

Financing Methane Projects and Funding GMI Activities

**2nd Steering Committee Meeting
March 2013**

**Vancouver, British Columbia
Canada**



GMI Financing

- Background
- Methane Project Financing Developments
- Potential for Additional Funding Sources for GMI activities
- Items for Steering Committee Consideration

Background

- Through GMI, financial support for methane emission reduction activities has been provided through bilateral and multilateral direct funding or in-kind technical assistance.
- GMI does not have a central mechanism or “fund” to allow Partner Country or Project Network members’ contributions to be used to fund these activities, nor to directly finance projects.
- Project implementation is not financed directly through GMI, rather the Initiative relies on external or private financing mechanisms, such as CDM, JI, private carbon financiers, multilateral banks, or private project developers.

Background (2)

- The GMI Steering Committee tasked ASG with exploring potential mechanisms to fund capacity building activities and/or project financing.
- Initial research into existing funding mechanisms such as multilateral banking options and multi-donor Investment funds, public-private partnerships (e.g., Renewable Energy and Energy Efficiency Partnership), and certain bilateral funds (e.g., foreign development assistance).
 - None found that effectively address needs of GMI (though potential to more effectively utilize bilateral efforts through Action Plans).

Methane Project Financing Developments

- In May 2012, the World Bank was tasked by the G-8 to study “Pay-for-Performance” funding mechanisms to encourage future methane project development.
 - In recent years, global carbon market has slowed significantly.
 - UNFCCC CDM no longer provides strong financial incentives for project development.
- Recognizing the importance of addressing finance barrier, U.S. EPA and U.S. State Department intend to fund World Bank’s Methane Finance Study Group (MFSG).

Methane Project Financing Developments (2)

World Bank MFSG (continued)

- The MFSG is evaluating a range of different financing mechanisms that could be applicable for methane projects.
- Ideally this will illuminate financing barriers and identify potential mechanisms and solutions.
- The MFSG plans to issue a final report in the first quarter of 2013 (preview at Methane Expo 2013).

Methane Project Financing Developments (3)

CCAC Financing Initiative

- Aims to strategically engage methane finance stakeholders (government, financiers, project developers) to catalyze SLCP emissions reductions projects
- Led by World Bank and UNEP-Finance Initiative
- Structure and work plan are still being defined; could be a good opportunity for GMI to be engaged

CCAC-Related Financing Activities

- CCAC established a Trust Fund administered by UNEP. As of December 2012, pledges totaled \$14.6 million, with \$6.2 million banked and supporting existing initiatives.
- As noted, the Climate and Clean Air Coalition (CCAC) is exploring other financing vehicles and plans to work with governments, private sector, donors, financial institutions, expert groups, and investors.
- CCAC established formal process for submitting funding requests.
 - Requests reviewed by Working Group and may be recommended to the CCAC Steering Committee, who makes the ultimate funding decisions.
 - Detailed reporting will be required for CCAC-funded initiatives.
- CCAC presents a potential pathway for leverage methane-related activities that would be mutually beneficial to GMI and CCAC goals.

Potential leveraging of funds to support GMI / methane activities

- GMI / CCAC Partners can explore opportunities to leverage ongoing or new methane-related CCAC activities and initiatives
 - Capitalize on planned CCAC events such as workshops, conferences, meetings of the initiatives present opportunities to bring in GMI stakeholders
- GMI Partners who are also CCAC Partners could propose new methane-focused initiative or a new component of an existing initiative
 - Potential funding available through CCAC Trust Fund

Items for Steering Committee Consideration

- Does the Steering Committee wish to encourage Partners to include information on potential bilateral funding assistance for methane projects in their Country Methane Action Plans?
- Would the Steering Committee like the GMI to monitor the work of the Methane Finance Study Group to identify strategic opportunities to scale up methane project investment?
- Would the Steering Committee like the GMI to pursue active, formal engagement in CCAC efforts, led by the CCAC Finance initiative, to develop dedicated workstreams to facilitate and explore expanded methane finance?

Items for Steering Committee Consideration

- Would the Steering Committee like the GMI ASG, working with the Steering Committee and other GMI partners, to identify strategic opportunities for leveraging opportunities to engage with related, ongoing efforts (e.g., CCAC) where appropriate (workshops, information sharing, etc.)?
- To the extent that GMI Partners who are also CCAC Partners support/actively engage in methane related initiatives in CCAC (e.g., MSW, Oil & Gas) should the Steering Committee encourage them to seek to leverage funding opportunities for these activities?