



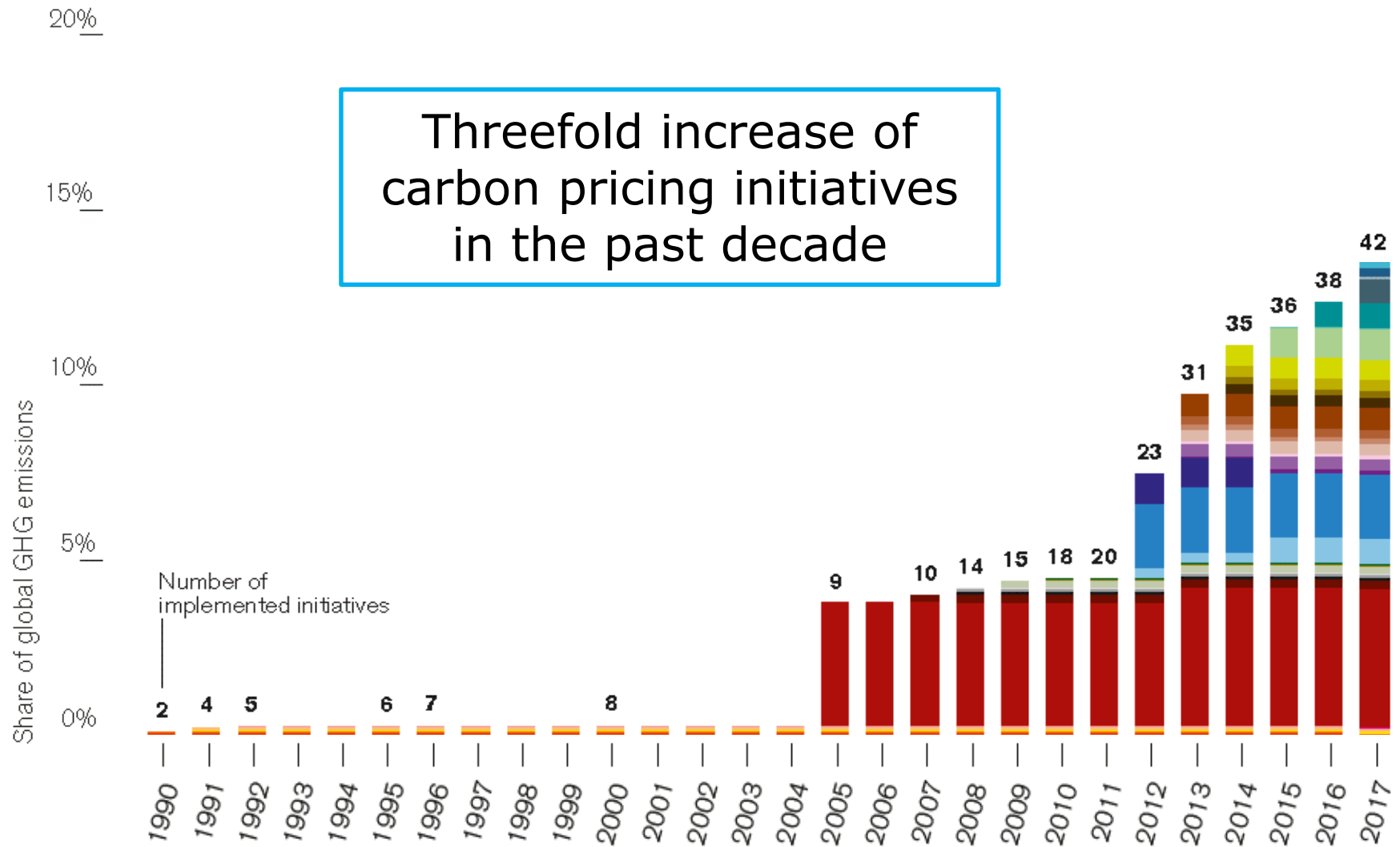
WORLD BANK GROUP
Climate Change

Building the next generation of climate markets – the role of results-based climate financing

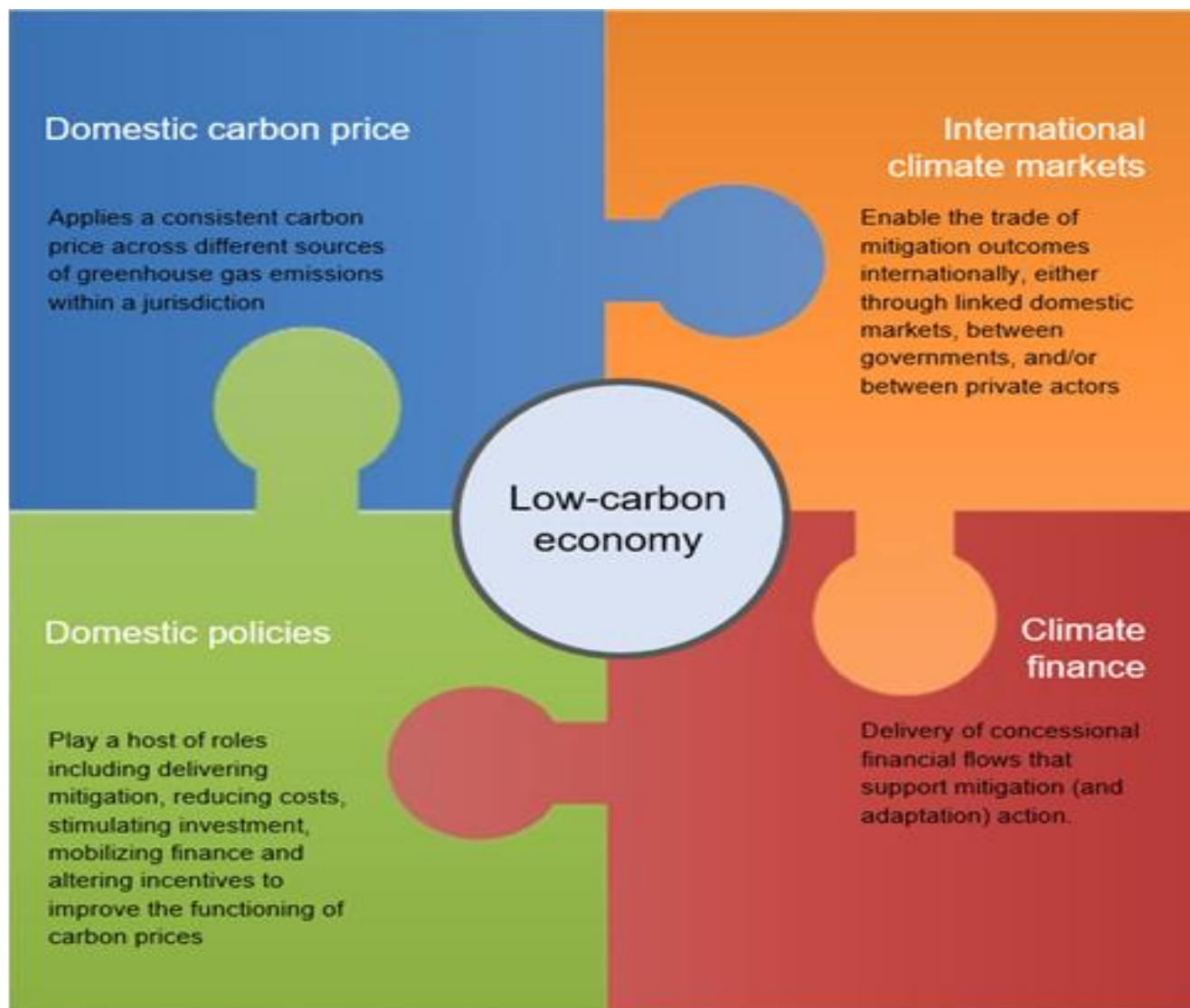
18th Meeting of the Global CDM DNA Forum
Bonn, Germany, September 19-20, 2017

“The overall objective of the forum is to raise the profile of the DNA Forum to effectively contribute in shaping the future of mechanisms including the CDM” (Introduction to agenda 18th Meeting of the global DNA Forum)

Domestic and regional carbon pricing: Growing global GHG emissions being priced



An integrated approach to mitigation emerges



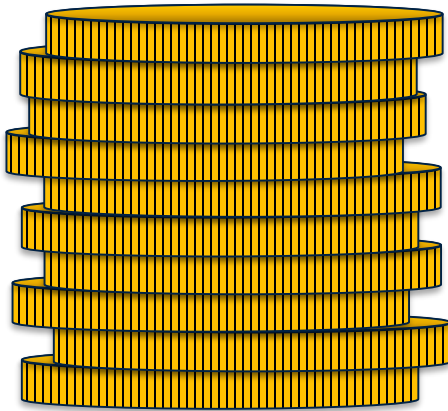
International climate markets: Cooperation saves costs of NDC implementation

An international cooperation through carbon market plays a critical role in:

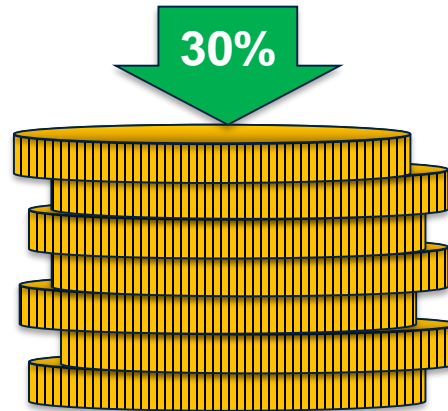
- **Cost savings**
- **Achieving more ambitious target (below two degree)**
- **Resource mobilization and facilitating of finance at large scale**

GLOBAL COST OF COOPERATIVE NDC IMPLEMENTATION

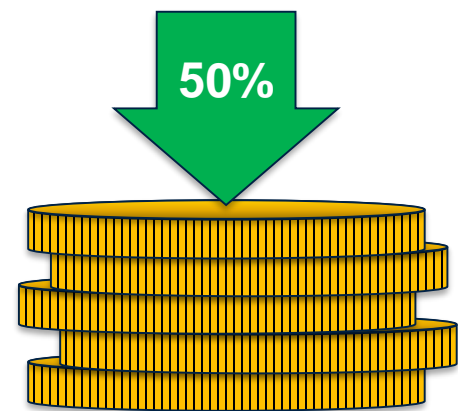
Each country acts alone



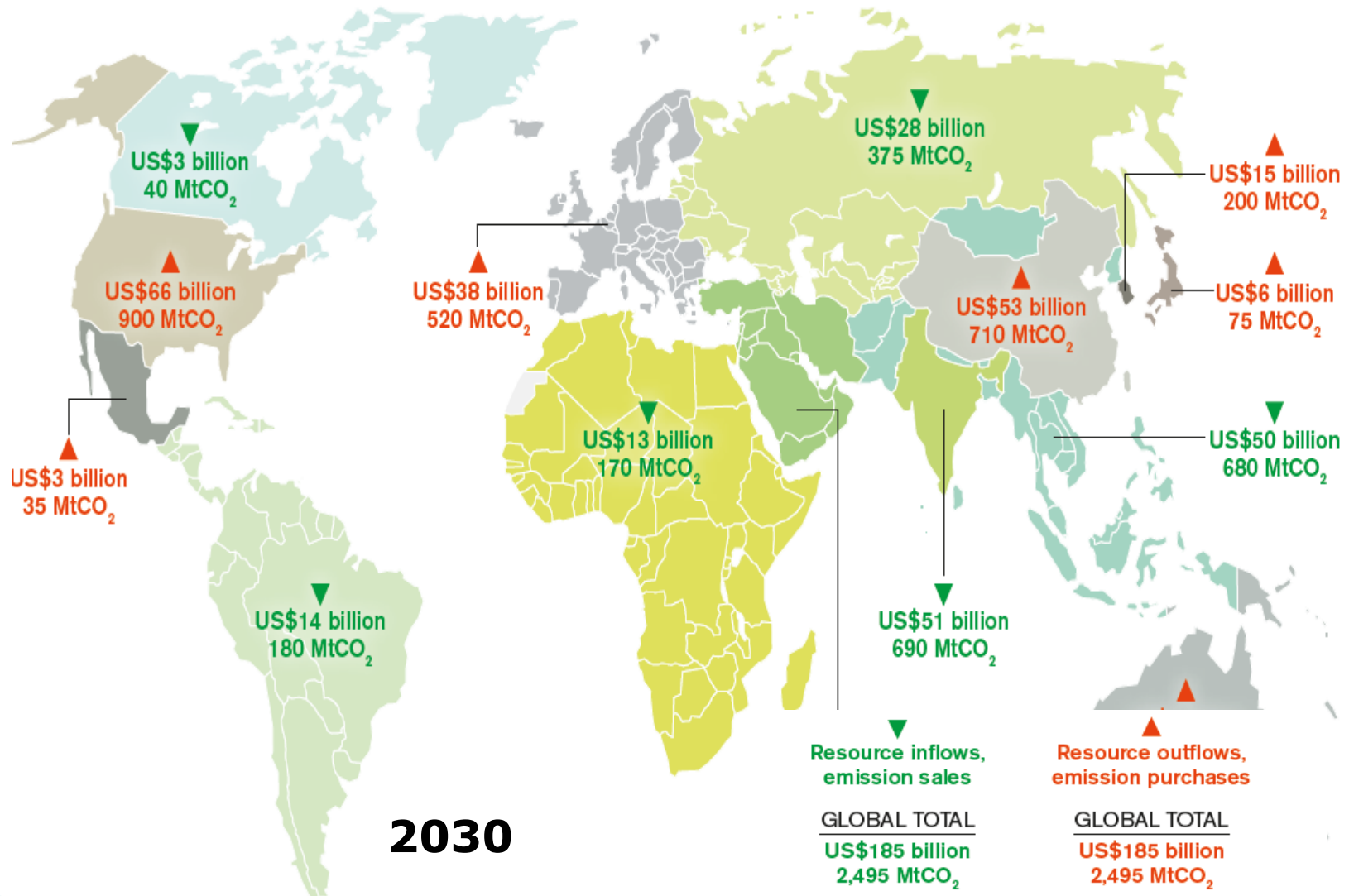
Intl cooperation through carbon market by 2030



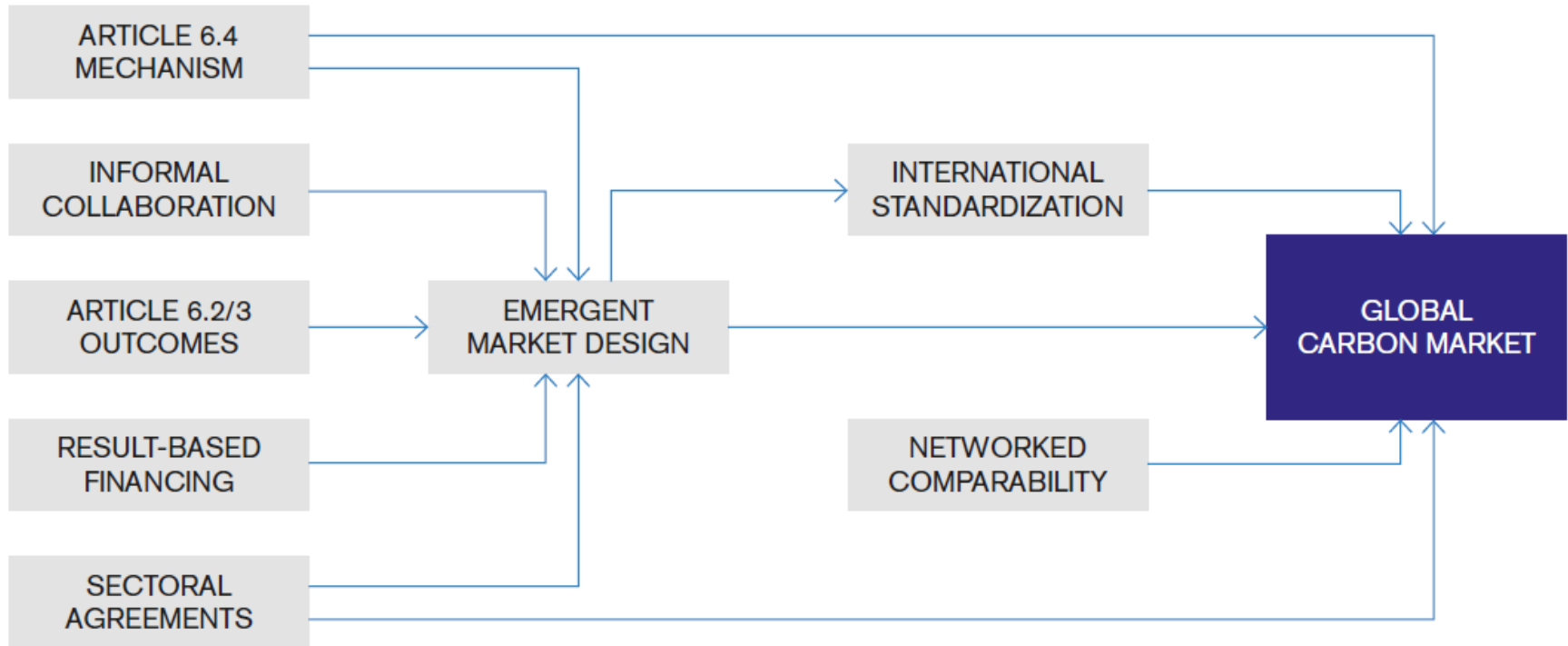
Intl cooperation through carbon market by 2050



An international carbon market can generate significant financial flows

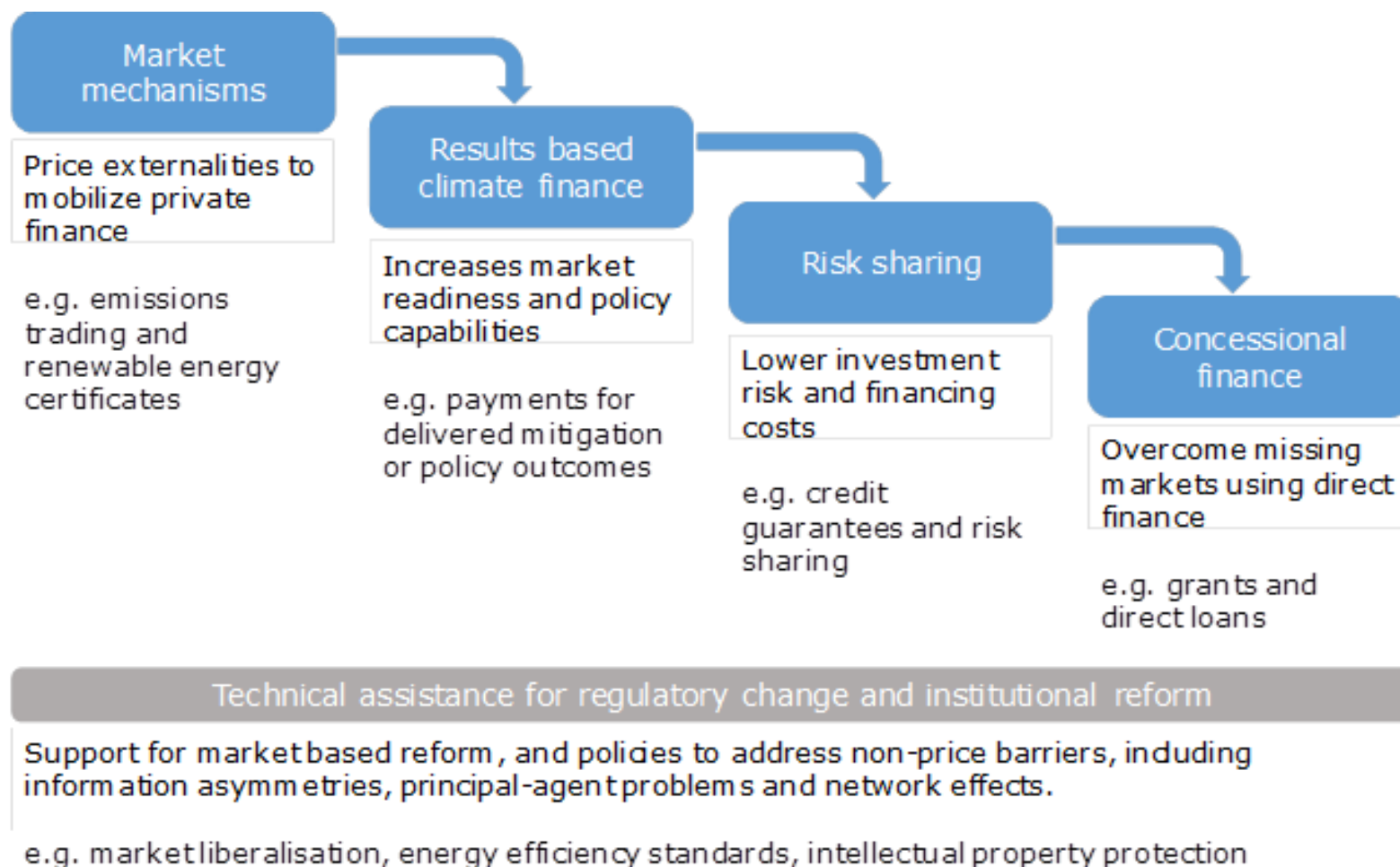


Transition scenario: bottom-up pathway to greater international cooperation



Source: Vivid Economics

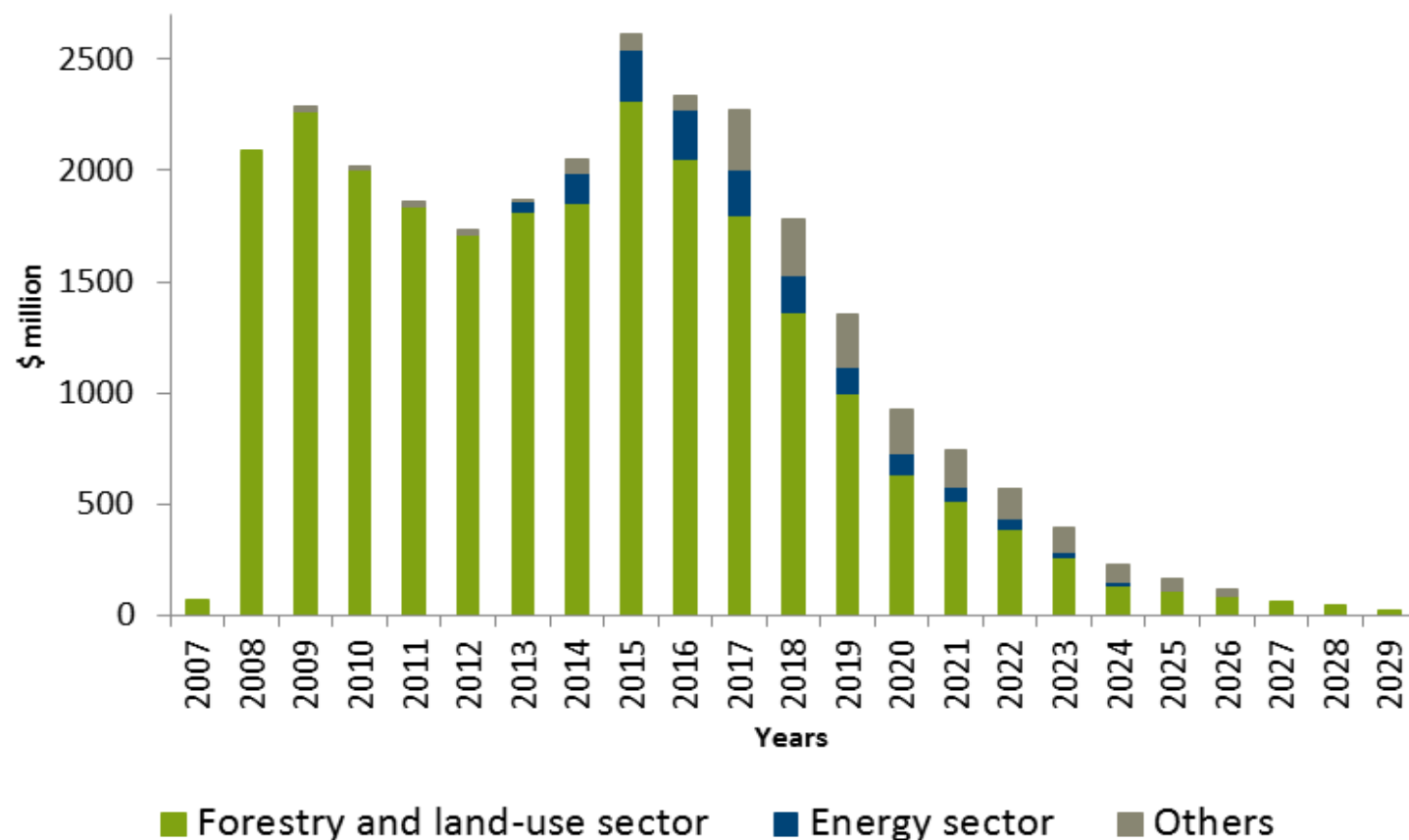
Climate finance within an integrated approach



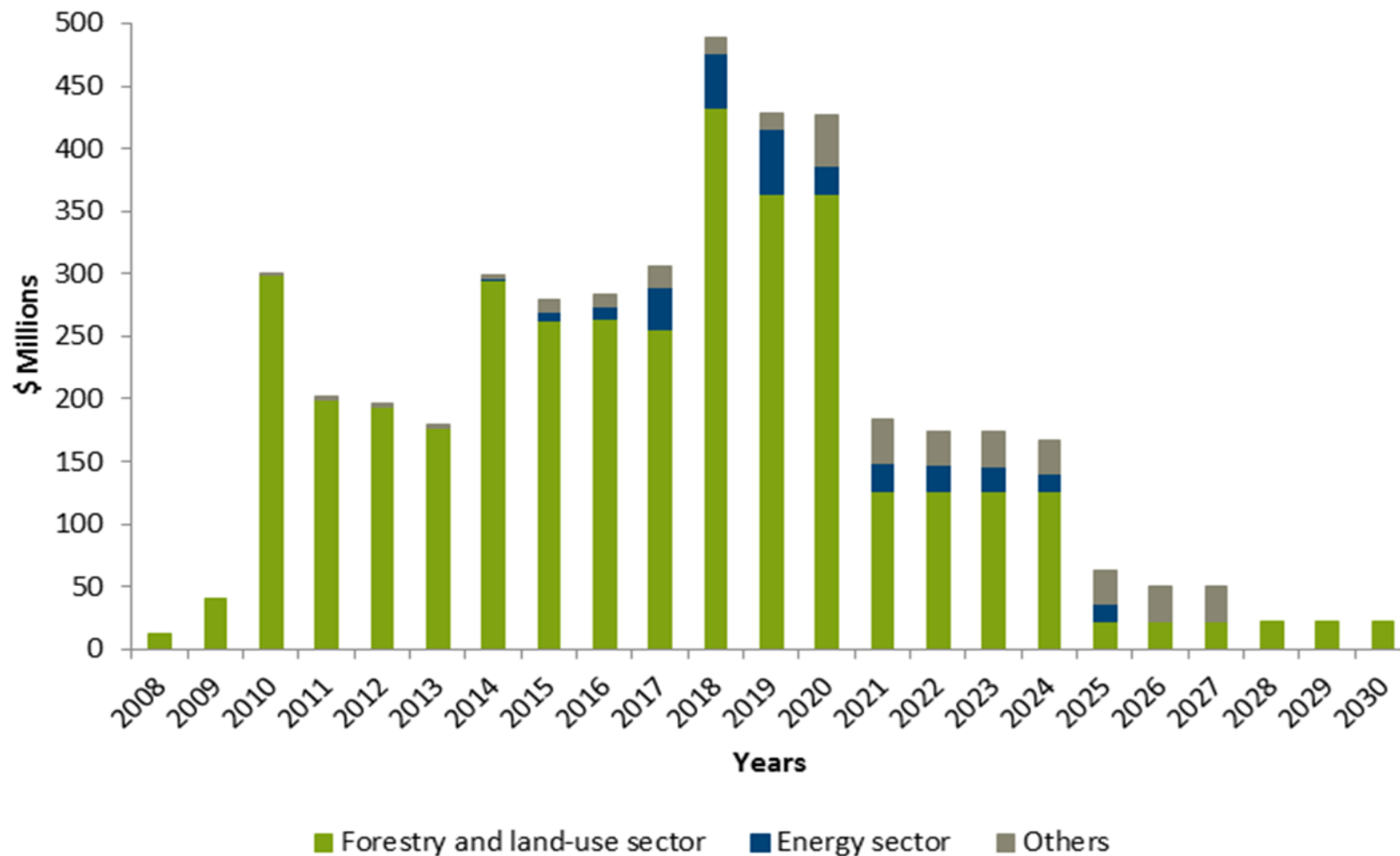
Role of RBCF

- Advancing the monitoring of emission reductions
→ **Increase MRV capacity**
- Enhancing national policies, strategies, regulations, and plans for climate action to facilitate structural change
→ **Support domestic policy processes**
- Recognizing the role of nonparty stakeholders
→ **“Crowd in” private actors**
- Supporting carbon pricing and market mechanisms
→ **Contribute to market creation**

RBCF capitalization



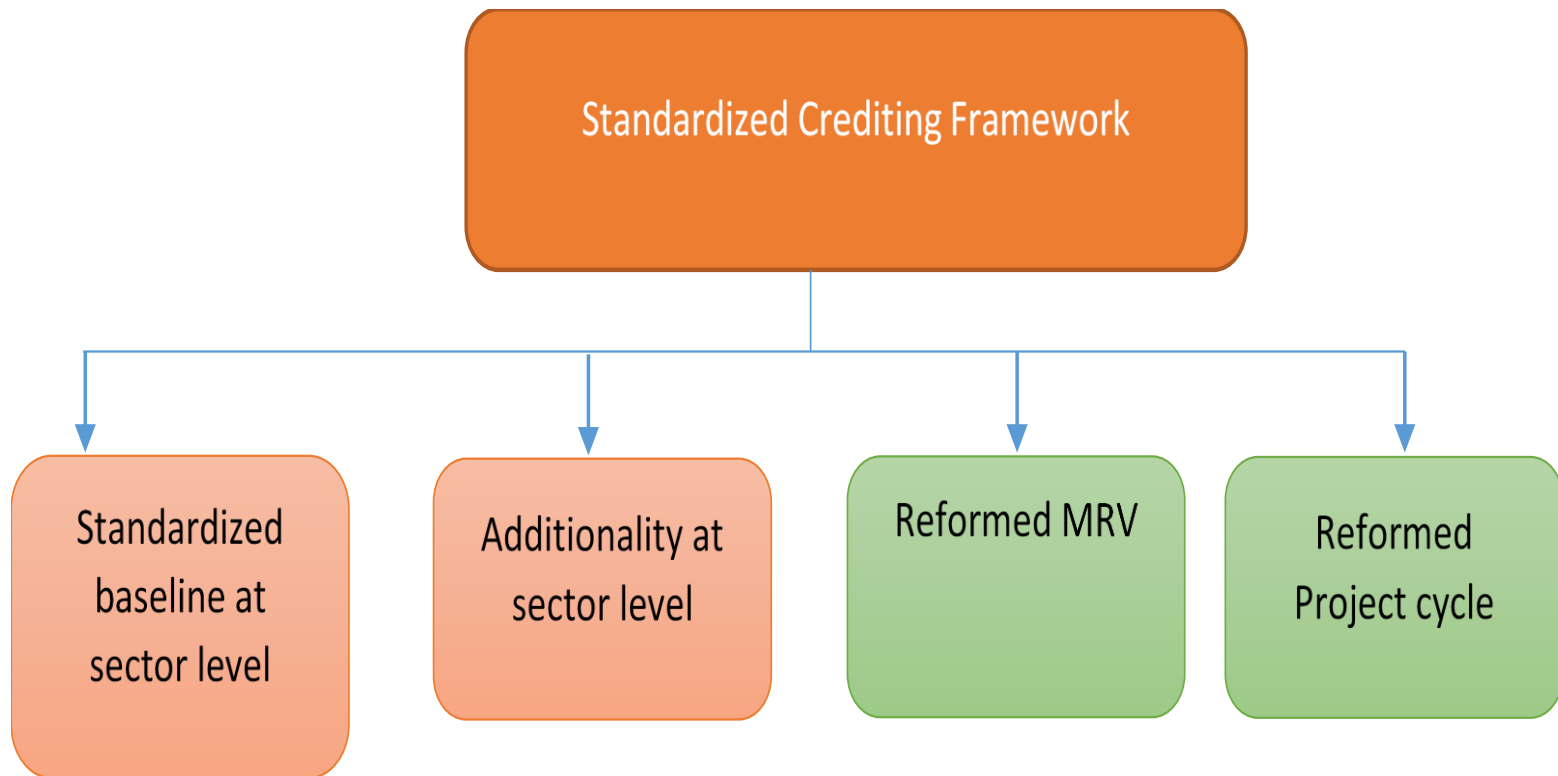
RBCF expected disbursements



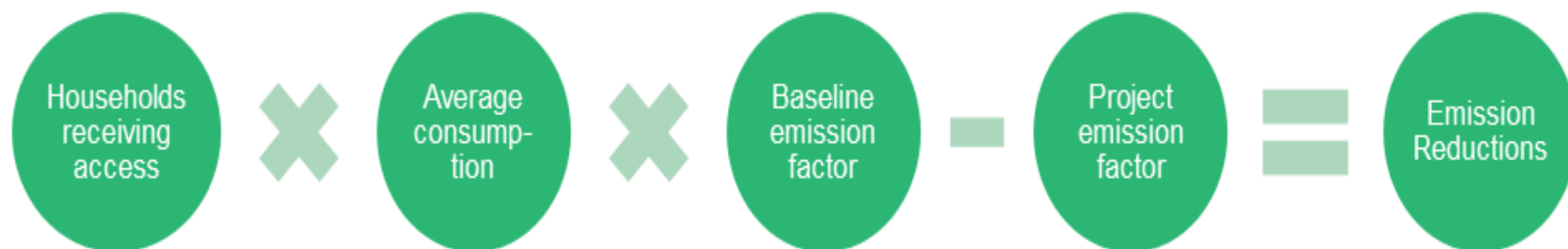
WB experience with RBCF – two examples: Ci-Dev and TCAF

- Carbon Initiative for Development (Ci-Dev)
 - \$100m fully committed for VER purchases;
 - 10 energy access programs in Sub-Saharan Africa;
 - Transitioning from CDM to new mechanisms post 2020: Standardized Crediting Framework.
- Transformative Carbon Asset Facility (TCAF)
 - \$200m capitalization (targeted \$500m) for VER purchases;
 - Transformative, large scale programs in middle income countries;
 - Outside CDM with a focus on cross-sectoral and policy crediting (building on policy MRV piloted by Carbon Partnership Facility (CPF)).

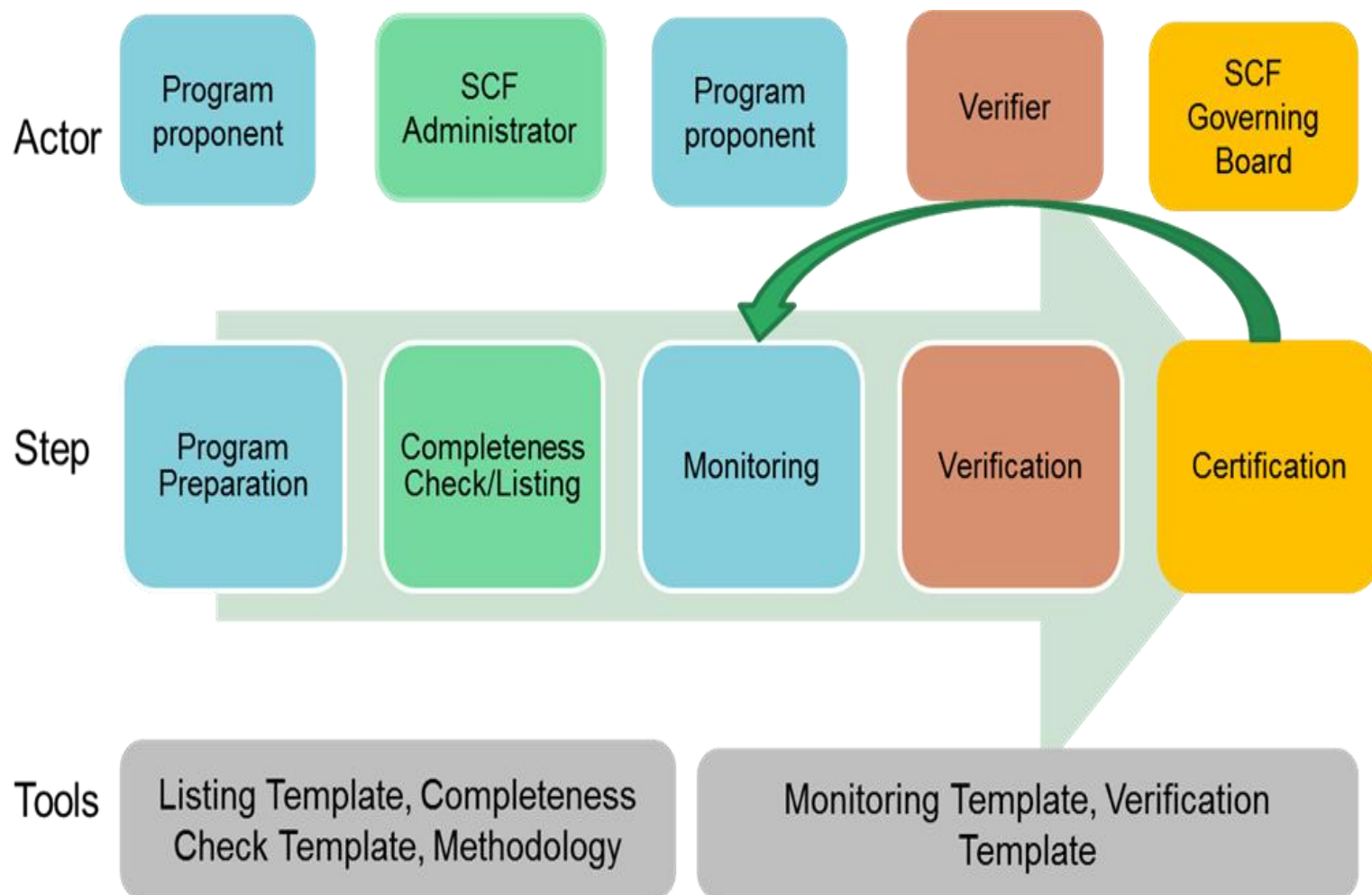
Ci-Dev - From the CDM to a sectoral approach: The Standardized Crediting Framework



SCF – Standardized ER determination per unit



SCF – role of national authorities



TCAF- cross-sectoral approaches: example of the urban crediting approach

Scope:

Driven by cities
mandate &
institutional
capacity

City as policy maker, regulator and
service provider

Incentives for public transport use

Traffic regulation/ Parking policy

Procurement of municipal services

City as implementer of national
policies

Building codes

Waste management regulation

Vehicle efficiency standards

Scale:

Multiple ways
to achieve
scale &
transformation

Replication of mitigation actions at
(sub-)sectoral level

Energy efficiency in buildings

Efficient street lighting

BRT

Integrated mitigation actions in
several (sub-)sectors

Community-level energy rehabilitation

Sustainable communities

Transformational impacts in cities

Compact cities

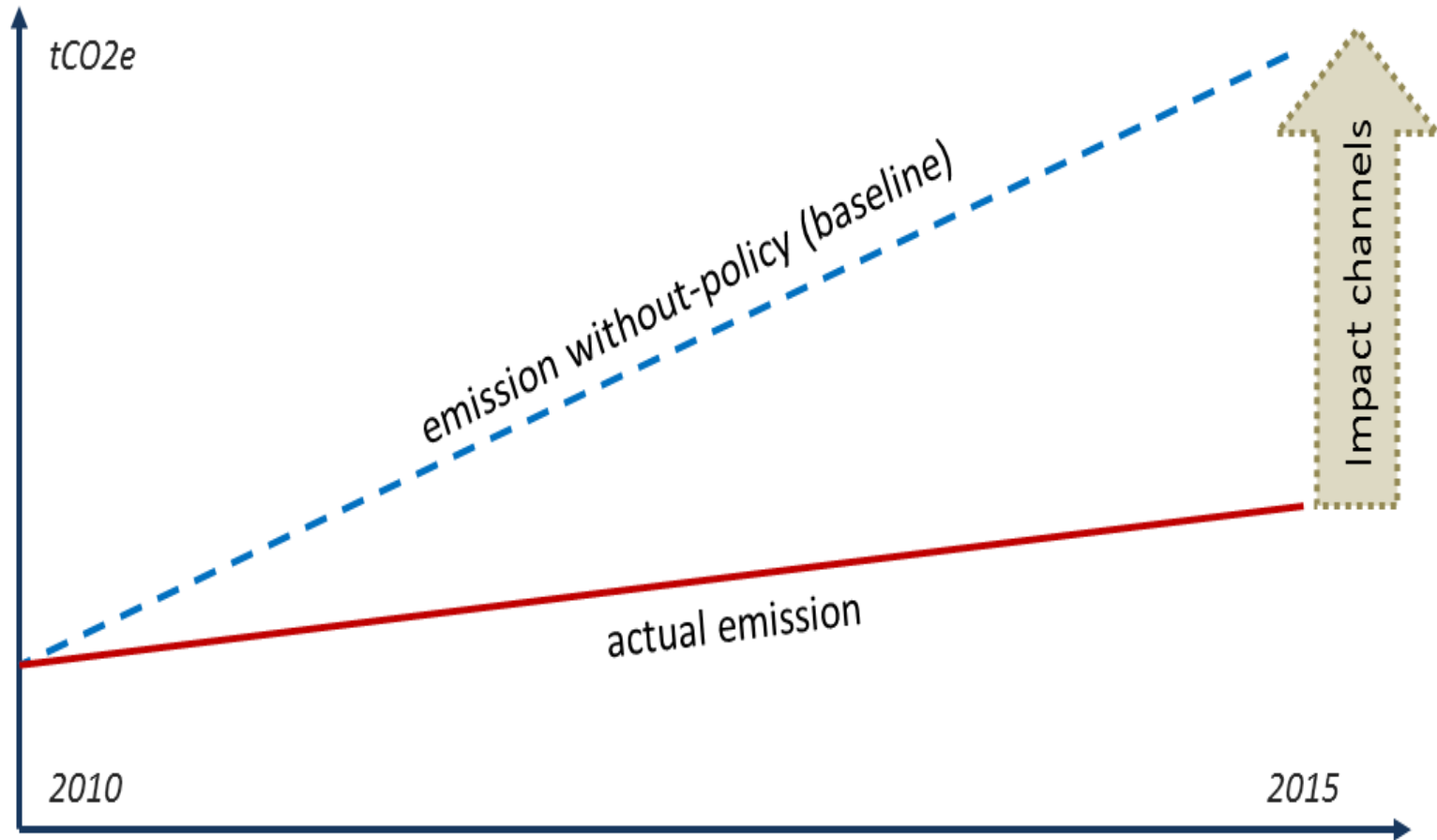
Transit-oriented development

TCAF - Crediting of policies

- Regulatory policies:
 - Technical standards (energy efficiency, buildings, vehicles);
 - Traffic regulation;
 - Waste sector regulation etc.
- Energy and carbon pricing policies:
 - Reduction/removal of fossil fuel subsidies;
 - Carbon taxation;
 - Emissions Trading System (ETS)

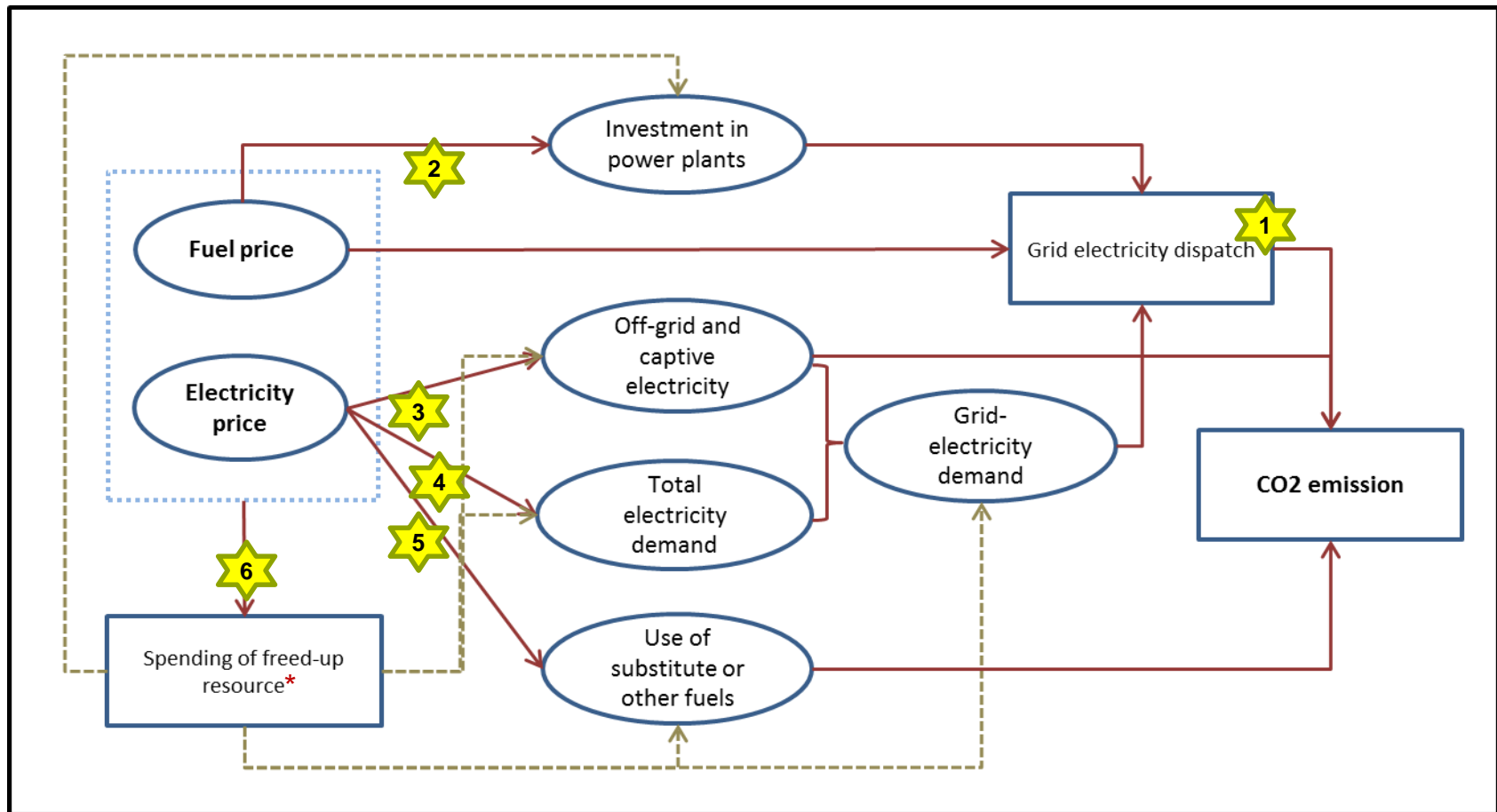
Crediting of carbon pricing policies of particular interest in context of linking carbon pricing schemes

Quantifying emission impact of policy through policy MRV

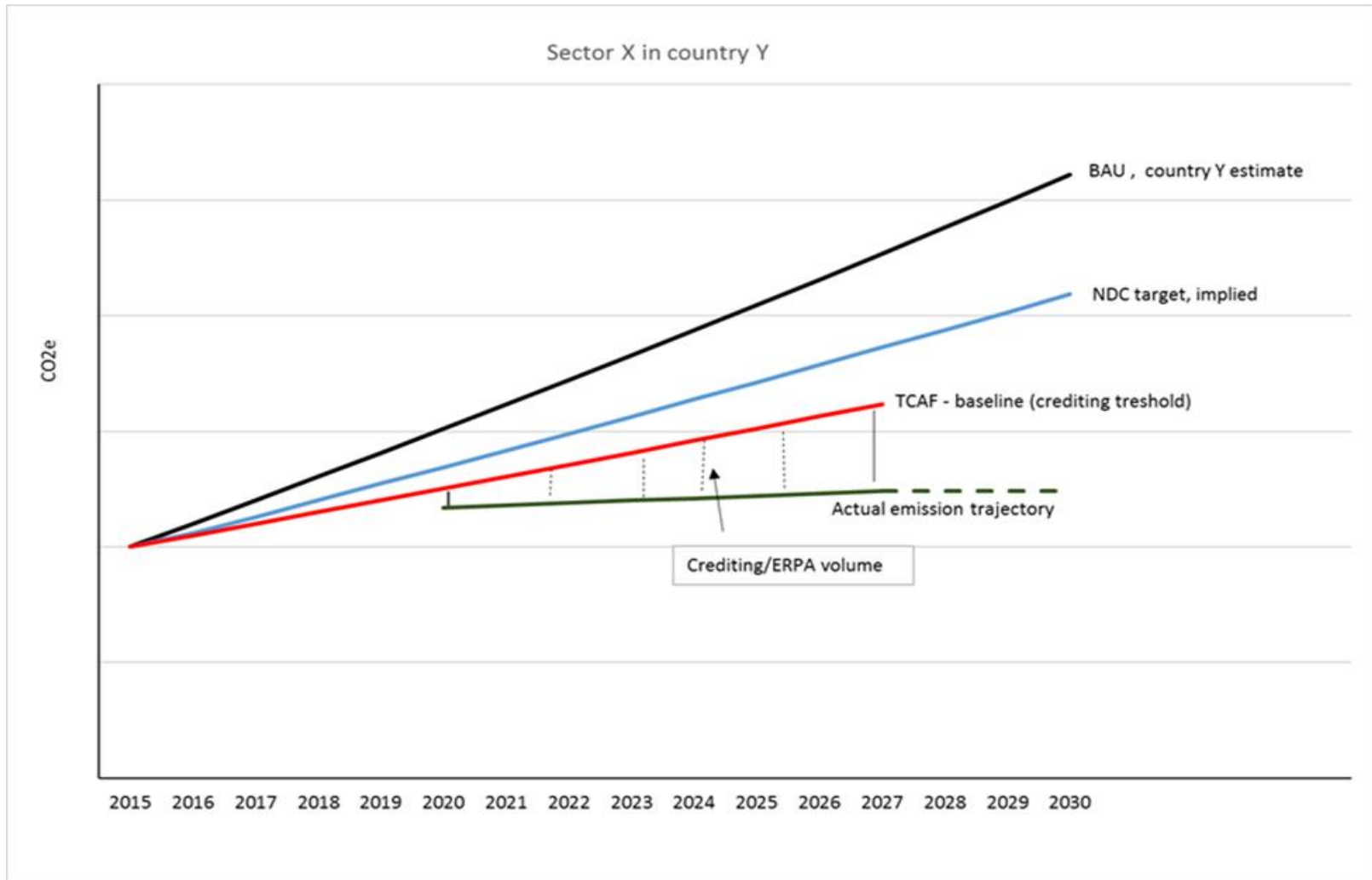


GHG impact channels

example: energy pricing in power sector



Baselines for RBCF operations and NDC targets



Accounting and reporting

Asset usage	Host country NDC	Contributor NDC	Net mitigation
Nature of operation	Climate finance	Market mechanism	Climate finance and market mechanism
Accounting/ reporting	Framework for transparency of support	Framework for transparency of action, Art. 6 accounting	Frameworks for transparency of support and action, Art. 6 accounting

Pricing of VERs under RBCF

- Fixed guaranteed price over crediting period;
- Price level determination- principal approaches:
 - Market price (currently not observable);
 - Incremental costs;
 - Opportunity costs;
 - Negotiated price level.
- Put option model:
 - Right but not obligation to sell at a guaranteed price;
 - Price might be determined through auctioning.

Conclusions

- Continued growth in domestic and regional carbon pricing and related progress in integrated policy approaches;
- Strong economic case for international market mechanisms and an integrated approach climate market-climate finance;
- RBCF to pilot market mechanisms and connect finance and markets, experience made can inform UNFCCC process.

Sources:

- <http://documents.worldbank.org/curated/en/598811476464765822/State-and-trends-of-carbon-pricing>
- <http://documents.worldbank.org/curated/en/410371494873772578/Results-based-climate-finance-in-practice-delivering-climate-finance-for-low-carbon-development>
- <https://cpf.wbcarbonfinance.org/content/supporting-energy-pricing-reform-and-carbon-pricing-policies-through-crediting>



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