



DRIVING CLIMATE AMBITION THROUGH RESULTS-BASED FINANCE

The Climate Emissions Reduction Facility (CERF)

December 2021

HIGHLIGHTS

Volumes of climate finance must increase to help World Bank client countries deliver NDCs in line with Paris Agreement and Glasgow Climate Pact goals

Results-Based Climate Finance (RBCF) has many advantages that make it an **essential component of any climate finance strategy**.

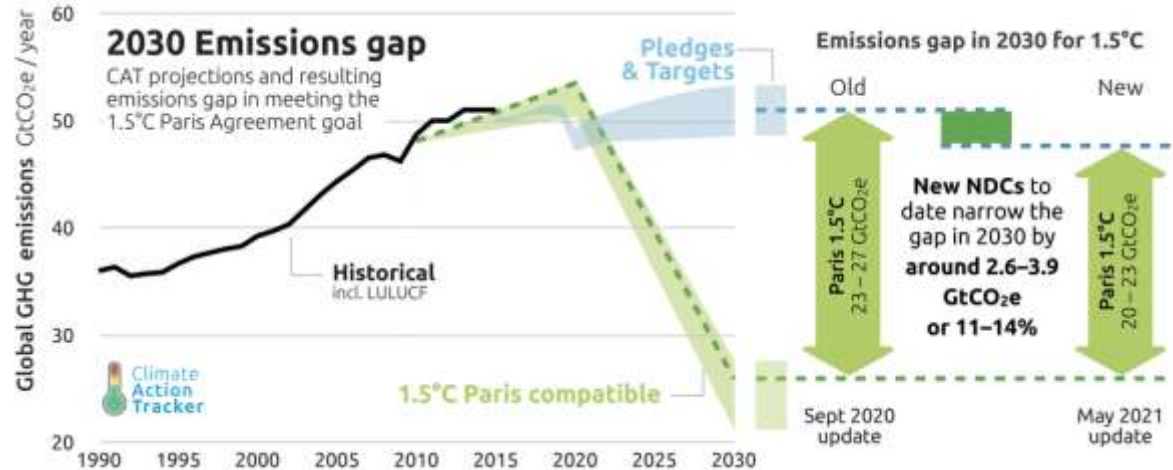
The **new Climate Emissions Reduction Facility (CERF) is an Umbrella Trust Fund** that consolidates all the World Bank's RBCF activities.

CERF incorporates lessons from over **20 years of World Bank leadership** in this space and harnesses the **scale-up potential of World Bank financing**.

GREATER AMBITION NEEDED TO MEET PARIS AGREEMENT/GLASGOW CLIMATE PACT

Recent IPCC findings remind us that all countries need to reach net-zero emissions.

WB climate finance can play an essential role in enabling the action of developing countries



Source: Climate Action Tracker *Warming Projections Global Update*, May 2021

DEDICATED CLIMATE FINANCE IS CRITICAL TO SCALE ACTION AND MEET CLIENT NEEDS

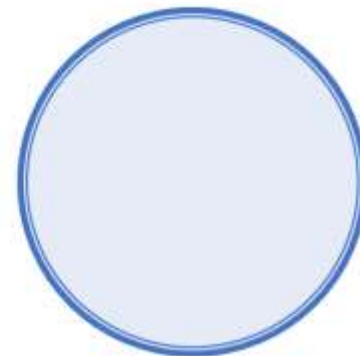
WB client countries can do more **with additional climate finance**

Provision of **dedicated climate finance** and **climate-aligned development finance** needs to increase to meet this need

MDB CLIMATE FINANCE W/ MOBILIZED PRIVATE FINANCE MDB TOTAL (WBG ONLY) - 2020

<i>Dedicated climate finance</i>	\$2.9 (\$0.7) bn	•
	+	
<i>Dev. fin. w/climate co-benefits</i>	\$63.1 (21.4) bn	•
	+	
<i>Mobilized private finance</i>	\$31.5 (6.2) bn	•
	=	—
<i>Total MDB climate finance</i>	\$97.6 (28.3) bn	•

ESTIMATES OF ANNUAL INVESTMENT NEEDS TO MEET DEVELOPING COUNTRY CLIMATE GOALS Estimate: \$2.9 tn



Source: MDB Joint Report on Climate Finance

INTRODUCTION TO CERF

RBCF motivates **client countries** to set ambitious targets

Donors know their funding will only go to programs that achieve results

RBCF can **crowd in financing by investors** and be **blended with other sources** of finance

The Climate Emissions Reductions Facility (CERF)

- Umbrella Trust Fund (TF) for all RBCF within WB
- Strategic funding channel for climate finance
- High-level governance for all WB RBCF
- Operational and knowledge management efficiency
- Reduces administrative burden of multiple TFs

CERF Pillars

Natural Climate Solutions

Sustainable Infrastructure Solutions

Fiscal and Financial Solutions

OBJECTIVE: SUPPORT TRANSFORMATION IN LINE WITH THE PARIS AGREEMENT

Article 2

- 2.1 (a) Mitigation
- 2.1 (c) Transforming finance

Article 5

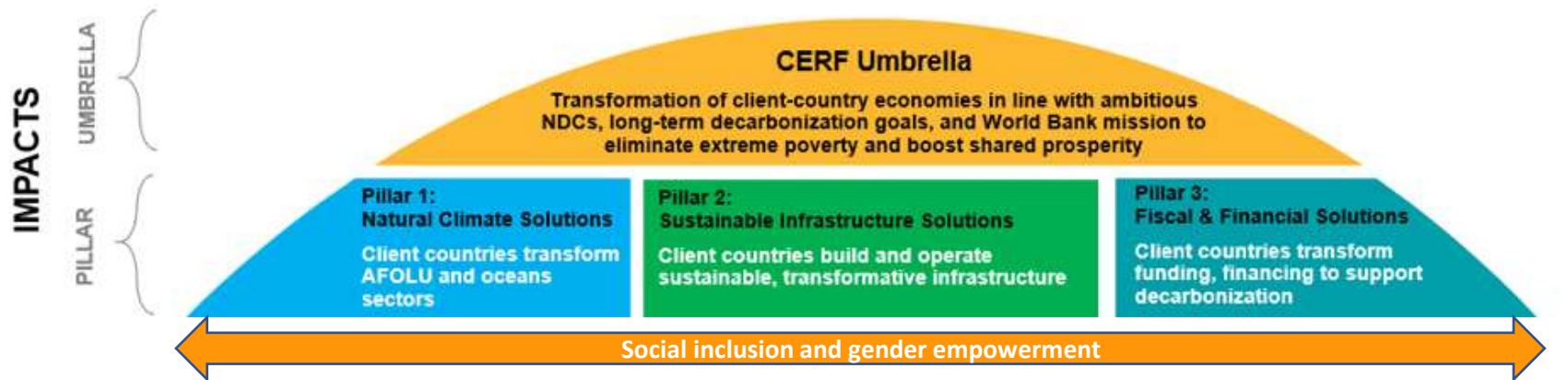
- RBCF for REDD+

Article 6

- 6.2 Mitigation outcome transfers
- 6.4 Carbon markets
- 6.8 Non-market based cooperative mitigation

Article 9

- Climate finance



CERF WILL ADVANCE NUMEROUS SDGS

13 CLIMATE ACTION



2 ZERO HUNGER



7 AFFORDABLE AND CLEAN ENERGY



8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



10 REDUCED INEQUALITIES



11 SUSTAINABLE CITIES AND COMMUNITIES



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



14 LIFE BELOW WATER



15 LIFE ON LAND



PILLAR 1: NATURAL CLIMATE SOLUTIONS

RBCF APPLICATIONS

Forest and land-use credit stacking: allowing for more ambitious, comprehensive and inclusive programs than classic REDD+.

Blue carbon: Stored carbon in coast and marine ecosystems. Initial focus could include mangroves, tidal peat swamps, sea grasses and tidal marshes

Climate-smart agriculture: An integrated approach to cropland, rangelands and fisheries aiming for (i) increased productivity, (ii) adaptation & resilience, (iii) reduced emissions.

Forest carbon stock conservation: for critical forested landscapes and water and watershed management and source protection.



PILLAR 1: NATURAL CLIMATE SOLUTIONS

RBCF SUCCESS STORIES

World Bank Carbon Funds in general Played a vital role in pioneering land-based RBCF program design, methodology and implementation

Helped pioneer jurisdictional approaches now the standard

Bio Carbon Fund First major international trust fund for RBCF in land-use sectors.

Initiative for Sustainable Forest Landscapes paved the way for RBCF in partnership with private sector

Forest Carbon Partnership Facility \$ 5.98 cost / tCO₂ generated in client countries

\$721M Emission Reduction Purchase Agreements

→ \$1644 M program investment (Ratio 1 to 2.3)

Significant commitments to LDCs and dedicated financing to support inclusion of IPLCs



PILLAR 2: SUSTAINABLE INFRASTRUCTURE SOLUTIONS

RBCF APPLICATIONS

Energy transition: phasing out coal use and scaling up renewable energy in large coal-consuming countries committed to decarbonization

Energy access: helping the world's poorest people access renewable energy, incl. better & new grid connections with low-carbon energy, off-grid energy, and clean cooking tech & fuels.

E-mobility: vehicle switching for high-mileage users, fleet replacements, and novel schemes such as leasing schemes for e-vehicles and revenue guarantees for charging infrastructure.

Vehicle fuel economy/emissions standards: policy crediting for introduction of stringent standards.

Low-carbon cities: energy efficient buildings, climate-smart urban planning, low carbon transport and low carbon infrastructure and services within a city boundary.



PILLAR 2: SUSTAINABLE INFRASTRUCTURE SOLUTIONS

RBCF SUCCESS STORIES

World Bank Carbon Funds

Significant results in key sectors, notably renewable energy, energy efficiency.

Improved client country capacity to reduce emissions, deployed low-carbon tech at scale.

Carbon Partnership Facility

\$ 1.20 per ton of CO₂e reduced

Significant leverage of private capital (up to \$26 per \$1 of ERPA payments)

Carbon Initiative for Development

\$ 2.34 per ton of CO₂e reduced, including all costs (project development, administration, etc.)

\$5.8 leveraged per \$1 ERPA commitment (projected through 2025)



PILLAR 3: FISCAL AND FINANCIAL SOLUTIONS

RBCF APPLICATIONS

Subsidy reform: incentivizing the elimination of harmful fossil fuel and agricultural subsidies to free up funding for more productive/climate-smart uses.

Carbon taxes: results-based payments for reduced emissions can be used to offset the impacts on poorer consumers of higher carbon pricing.

Portfolio rewards to commercial Banks: to incentivize reductions in overall emissions from a bank's portfolio through increased share of loans going to green firms/companies.

Sustainability-linked loans: loan contracts that provide for a lower interest rate if borrower meets agreed emission target.

Greening national development banks: incentivizing NDBs to green their operations against a baseline projection.



PILLAR 3: FISCAL AND FINANCIAL SOLUTIONS

RBCF SUCCESS STORIES

World Bank Carbon Funds Financial innovation in the RBCF space.
Led syndications of large-scale carbon deals.

Pilot Auction facility Pioneered use of auctions to achieve an efficient allocation of RBCF funding.

Pillar 3: Fiscal and Financial Solutions offers perhaps the **most innovative potential application of RBCF**; more limited historical success stories reflect a practice in its earlier stages.

Our confidence in the **potential for transformation** through Pillar 3 is significant with the **efficiency of fiscal and financial channels** in distributing / allocating finance in an economy.



CROSS-CUTTING THEME: SOCIAL INCLUSION AND GENDER EMPOWERMENT IN RBCF

RBCF PARTNERING WITH CIVIL SOCIETY

Enhancing Access to Benefits while Lowering Emissions (EnABLE)

Enhancing inclusion of Indigenous Peoples, local communities, and disadvantaged groups (e.g., women, youth, people with disabilities).

Building capacities of target beneficiaries to access RCBF and engage in **collaborative partnerships** with stakeholders.

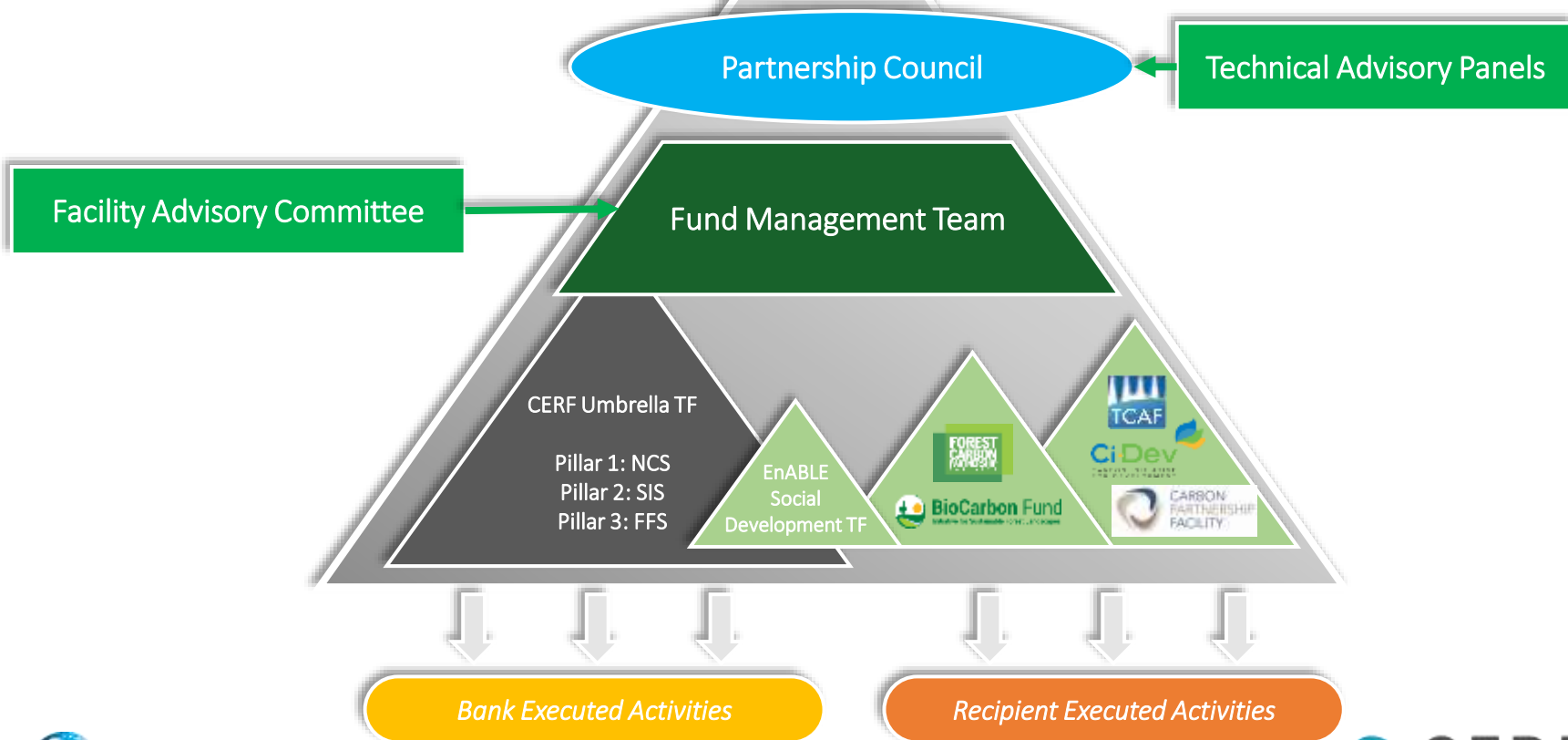
Integrating social inclusion and gender equity into the design and implementation of RCBF programs through knowledge transfer and sharing of best practices.

Advancing benefit sharing mechanisms to ensure equity, effectiveness, and long-term sustainability.

Implemented by non state actors to ensure their access to benefits



GOVERNANCE STRUCTURE



ALLOCATION OF RESOURCES

Country Eligibility

- 1 - ODA eligible
- 2 - Active WB Country Program
- 3 - Willingness to raise ambition in line with Paris/Glasgow

Program Selection Criteria

- 1 - NDC alignment
- 2 - Transformation
- 3 - SD and ESS
- 4 - Environmental Integrity
- 5 - Readiness

Best-practice Decision-making

- 1 - Transparent and inclusive decision-making procedures
- 2 - Efficient processes fully aligned with WB product cycles
- 3 - No parallel decision-making structures
- 4 - Donor engagement on strategic directions and results

FUNDRAISING ASK

Resource requirements

\$1.3 B for first five years

\$300M to start operations

Uses of funding

Results-based payments: over 75%

Activity-based Capacity Building, Technical Assistance: app. 15%

Administration expenses: under 3%

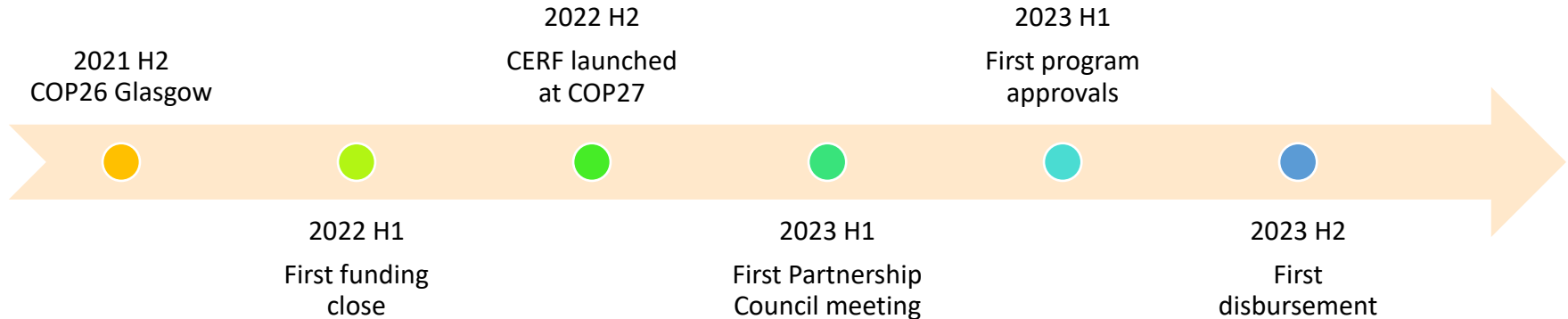
Trust fund recovery costs: app. 5%

NEXT STEPS

Next Steps for Contributors

1 - Confirm initial interest of key contributors and estimated funding ranges

2 - Contribution agreements in line with standard WB practice.



CONTRIBUTION MODALITIES

Potential contributors

WB member countries

Intergovernmental entities

Nongovernmental entities

Contribution features

Grants, paid in convertible currency cash or promissory notes

Administrative Agreement with IBRD and IDA

Standard World Bank Administrative Agreement for Umbrella Trust Funds

Development Partner influence on CERF

Partnership Council: strategic guidance, influence on CERF work program, results indicators, etc.

Preferencing: non-binding preference for specific sectors, themes, geographies

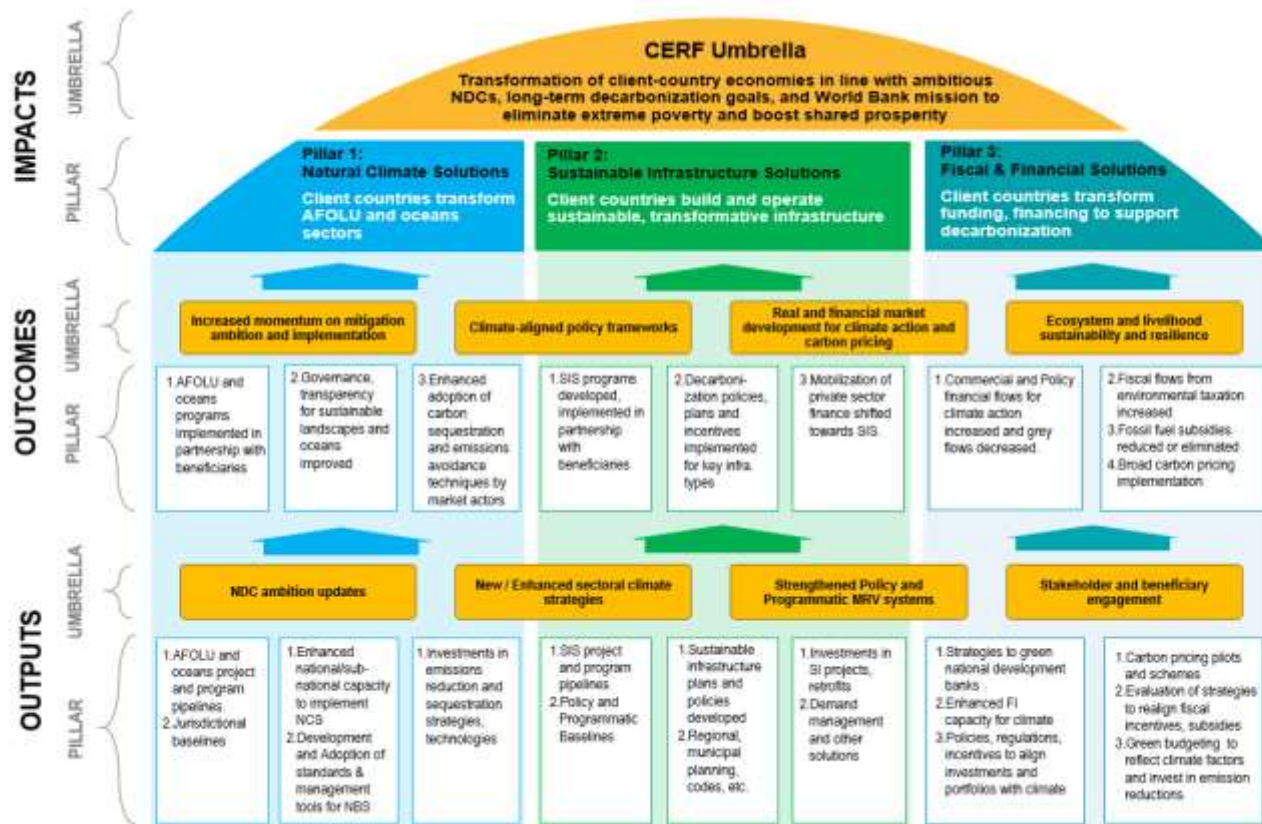
Earmarking by association in separate trustee trust fund (WB approval required)

Contribution to both CERF Anchor and or/associated trust funds

THANK YOU

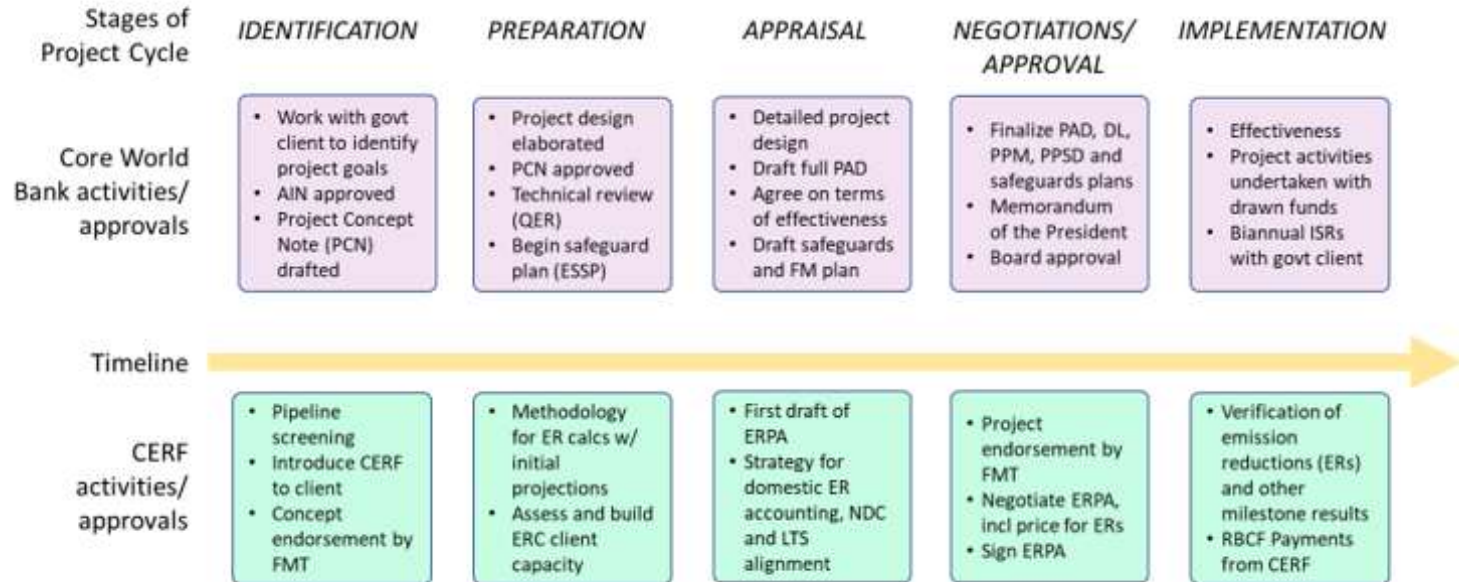
ANNEXES

THEORY OF CHANGE



PROGRAM DEVELOPMENT AND IMPLEMENTATION

Stages of Pipeline Development



CREDITING FRAMEWORK

METHODOLOGICAL BUILDING BLOCKS

Baseline setting

Additionality

Monitoring, Reporting and Verification (MRV)

Validation and Certification

Avoidance of Double Counting

Carbon Asset Tracking System (CATS) Registry

OVERVIEW OF CREDITING APPROACHES

Crediting Approach	Objective	Methodological Requirements
Programmatic	<ul style="list-style-type: none"> Support a larger number of similar projects often small and micro scale within a program 	<ul style="list-style-type: none"> Baselines and MRV typically based on technology. Often accompanied by an incentive program that transforms ER revenues into other incentive payments
Policy	<ul style="list-style-type: none"> Support a policy intervention such as an energy efficiency standard or energy/ carbon pricing policies 	<ul style="list-style-type: none"> Baselines and MRV typically based on economic modeling
Sectoral	<ul style="list-style-type: none"> Support overachievement of sectoral mitigation benchmarks/targets 	<ul style="list-style-type: none"> Sectoral baseline and MRV Crediting on an aggregate sub-sector/sector level
Jurisdictional	<ul style="list-style-type: none"> Support overachievement of jurisdictional mitigation benchmarks/ reference levels 	<ul style="list-style-type: none"> Jurisdictional baseline and MRV Crediting on an aggregate level

MONITORING, REPORTING AND EVALUATION

Monitoring

Regular Collection of information on how projects, programs and activities are performing against Results Framework to be agreed by Partnership Committee
SMART objectives tracked at the pillar level

Reporting

Annual reports to aggregate intermediate results from all CERF-funded activities
Completion reports listing all outcomes and intermediate results against baseline values and outcome targets.

Evaluation

Every five years in line with World Bank's fiduciary responsibility and best practices

COMMUNICATIONS AND VISIBILITY

Integrated plan across three pillars

To include objectives, target groups, branding guidance, detailed activities, tools and results to be measured
Could include annual report, website, social media, multimedia, internal and external and events, media outreach and other activities.
Regular quantitative and qualitative evaluation of communication and outreach activities
Staff and budget requirements specified