



Carbon finance: World Bank regional outlook AP and MENA

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Carbon Finance post-2020 opportunities

New opportunities:

- Higher ambition larger scale;
- Beyond individual projects;
- Contribution to domestic decarbonization strategies.

New challenges:

- Avoiding perverse incentives on target setting;
- Avoiding overselling and regret and achieving domestic NDC;
- Lack of experience with scaled-up crediting.



Need for Domestic Crediting Strategies and Frameworks

What to sell? – different options

- Earmarking: positive negative lists;
- Reflecting (NDC) targets in baselines;
- Exported emissions have to be compensated elsewhere.

How to sell?

• Get pricing right: incremental cost vs opportunity cost.



Incremental cost vs. opportunity cost What to sell and how to sell?





Piloting post-2020 Crediting at the World Bank

Several Funds are currently piloting post-2020 crediting including **Ci-Dev** and **TCAF**.

The Transformative Carbon Asset Facility (TCAF)

- Targets large volumes (1 Mio tons per year+)
- Focusses on policy, sectoral, jurisdictional crediting
- Uses hybrids of RBCF and carbon finance
- Part or ERs are transferred part stay in host country for NDC achievement



Example: Policy Crediting Carbon Tax

A carbon tax is a Price-Based Mitigation Policy (PBMP)

• A tax on fossil fuels (i.e. coal, oil, gas) levied in proportion to the carbon content of each fuel

How crediting could be applied:

- The responsiveness of the sector to a carbon tax needs to be modelled and emission reductions estimated
- Results of policies are more difficult to monitor than that of single projects, therefore a robust theory of change is needed for the MRV
- Results-based payments based on agreed monitored parameters and modelling of impacts



Example: Sectoral Crediting Energy efficient housing market share

Examples of energy efficiency policy measures in buildings:

- Financial grants and subsidies
- Regulatory policies, i.e. energy performance standards,
- Informative programs, i.e. energy efficiency certificates for buildings, energy labeling for appliances

How crediting could be applied:

- One of the lowest cost opportunities but often facing inertia, structural challenges or resistance;
- Crediting can be used to overcome barriers;
- MRV can be based on CDM/JI methodologies and adapted to the sector



Example: Jurisdictional Crediting Urban carbon crediting

Varied opportunities to achieve ER in cities within each sector:

- **Buildings**: energy efficiency standards and norms, incentives to switch to renewable energy, etc.
- Waste management: organic waste treatment at household or citylevel, waste to energy, etc.
- Land use planning: change in land use planning to reduce sprawl, encouraging densification, etc.

How crediting could be applied:

- Crediting based on the city's inventory
- Mitigation calculation dependent on measuring (and modeling) changes in inventory emissions;
- Risk of double counting with project-level emissions reductions. Those have to be deducted.



Examples of mitigation policies in the AP and MENA regions

Policy	Year	Country
Energy Efficiency program for public buildings Program aiming at improving the energy efficiency of government owned buildings	2019	Morocco
National E-Mobility Programme Public procurement of electric vehicles to facilitate demand creation	2018	India
Implementation of Public Street Lighting Public procurement program aiming at replacing halogen street lighting by LED globes to increase energy efficiency	2016	Indonesia
Energy subsidy reform Reduced fossil fuel subsidies coupled with increased electricity prices	2014	Egypt
Minimum Energy Performance Standards and Labelling Standards setting the minimum energy efficiency requirements for importing and producing household appliances and industrial equipment	2013	Viet Nam
Green Building Codes Estidama was the first mandatory sustainability building standards and rating system in the region; implemented in Abu Dhabi	2010	United Arab Emirates





TCAF Host Country Engagement Framework

The World Bank and Climate Focus are jointly working on implementing **TCAF's host country engagement framework.**

- Aim of the host country engagement:
 - Assess challenges and opportunities for implementing large-scale mitigation
 programs and policies in host countries
 - Build host countries' capacity for the implementation of crediting programs
 - Carry out knowledge sharing workshops and deep dive sessions
 - Building on these workshops, develop capacity building plans for host country governments that seek TCAF support

TCAF is currently seeking to support interested host countries with tailored workshops and engagement









Thank you

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