



WORLD BANK CARBON FINANCE UNIT

CARBON PARTNERSHIP FACILITY: LESSONS LEARNED FOR SCALING-UP CARBON FINANCE

The Carbon Partnership Facility



A fund to scale up investment in clean technology through programmatic approaches

Mission

- ◆ Key objective is to innovate in scaling up carbon market mechanisms
- ◆ Support systematic approaches to low carbon growth to catalyze investment in clean technologies
- ◆ CPF has focused on scaling up initially via the CDM by using the POA approach
- ◆ Carbon finance included in integrated financing packages linked to Bank operations
- ◆ The governance of the CPF is based on a partnership of buyers and sellers of carbon credits

Participation

- ◆ € 98 million in buyer commitments to Carbon Fund
- ◆ € 11 million in donor contributions in Carbon Asset Development Fund (for program preparation and implementation; methodology development)
- ◆ Programs in the Carbon Fund portfolio
 - Brazil Solid Waste Management
 - Morocco Solid Waste Management
 - Vietnam Renewable Energy
 - Thailand Energy Efficiency
 - Tanzania Renewable Energy
 - Egypt Taxi Scrapping and Recycling
 - Philippines Animal Waste Management
 - Philippines Solid Waste Management
- ◆ ERPAs signed for Brazil, Morocco, Vietnam and Tanzania programs

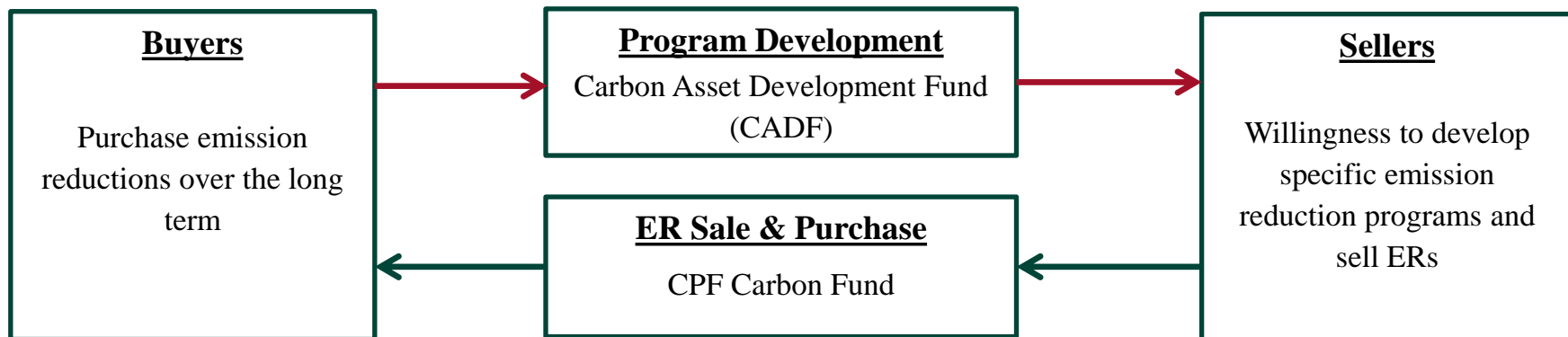
CPF Participants

Governance

- ◆ The CPF is a partnership of Buyer and Seller Participants, also includes Donors and Host Country Partners
- ◆ Partnership Committee is comprised of an equal number of Buyers and Sellers and makes decisions on key policies
- ◆ All Participants are entitled to attend and to participate in Partnership Committee meetings
- ◆ Decisions on programs to include in the Carbon Fund portfolio are made by Buyers

Participants

- ◆ **Buyer Participants:** Governments of Spain, Norway and Sweden
- ◆ **Seller Participants:** Caixa Economica (Brazil), Min. of Industry and Trade (Vietnam), Fonds D'équipement Communal (Morocco), Provincial Electricity Authority (Thailand), Rural Electricity Agency (Tanzania), Min. of Finance (Egypt); Land Bank of the Philippines
- ◆ **Donors:** Governments of Spain, Norway, Italy; European Commission



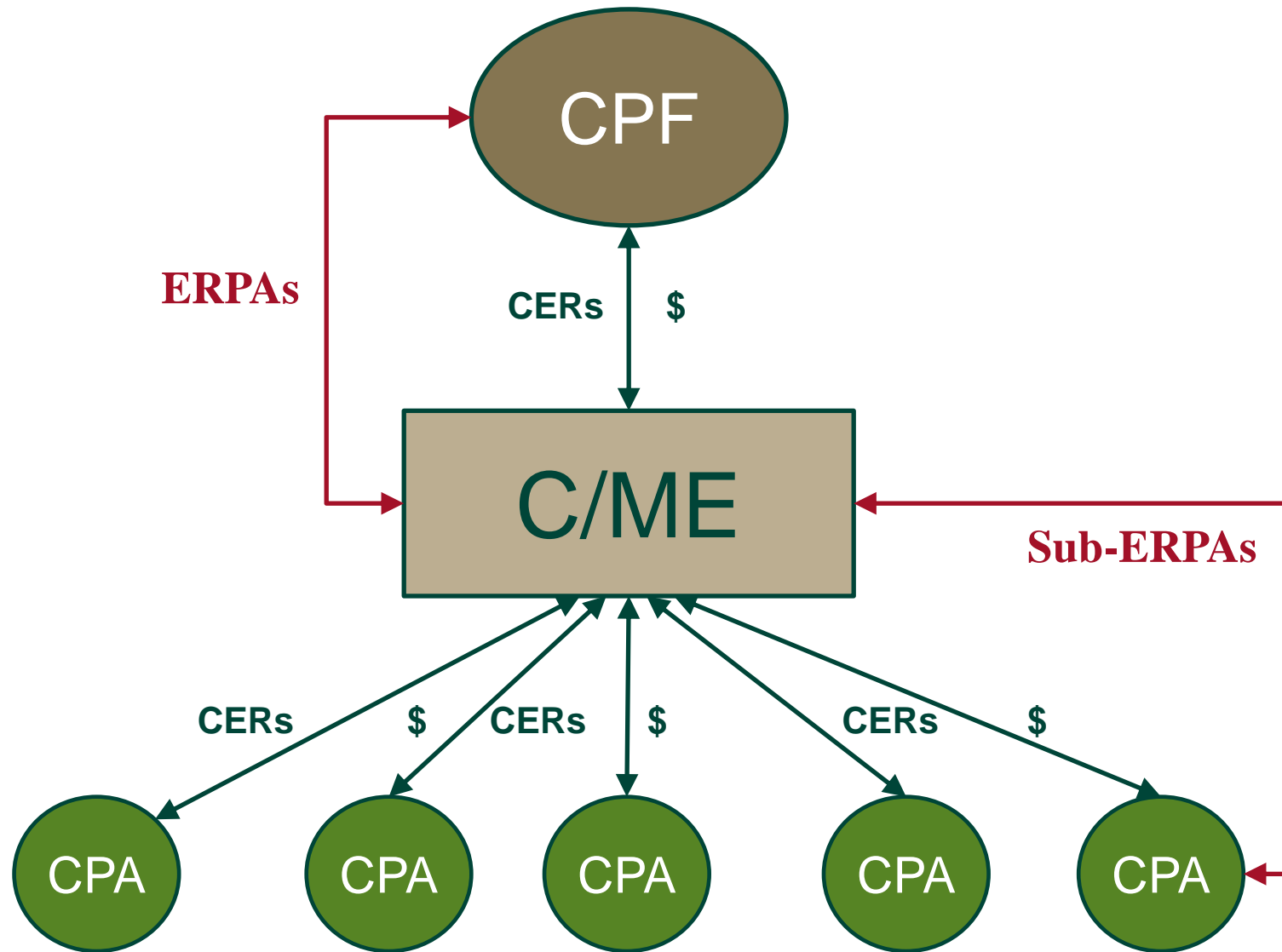
Partners (Host Governments, Others) & Donors

- ◆ Solid Waste Management/Methane
 - ◆ Brazil - Solid Waste Management Program
 - ◆ Morocco - Solid Waste Management Program
 - ◆ Philippines - Animal Waste and Solid Waste Management Programs

- ◆ Energy/Energy Efficiency
 - ◆ Vietnam - Renewable Energy Program
 - ◆ Tanzania - Renewable Energy Program
 - ◆ Thailand - Clean Energy Program

- ◆ Transportation
 - ◆ Egypt - Vehicle Scrapping and Recycling Program

CPF Program Structure



Program Financing

- ◆ Brazil SWM - World Bank loan to Caixa (C/ME), which on-lends to CPAs
- ◆ Vietnam REDP and Tanzania RE - World Bank loan to government, channeled through participating commercial banks to project developers
 - Tanzania RE also includes WB grant support to project developers through a revolving fund, which is replenished by the CPF with CER proceeds
- ◆ Morocco MSWM - World Bank policy loan to government to support municipalities to upgrade management of landfills
- ◆ Philippines Methane Programs - Land Bank provides lending to sub-project developers
- ◆ Thailand EE and Egypt VSRP - C/MEs directly fund and operate CPAs

Lessons learned for scaling-up crediting

- ◆ Regulatory clarity and simplicity needed for speedier program development phase
 - CDM PoA process lengthy, complex and uncertain
- ◆ Financing arrangements for underlying investments are key
 - Integrated financing packages can be catalytic
- ◆ Capable C/MEs are crucial for managing PoAs
 - WB is providing extensive capacity building to C/MEs on CDM and commercial aspects
- ◆ Carbon prices have major impact on incentives for project developers
 - Scaling-up will ultimately require increased demand for credits to drive action by host governments to create supply

Future Direction for CPF

- ◆ Key objective of CPF is to innovate in scaling up carbon market mechanisms
- ◆ The UNFCCC negotiations have created the prospect for a “new market mechanism” (NMM) and a “Framework for Various Approaches”
- ◆ CPF plans to develop a portfolio of pilot programs for the next generation of carbon crediting instruments
- ◆ Intent is to inform negotiations on the NMM/FVA and its subsequent implementation