

Asia and Pacific Regional Workshop: Promoting CDM and Market Mechanisms

Overview of Finance Opportunities for CDM Projects

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Outline

- Initiatives of MDBs: Asian Development Bank & World Bank
- Other Initiatives
 - CDM Loan Scheme
 - Voluntary Cancellation of CERs
 - Green Climate Fund (GCF)

Initiatives of Multilateral Development Banks

Initiatives of Asian Development Bank

Climate Change Program

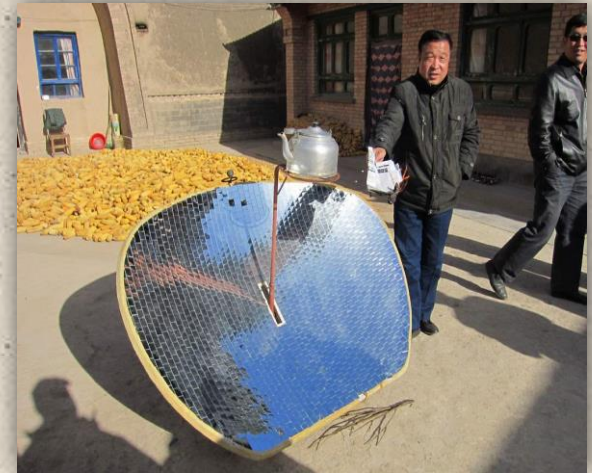
- ADB's 'Strategy 2020' focuses on responding to climate change as part of broader agenda of environmentally sustainable growth in Asia and the Pacific.
- Employs multiple financing tools:
 - Mobilizing Concessional Resources
 - Catalysing Private Capital
 - Maximizing Market Mechanisms

Initiatives of Asian Development Bank

- Carbon Market Program (CMP)
- Asia Pacific Carbon Fund
- Future Carbon Fund
- Technical Support Facility
- Japan Fund for Joint Crediting Mechanism

Asia Pacific Carbon Fund

- Commenced operations on 1 May 2007
- Designed to purchase CERs in the first commitment period of the Kyoto Protocol (up to 2012)
- Received funding commitments of \$151.8 million from seven European Participants including Portugal, Sweden, Finland, Luxembourg, Switzerland, Belgium and Spain
- Accomplished full allocation of funds
- Built a portfolio of 71 CDM projects to deliver over 15.67 million CERs
- All funds have been disbursed
- The Fund has been closed in August 2014



Future Carbon Fund

- Funding Commitments of USD 115 million from six Participants from Sweden, Finland, Belgium, ENECO Energy Trade, Korea and POSCO
- Pre-purchase Post-2012 CERs (2013 - 2019)
- Possibility to provide upfront co-financing support for meritorious projects
- Fixed price long terms ERPAs
- Approximately 60% of Funds allocated
- 8.4 million CERs contracted from a diversified Portfolio of 33 CDM projects
- 50% of the allocated funds will be provided on an upfront basis



World Bank

- Partnership for Market Readiness (PMR)
- Pilot Auction Facility for Methane and Climate Mitigation (PAF)
- Carbon Partnership Facility (CPF)
- BioCarbon Fund Initiative
- Forest Carbon Partnership Facility

Pilot Auction Facility for Methane and Climate Mitigation (PAF)

- A form of RBF (caters to governments for results achieved at the national level and to other entities for the delivery of specific services)
- Stimulates investment in projects that reduce GHG emissions while maximizing the impact of public funds and leveraging private sector financing.

Pilot Auction Facility for Methane and Climate Mitigation (PAF)

- Supports projects that cut methane emissions at landfill, animal waste, and wastewater sites facing low carbon prices
- Sets a floor price for future carbon credits in the form of a tradable put option, competitively allocated via auction.

Partnership for Market Readiness (PMR)

- Country-led and builds on countries' own mitigation priorities. Focus is placed on improving a country's technical and institutional capacity for using market instruments to scale up mitigation efforts.
- Aimed at building capacity to support the design and implementation of market based approaches for GHG mitigation including:
 - Domestic emissions trading systems (ETS)
 - Carbon taxes
 - New crediting mechanisms

Carbon Partnership Facility (CPF)

- World Bank's major new carbon finance instruments targeting the post-2012 period
- Involves the scaling up of carbon finance to support long-term investments through collaboration with governments and market participants on investment programs and sector-based interventions

CDM Loan Scheme

CDM Loan Scheme

- A UNFCCC scheme to support CDM projects in under-represented countries.
- United Nations Office for Project Services (UNOPS) selected as implementing agency, supported by the UNEP Risoe Centre.
- The loan scheme can be extended to projects that meet a number of criteria including:
 - a high probability of registration with the UNFCCC
 - a reasonable expectation of projects generating at least 7,500 CERs/year in LDCs and 15,000 CERs/year in non-LDCs
 - documentation that is developed with an experienced CDM consultant

CDM Loan Scheme

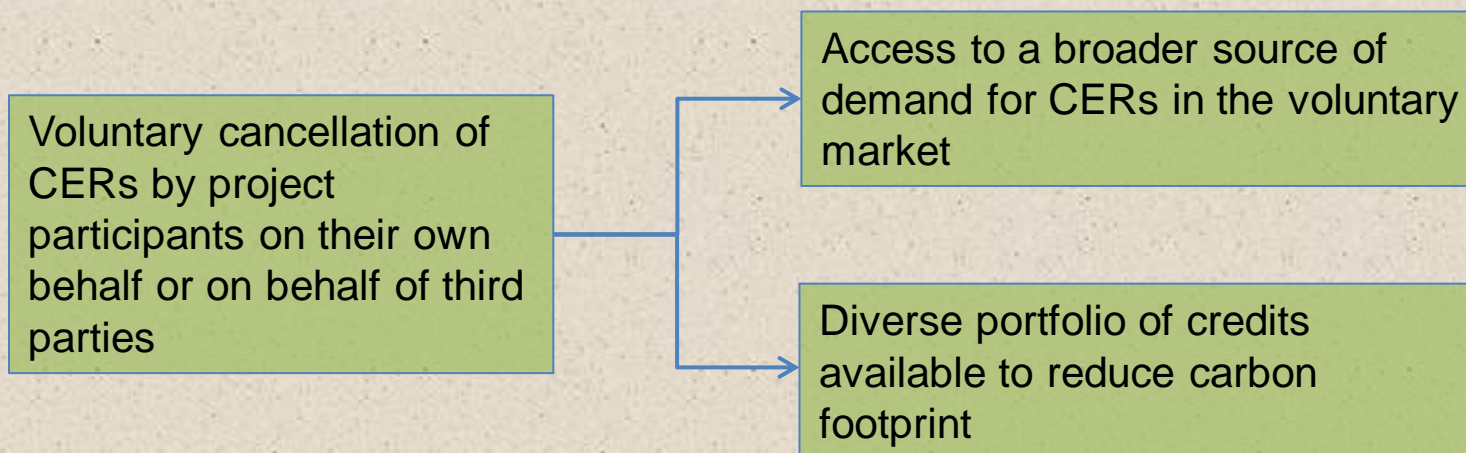
- These are interest free loans
- Loans are generally covering costs for PDD development, validation, registration and verification
- The loan must not “crowd out” other obvious funding for the development costs (like donor funding or funding by an already identified buyer of CERs from the project)
- The CDM Loan Scheme is not established to retro-actively reimburse for past expenses but to provide funding for upcoming, outstanding expenses related to PDD development, validation and 1st verification.

CDM Loan Scheme

- Loans are disbursed in stages starting from 1st stage upon signing of loan agreement to last stage of issuance of CER where 25% of the loan amount is disbursed
- Registered CDM consultant is party to the agreement and is a must needed
- Loans are supposed to be repaid no later than 12 months after the first issuance of CERs from the project. Loans are supposed to be repaid in full. However, in cases where CER issuance does not generate sufficient income, loan repayment may succeed over a period up to a maximum of 36 months after the first issuance of CERs.

Voluntary Cancellation of CERs

Voluntary Cancellation of CERs

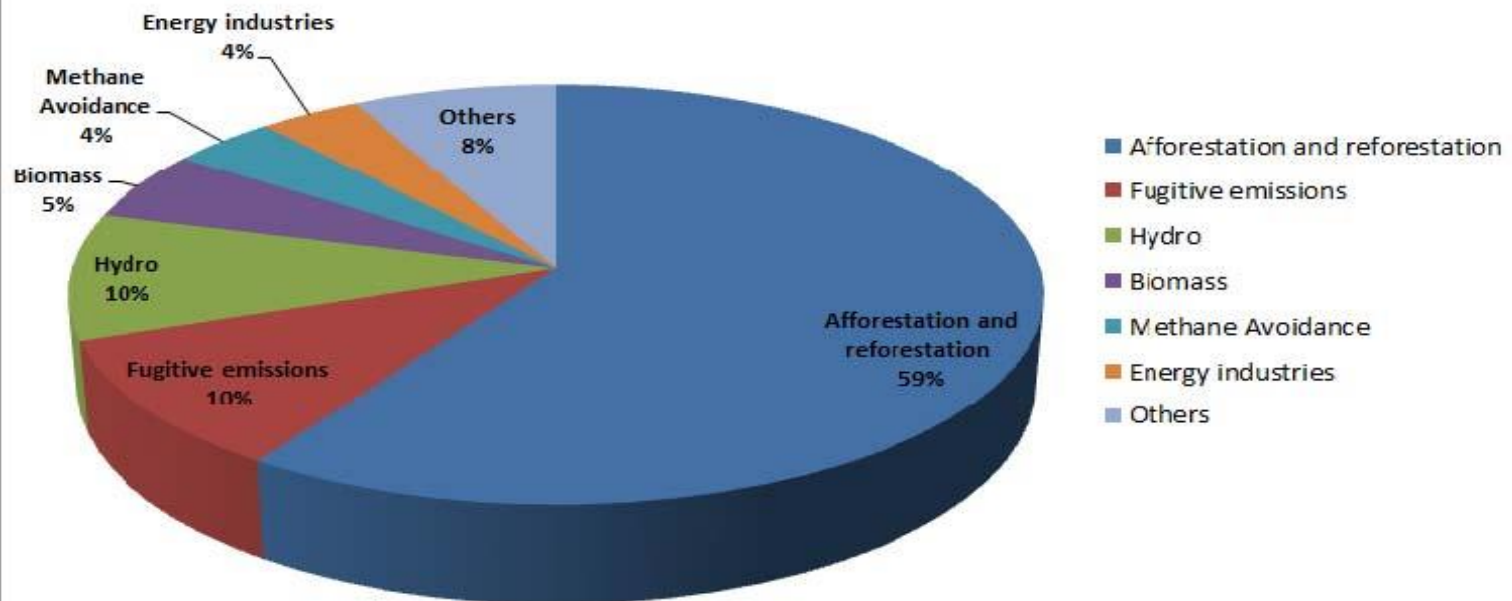


- Interested buyers can filter available CERs by country and/or project type to ensure that their purchases are in line with organizational goals or personal preferences.
- To date, ~1.3 million CERs have been cancelled from the CDM Registry.

Voluntary Cancellation of CERs

Voluntary Cancellations by Project Type

(CERs/tCERs/ICERs)
Q2 2014



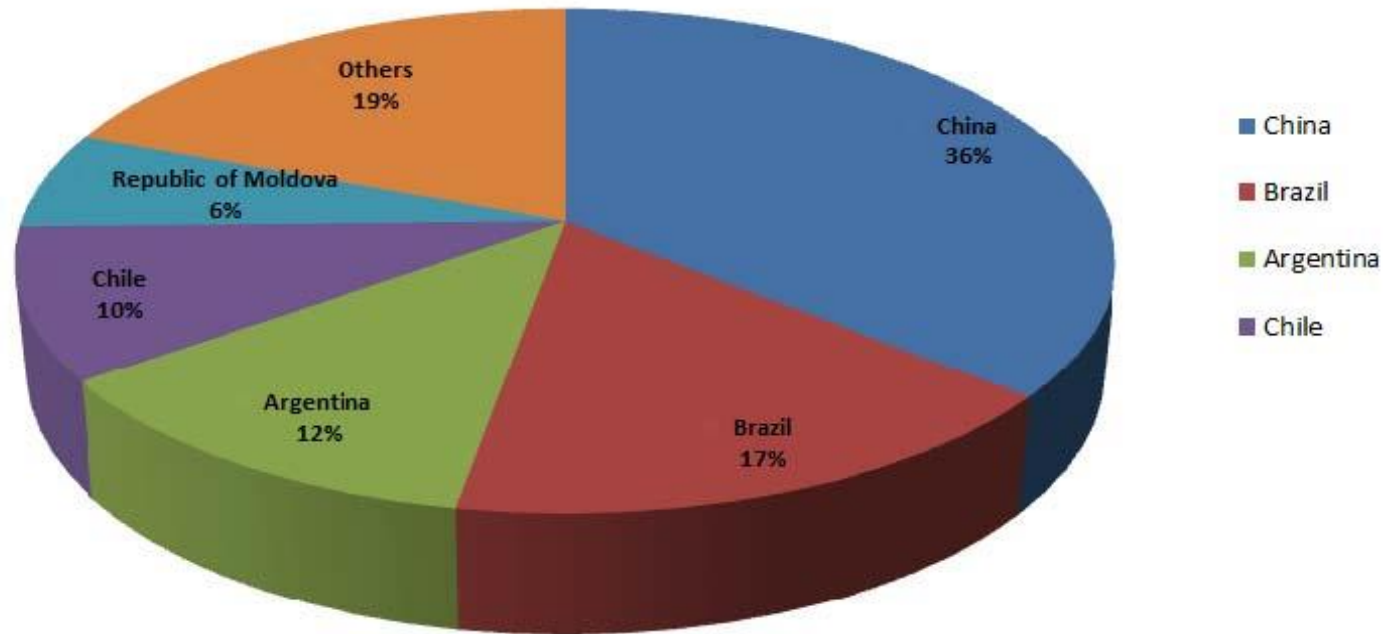
Source: UNFCCC (https://cdm.unfccc.int/Registry/vc_attest/index.html)

Voluntary Cancellation of CERs

Voluntary Cancellations by Host Party

(CERs/tCERs/ICERs)

Q2 2014



Source: UNFCCC (https://cdm.unfccc.int/Registry/vc_attest/index.html)

Green Climate Fund (GCF)

Green Climate Fund

- In 2010, the Conference of the Parties (COP), agreed to establish the Green Climate Fund (GCF) as a central global investment vehicle for climate change finance.
- The GCF will play a key role in channeling new and predictable financial resources to developing countries.
- GCF will catalyze climate finance – both public and private, and at the national, regional and international levels.
- It will also operate in a manner that seeks to ensure that countries have full ownership of the activities supported by the Fund.

Green Climate Fund

- Aims to become the main global financial mechanism for climate change finance through the provision of deeply concessional funding.
- It will place equal emphasis on allocating its resources for adaptation as it is for mitigation, with a focus on the most vulnerable countries.
- The Fund will promote the paradigm shift towards low-emission and climate-resilient development pathways by providing support to developing countries to limit or reduce their GHG emissions and to adapt to the impacts of climate change

Green Climate Fund

- Heads of state expressed strong support for the GCF at the recent “Climate Week” in New York last September 2014.
- Further pledges will be made later this year when the GCF holds its first ‘pledging conference’ in November 2014.
- GCF Pledges towards Initial Capitalization

Country	GCF Pledge (US\$)
Germany	1,000 m
France	1,000 m
Korea	100 m
Switzerland	100 m
Denmark	70 m
Norway	33 m
Mexico	10 m
Luxemburg	6.8 m
Czech Republic	5.5 m
Total:	~ 2.3 billion

Conclusion

- CDM has contributed to the low carbon growth and sustainable development in the region
- CDM has been successful in promoting GHG mitigation activities
- CDM has developed a strong infrastructure and systems to reliably quantify GHG emission reductions
- CDM continues to draw support for GHG mitigation efforts
- The intellectual capital and infrastructure developed for the CDM are expected to be useful for new emerging mechanisms

Thank you!

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