



METHANE FINANCE STUDY GROUP **WORLD BANK CLIMATE POLICY & FINANCE**

Brice Quesnel
Carbon Finance Unit
The World Bank



Carbon Finance
AT THE WORLD BANK

Table of Contents

1. About us

2. Methane Finance Study Group

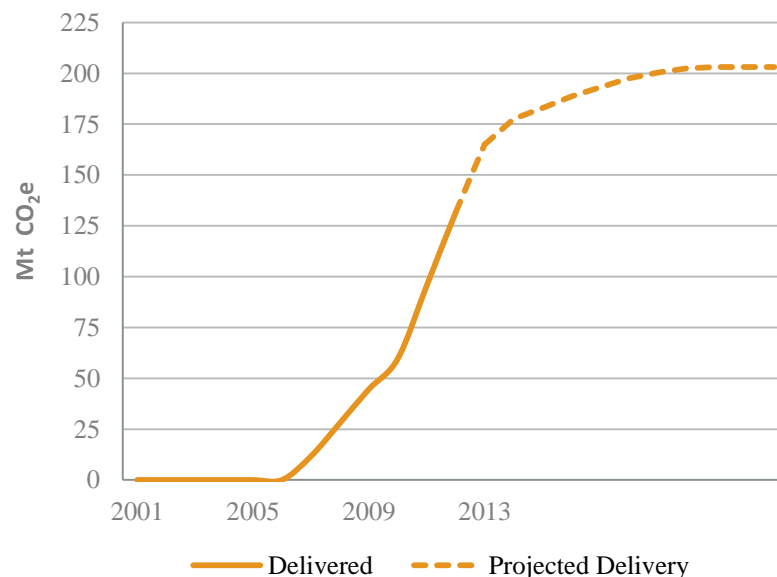
Carbon Finance Unit – introduction of business

- ◆ The Carbon Finance Unit has pioneered multiple funds bridging innovative public private partnerships

Overview of Carbon Activities

- ◆ Established Prototype Carbon Fund in 2000 and then family of 11 additional innovative funds and facilities linked to carbon
- ◆ >\$3.3bn of funds committed since 2000; >\$1.0bn currently under management for post 2012 technical assistance and purchasing facilities
- ◆ Partnered with >90 companies and governments in funds
- ◆ 160 projects in >50 countries with over 167 million emission reductions delivered to investors to-date

Delivery profile of Carbon Credits



- ◆ Total Expected Delivery: 203 Mt
- ◆ Delivered to-date: 167 Mt

World Bank Carbon Funds – Public Private Partnerships

Private Sector Participants



Public Sector Donors/Participants



World Bank using carbon finance to stimulate methane abatement



Purchasing emission reductions from 47 methane reduction projects in 19 countries with nominal estimated 68 Mt of project GHG abatement



Incentivizing investment: \$225+ million in contracts to purchase emission reductions helping to catalyze an estimated \$500+ million in investment



Technologies include landfill gas flaring, landfill composting, landfill power, livestock management, wastewater treatment and coal mine methane

Carbon Finance Unit – details on “post-2012” initiatives – Demonstrating the Readiness / Piloting Nexus

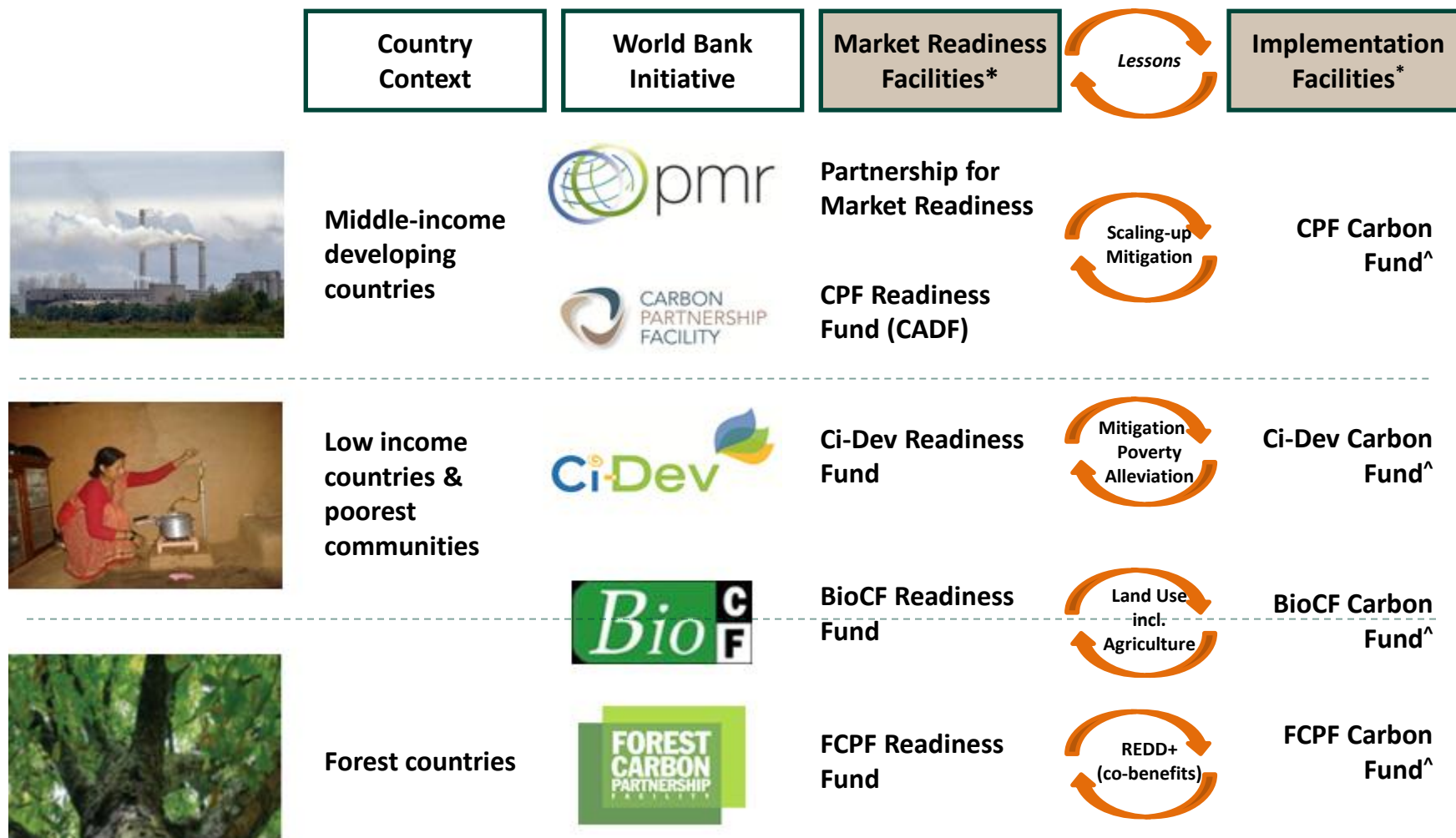


Table of Contents

1. About us

2. Methane Finance Study Group

G8 Request for Methane Finance Study Group



For Immediate Release

May 19, 2012

Fact Sheet: G-8 Action on Energy and Climate Change

At the Camp David Summit, G-8 Leaders recognized that the development of and universal access to environmentally safe, sustainable, secure, and affordable sources of energy is essential to global economic growth and to their overall efforts to address climate change. As such, they identified several actions for the G-8 to take together:

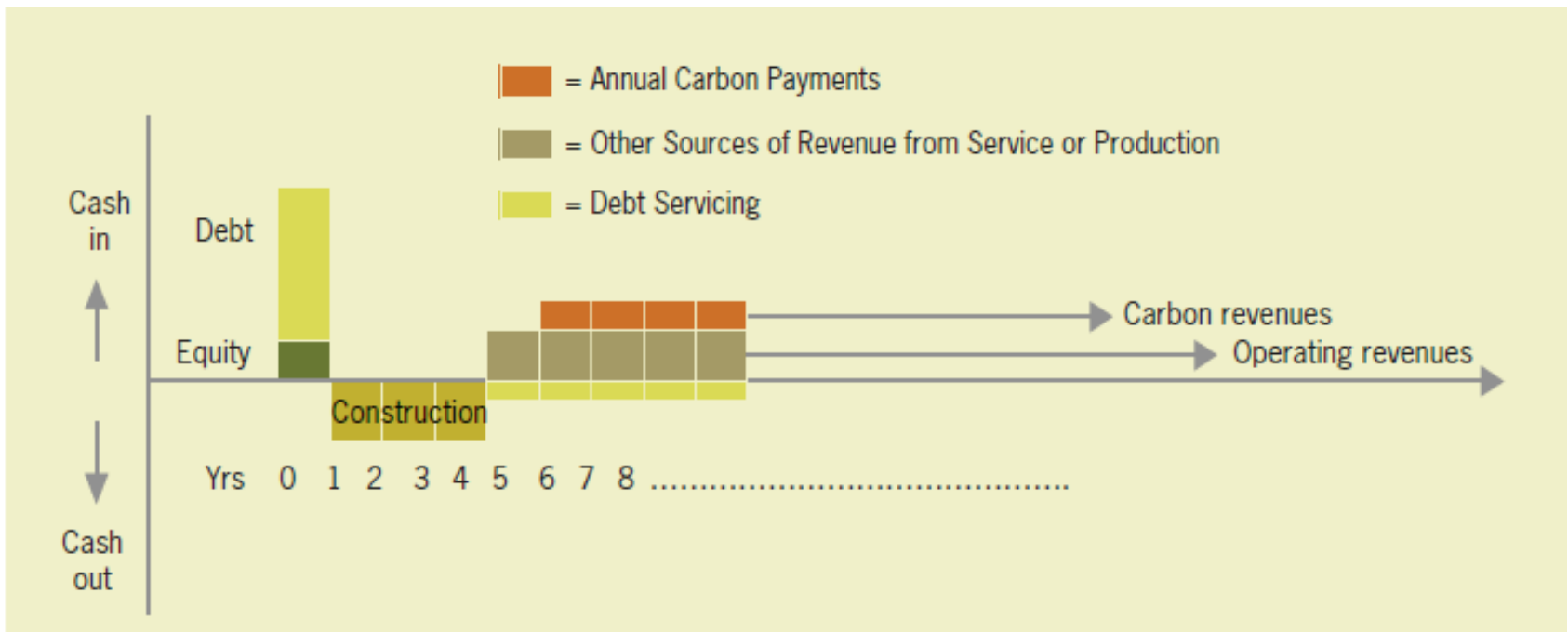
- Commission the World Bank to prepare a report on ways to integrate reduction of near-term climate pollution into their activities and ask the World Bank to bring together experts from interested countries to evaluate new approaches to financing projects to reduce methane, including through pay-for-performance mechanisms.

What is Results Based Finance?

- ◆ Schemes that involve contractual arrangements between a *principal* and an *agent* and involve the transfer of funds in exchange for the delivery of specified results.
- ◆ Payments to public or private sector after measurable pre-agreed actions have been achieved and verified.
- ◆ The “financing” refers to a payment to address the gap in funding between costs and revenues -the affordability or viability gap.
- ◆ Results often independently verified before payments are made.

* Results based finance and Results Based Aid is often used interchangeably with the term pay for performance. Results Based Aid generally refers to the delivery of aid to governments through a contractual arrangement that specifies results to be achieved, whereas Results Based Finance generally refers to the delivery of results through sub-national agent or non-governmental entity (e.g., private sector, NGOs, etc.)

Schematic of Results Based Finance



Methane Finance Study Group's Findings (Preliminary)

1

Governments should focus on methane for climate: relatively cheap, large short-term potential, many co-benefits

2

In all methane emitting sector, a financial incentive can unlock methane reduction activities

3

RBF is an attractive tool for funders and implementers.

4

The group identified 3 ways RBF can be applied to methane projects:

- **MDBs have used, and can scale up RBF in their portfolios (OBA)**
- **RBF can incentivize sector and policy interventions by governments, e.g. through NAMAs and New Market Mechanisms**
- **There is a 'Quick win' opportunity to pay for CO₂e emission reductions**
 - **Builds on existing accounting infrastructure (e.g., CDM) and takes advantage of 'shovel ready' projects: at least 1,200 projects for 850 Mt CO₂e by 2020**
 - **Innovative auction allocation mechanism to ensure cost effectiveness through private sector competition**

Thank you

Carbon Finance at the World Bank

Brice Quesnel
Senior Carbon Finance Specialist
Carbon Finance Unit
The World Bank
bquesnel@worldbank.org