Climate Emissions Reduction Facility (CERF)

Jose Andreu Climate Change Fund Management Unit (SCCFM) LAC DNA Forum Meeting, 14 May 2021



Development Objective

The Climate Emissions Reduction Facility (CERF) aims to catalyze financing for activities, initiatives, and policies, through Results-Based Climate Finance, that lead to transformative climate action in developing countries.



Rationale

- Uses Results-Based Climate Finance (RBCF) to enhance client support to achieve low-carbon development, building on existing experiences with results-based payments for verified emission reductions generated through its carbon funds.
- CERF will use payments for emission reduction credits (ERCs) incentivizing more ambitious NDCs.
- Provides a "one-stop shop" for all RBCF within the World Bank regardless of sector or crediting approach, aligned with standard Bank project cycles and documentation requirements.
- Is more firmly integrated into Bank lending operations and strategies than in previous RBCF business models.



Design

Organized around three thematic pillars:



Natural climate solutions: agriculture, forestry, and oceans

 Will support the implementation of carbon sequestration and low-carbon programs through RBCF in agriculture, forest, and other land use (AFOLU) jurisdiction and blue carbon



Sustainable Infrastructure solutions: energy, industry, buildings, transport, water and urban

 will support the building and operation of sustainable infrastructure, including energy, industry, buildings, transport, water and waste management



Fiscal and financial solutions: fiscal policies and financial regulations and sector reform

 aims to increase funding flows through fiscal and financial sector channels to spur climate action



Design

Each thematic pillar offers **three different ER crediting options**, chosen according to the objective and context of mitigation activities:



Programmatic:

Support a larger number of similar projects, often at small and micro scale, within a program



Sectoral/Policy:

Support a policy intervention, such as an energy efficiency standard or energy/carbon pricing policies



Jurisdictional:

Support overachievement of sectoral/jurisdictional mitigation benchmarks/targets



While the CERF will primarily finance **payments for emission reductions (ER crediting)**, it will also finance:

- readiness, preparation, and capacity building grants
- social inclusion
- knowledge management activities

Business model

The CERF business model adheres to the following three principles:

- **Demand-driven approach:** CERF will employ a demand-driven approach and will be fully aligned with client countries' development priorities, climate change strategies and action plans (including NDCs), as well as the Bank's Country Partnership Framework and other relevant strategies.
- **Partnership for value addition:** CERF will aim to leverage resources from other partners internationally, influence policies and investment decisions, and catalyze transformative climate action on the ground.
- Integration into Bank operations: CERF projects will be embedded in, and integrated into, World Bank operations. Development of CERF-supported operations will be led by the relevant World Bank business units in collaboration with the CERF team.



Thank You

