



Carbon finance: World Bank regional outlook Africa

November 5, 2020 Klaus Oppermann, Sandra Greiner



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

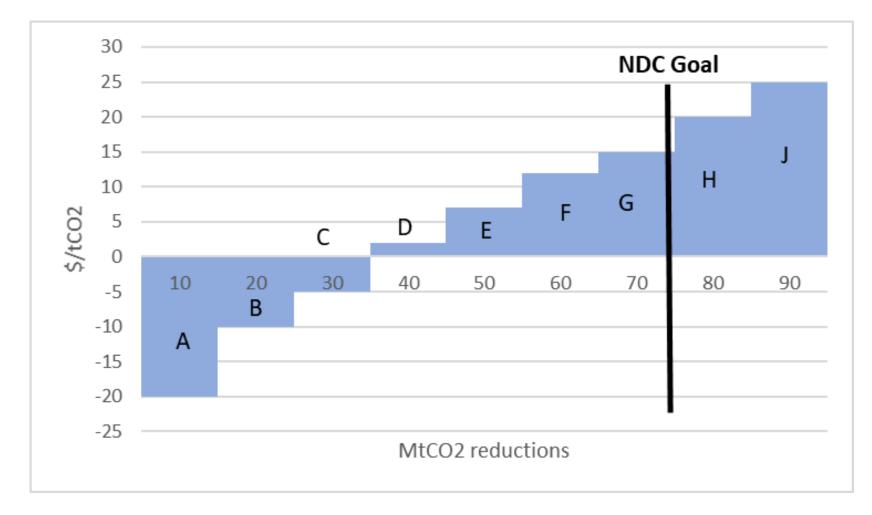
- Earmarking: positive negative lists;
- Reflecting (NDC) targets in baselines;
- Exported emissions have to be compensated elsewhere.

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.



Mitigation policy examples in the African region

Policy	Year	Country
South African Carbon Tax Tax aimed at businesses and companies that emit high levels of carbon; the first phase runs from 2019 to 2022, the second phase from 2023 to 2030	2019	South Africa
Minimum Energy Performance Standards for Air Conditioning Products Standards covering requirements for domestic and commercial air conditioning products	2019	Nigeria
National Renewable Energy Strategy Policy aiming to achieve universal access to electricity through diversification of electricity supply options that include renewable energy sources	2015	Angola
Tax incentives for renewable energy Exemption from/reduction of value added tax (VAT) and import duties for supplies imported or bought for the construction of a renewable power-generating plant	2015	Kenya
Solar Power Subsidy Increased subsidies on solar power equipment to encourage investment in rural areas by private suppliers	2007	Uganda
Energy Efficiency Standards and Labelling Regulations Obligation for appliance manufacturers to display a label which indicates the energy efficiency rating of the product before the first retail sale	2005	Ghana

Source: IEA Policies and Measures Database

Ci-Dev and CDM transition

- Ci-Dev's Standardized Crediting Framework (SCF): a lower cost, timesaving, country-owned emissions reduction crediting framework.
- SCF supports transition of the Ci-Dev project pipeline from the Clean Development mechanism (CDM) to the new governing framework of the Paris Agreement post 2020.
- Offers insights and lessons learned for ongoing Article 6 negotiations.
- SCF pilots achieved significant time and cost savings:
- **Senegal Rural Electrification Program:**
- Saved \$180k
- 3 years faster going from development to first emission reduction certification compared to the equivalent CDM project.

Rwanda Clean Cooking Program:

- Cost savings totaled more than 50% of the total cost required to set up the pilot
- Ci-Dev now rolling the SCF out to its portfolio.



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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