional Farm Biogas
- ◆ € 11 million in donor contributions in Carbon Asset Development Fund (for program prep.)
- ◆ The CPF provides Buyer Participants with access to large volume of carbon credits & information about investment opportunities in related projects

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Partnership for Market Readiness (PMR)

A grant-based capacity-building fund providing a platform for collective innovation on new market instruments

Mission

- ◆ Contribute to enhancement of global mitigation efforts post-2012 via market instruments
- ◆ Provide a platform for technical discussions, South-South exchange and collective innovation on new market instruments in developing countries
- ◆ Capacity-building and piloting that is country-led and builds on country priorities
- ◆ Share lessons learned

Supported activities

- ◆ Supporting countries' development of readiness component for market instruments
- ◆ Exploring, piloting and testing domestic emissions trading
- ◆ Exploring and testing international market instruments such as reformed CDM, sectoral and NAMA crediting – as well as new instruments not yet envisioned

Participation

- ◆ Participants will include:
 - 15 Developing countries/emerging economies
 - Countries that donate financially
- ◆ Participants, as of June, 2011, include:
 - China, Colombia, Costa Rica, Indonesia, Mexico, Morocco, Thailand, Ukraine and Turkey*
 - Australia, EC, Germany, Japan, the Netherlands, Norway, Spain, Switzerland, UK and US
- ◆ A Partnership Committee consisting of balanced representatives of both developed and developing country Participants may be established to approve funding and provide guidance
- ◆ The Partnership will engage private entities and relevant organizations
- ◆ The World Bank will provide secretariat and technical support
- ◆ No requirement for minimum donor contribution , but US\$5 million to be eligible for Participants Committee

Expanding carbon finance in low-income countries – Carbon Initiative for Development

The Carbon Initiative for Development

Build readiness and capacity to access carbon markets and support a pipeline of low-carbon investment opportunities in low-income countries with a focus on fighting energy poverty. This initiative will work through three complementary components...

Ci-Dev Readiness Fund Donor / Fast Start	Ci-Dev Financing Fund Donor / Fast Start	Ci-Dev Carbon Fund Private / public sector buyers
<ul style="list-style-type: none"> ◆ Promote reforms in carbon market rules to benefit low income countries: <ul style="list-style-type: none"> – Suppressed energy demand and avoided emissions – Standardized baselines ◆ Support the definition of and transition towards the next generation of market mechanisms ◆ Build capacity & lend technical assistance to carbon finance project entities ◆ Support African and LDC climate negotiators ◆ Research and Develop innovative carbon financing <p style="text-align: right; background-color: #4a69bd; color: white; padding: 5px; border-radius: 10px;">Target: \$20 million</p>	<ul style="list-style-type: none"> ◆ Allowing carbon finance to contribute to closing the critical investment financing gap ◆ Initially donor supported then self sustaining ◆ Allows monetization of carbon revenues to provide up-front financing ◆ Revolving Grant Facility ◆ Well adapted to micro / community level investments w/ high capital cost <p style="text-align: right; background-color: #4a69bd; color: white; padding: 5px; border-radius: 10px;">Target: \$50 million</p>	<ul style="list-style-type: none"> ◆ Offers a portfolio of mostly energy and energy efficiency projects in low-income countries (including cookstoves, household energy, etc.) ◆ Public and private sector buyers ◆ Supports sellers with project development assistance and provides conduit to market ◆ Up-front fee followed by right of first refusal to sign Primary ERPA <p style="text-align: right; background-color: #4a69bd; color: white; padding: 5px; border-radius: 10px;">Target: €50 million</p>

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New initiatives signal that solutions to the climate challenge will emerge...
And methane PoAs will have an important role to play.

Stay tuned!!!

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