Plenary 5 - MRV and instruments in evolving carbon markets

CARBON LINKED PERFORMANCE PAYMENTS AND CARBON INITIATIVE FOR DEVELOPMENT (Ci-Dev)

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Results-based finance using the CDM

• What is results-based finance?
  – Payments on delivery for a desired results (e.g. no. of people vaccinated, no. of poor household connected to the grid, tons of GHG emission reductions achieved);

• Why using results-based finance?
  – Effectivity of public spending to achieve desired outcomes;
  – Reaching scale to have transformational impact;
  – Building sustainable markets and private business and enabling private sector financing.

• Why using the CDM to deliver results-based finance?
  – Payment for achieved GHG ERs one option to deliver RBF;
  – Relevant if achieving GHG ERs is primary objective;
  – Existing CDM infrastructure: methodologies, project cycle, issuance capacity, existing project pipeline.
Carbon Initiative for Development (Ci-Dev)

### Objectives

- Assist LDCs to use carbon finance to promote energy access and low carbon development
- Support CDM projects with high development benefits through technical assistance and CER purchases
- Support the design and dissemination of new methodologies, standardized baselines and proposals for simplification of the CDM project cycle

### Priority areas / supported activities

- Private sector led – energy access programs
- Household level / community scale programs
- Priority countries – poorest countries with strong focus on Africa and LDCs
- Programs under consideration include:
  - Off-grid systems (SHS, Solar lanterns)
  - Biogas digesters
  - Mini grids
  - On-grid Extension programmes
  - Cookstove programmes
  - Water purification and/or filtration

### Participants and Funding

- UK, Sweden and Climate Cent Foundation (Switzerland) participate in the fund
- The facility has a budget of circa 125 million US$
- 25 million US$ in Readiness Fund, and
- 100 million US$ in Carbon Fund
Carbon Initiative for Development (Ci-Dev)

• Readiness Fund: US$ 25 million
  – Support for Carbon Fund
  – Methodology Work Program
  – Readiness Grants / Technical Assistance
  – Knowledge compilation & dissemination

• Carbon Fund: US$ 100 million
  – ERPA payments

• 15 programs under pipeline
Ci-Dev uses existing CDM infrastructure

- Rely 100% on CDM methodologies for calculating emission reductions

- Monitoring and verification framework of CDM is the main pillar for payments under Ci-Dev

- To reach its objectives, Ci-Dev will focus, apart from project development, on
  - Business model innovation
  - CDM reform
  - Knowledge dissemination / capacity building

- Methodology Work Program (Readiness Fund)
  - Finding process efficiencies
  - Reducing regulatory risk
  - Developing new methodologies and simplifying existing
  - CDM Reform Working Group
Challenges

• In order to make use of emission reduction based RBF approach meaningful, it is important to –

  – Identify the role of carbon finance
  – Quantify emission reductions precisely
  – Avoid double counting
  – Reduce transaction costs
  – Identify and address capacity constraints
What is needed to make CDM useful for RBF?

• **Proof of concept**
  – Pilot facilities of WBG and other organizations.

• **Recognition as a mechanism to deliver climate finance**
  – Bridging the carbon market and climate finance communities;
  – Results-based finance recognized under GCF.

• **Strategic CDM reform**
  – Make CDM understandable for broader business communities and commercial Banks: standardization;
  – Reduce regulatory risk and transaction costs: methodology simplification and project cycle reform;
  – Improve general perception of CDM: objective criteria for environmental integrity, improve visibility of co-benefits.