



**Sesión 3: Otras Iniciativas**

## **OPORTUNIDADES DE FINANCIACIÓN CON BASE EN RESULTADOS**

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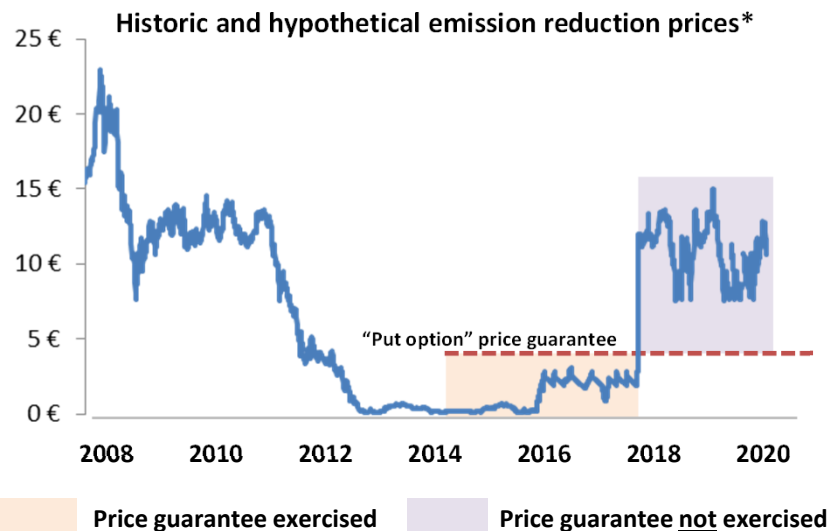
## Recap: The PAF's Objectives and Scope

- Pilots an innovative climate finance mechanism that uses auctions to maximize impact of funds
- Provides incentive for private sector investment in projects that reduce greenhouse gas emissions
- Disburses resources against independently verified emission reductions
- Relies 100% on CDM infrastructure
- \$100m target capitalization – learning a key objective for scaling-up or replication for use with other pollutants or other results



# The PAF Offers a Price Guarantee by Using the Financial Equivalent of a Put Option

- Market prices collapsed, stranding projects with no incentive to reduce emissions
- The PAF pilots using “put options” to guarantee a floor price
- Put options give the right, but not the obligation to sell at the guarantee price



- The auction result sets the guarantee price level
- Auctioning ensures that the least-cost climate mitigation activities are selected
- Auction winners purchase the price guarantee (pay put premium)

# Recap of First Auction Parameters and Eligibility of Credits

## Auction Parameters

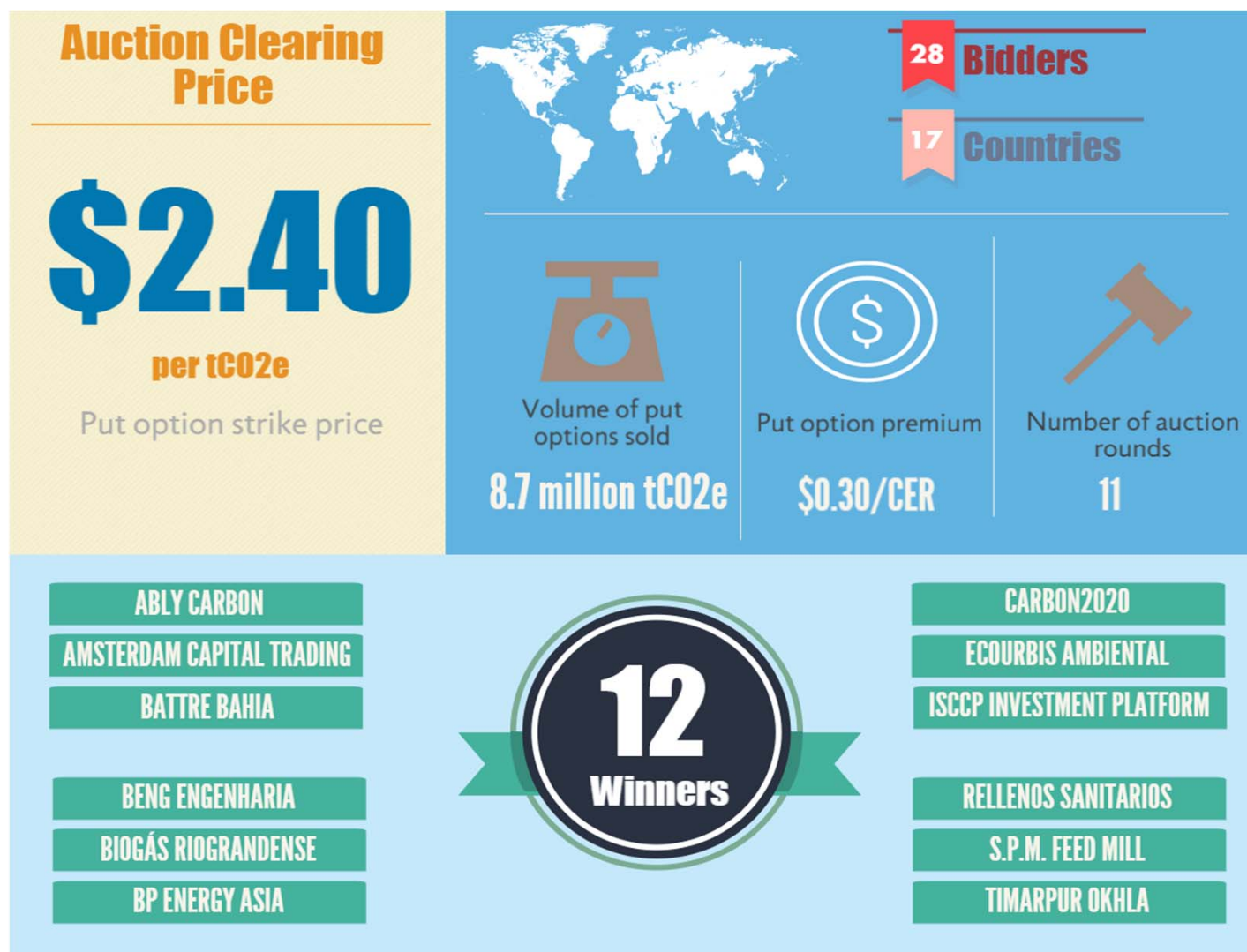
- The auction budget was \$25 million
- Auction date was Wednesday, July 15
- Bidder application deadline was June 25
- After completing the application, firms underwent an Integrity Due Diligence screening; 28 paid a 20% refundable deposit and became qualified to bid
- The minimum bid was for 100,000 CERs
- The maximum bid is for 2,000,000 CERs
- Starting price in the auction \$8/CER
- Prices were bid down in successive rounds, 11 rounds in all

## Eligible Emission Reductions

- Must be Certified Emission Reductions (CERs)
- Comply with the list of eligible CDM methodologies found on the PAF website, most methodologies that correspond to solid waste, waste water and agricultural waste are eligible
- Originate from a CDM Project or Program of Activities that has all of its host countries listed in the Eligible Countries table found on the PAF website
- Emission reductions must originate from a CDM Project or Program of Activities that has received a positive environmental, health & safety and social (EHS) report from an accredited CDM DOE. The put option holder is responsible for the cost of the report



## First Auction Result





## Next Steps: Fundraising, Replication and Scale-up

- PAF raising resources to reach its \$100m capitalization target
  - New donors will contribute to shaping future auction rounds
- Subsequent PAF auctions expected in 2016
  - May focus on non-methane sectors
  - May focus on a specific geographic area and/or low income countries
  - Will test different auction techniques
- Potential replication
  - PAF-like approach of using put options and auctions may be used by countries to achieve domestic mitigation or support other goals (air pollution, energy access, etc.). These easy gains could be exploited by countries in achieving their INDCs.
- Potential scale-up
  - The PAF mechanism has the potential to be significantly scaled-up, with resources from the GCF or other public funders, to support mitigation projects in various sectors



# Gracias!

