



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 <u>one</u> 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

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

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





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.











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