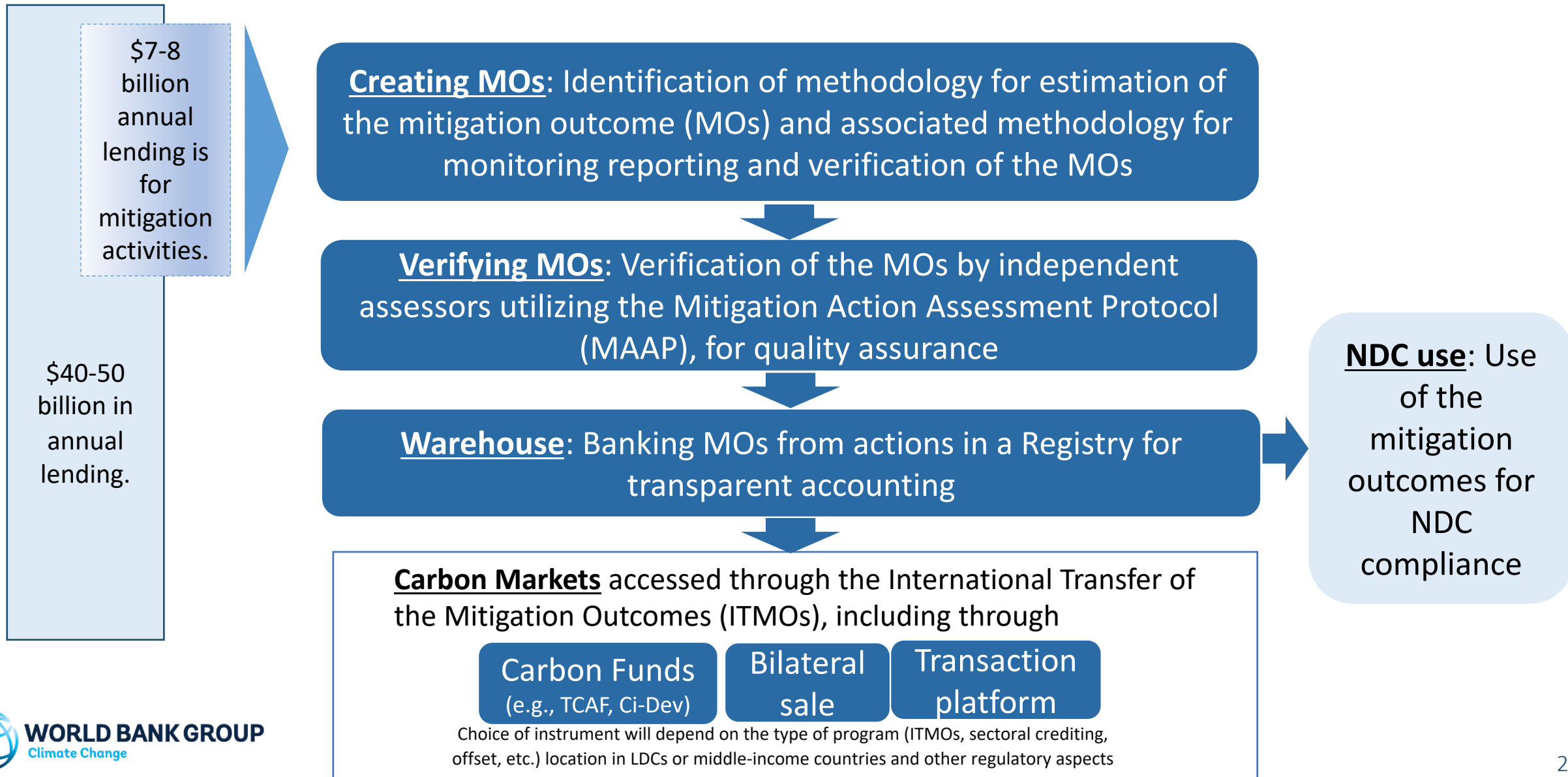


# Creating Climate Markets

## Operationalizing Article 6

6 March 2019, Glion

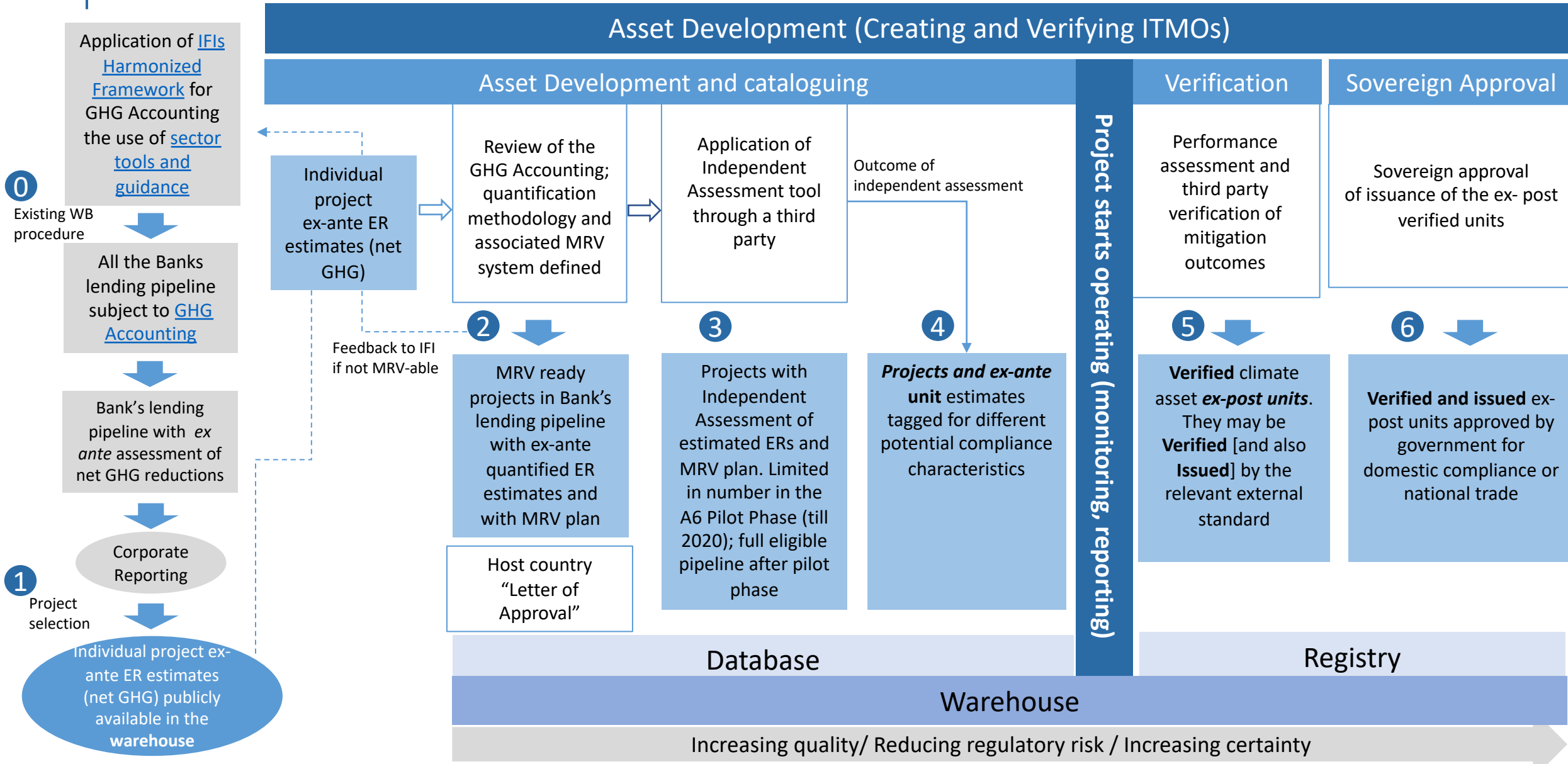
# The World Bank has initiated piloting for Article 6 through its lending



# CREATING ITMOs: Pilot Projects in progress.

- Bangladesh: Rural Electrification and Renewable Energy Development Project
  - Household energy component of US\$46 million to install 4 million efficient cookstoves.
- Bangladesh: Scaling-up Renewable Energy Project
  - US\$320 million financing facility to provide financing for 260 MW of rooftop solar installation.
- Bangladesh: Livestock and Dairy Development Project
  - US\$500 million towards improvements in on-farm productivity.
- India: Grid-Connected Solar Rooftops Program
  - US\$625 million for the development 400 MW of grid-connected solar rooftop PV projects.
- India: Shared Infrastructure for Solar Parks
  - US\$198 million on-lent by IREDA for procurement of shared infrastructure for solar parks. Expected to install 1750 MW renewable capacity.

# Creating ITMOs: builds on corporate commitment on GHG accounting



# CREATING ITMOs: Approaches to creating mitigation outcomes

- **Utility-based approach:** Creating mitigation outcomes from transforming the long term generation expansion plan of Kenya Electricity Generating Company (KenGen).
- **National Aggregation:**
  - Large development banks such as IDCOL in Bangladesh and IREDA in India act as aggregators of mitigation outcomes at the national level for identified sectors.
  - Explore approaches to MRVing national programs such as Chile's National Energy Policy (2050) which has a goal to have at least 70% of its electricity generation from renewable energy sources.
- **Regional approach:** Work with West African Power Pool (WAPP) on mitigation activities in the national power systems of 14 member countries of the Economic Community of West African States (ECOWAS) region.
  - MOs arise in the unified regional electricity market from (a) efficiency gains in optimizing national energy systems and (b) greater use of renewables in the integrated electricity markets; and (c) trade of renewable electricity

# Independent Assessment – manual and code of conduct

- The ***Designated Operational Entities & Independent Entities Association*** (D.I.A) is developing a Manual to ensure the quality and consistency of independent assessments using the Mitigation Action Assessment Protocol (MAAP) as a starting point
- The Manual seeks to contribute to an independent and internationally accepted system for comparing MOs
- The Manual will be peer reviewed and piloted on 3 WB operations by May 2019.
- Code of Conduct between DIA and independent assessors to ensure quality control, self-regulation and to avoid the need for international accreditation process
- The Independent Assessment Manual and the Code of Conduct for Independent Assessors will be launched for public consultation at Innovate for Climate (I4C) in June 2019

# Warehouse for Mitigation Outcomes – design options

- **Common infrastructure:** recording, transferring, and using MOs
- **Design options for Warehouse based on Advisory Group consultations:**

## Database

- Show information about MOs from WB/MDBs
- Not linked to registries (manual update)
- Possibility to link to other pipeline databases

## Registry

- Registers MOs that are developed from operations/activities but are not certified/issued by existing standards (e.g., CDM, VERRA, Gold Standard, others, including at the national level such as the Thailand Voluntary Emission Reduction program)
- Independent assessment protocol based on MAAP will characterize the MDBs' MOs entering the warehouse
- Creates its own "standard"
- Allows for transfer of assets within account holders

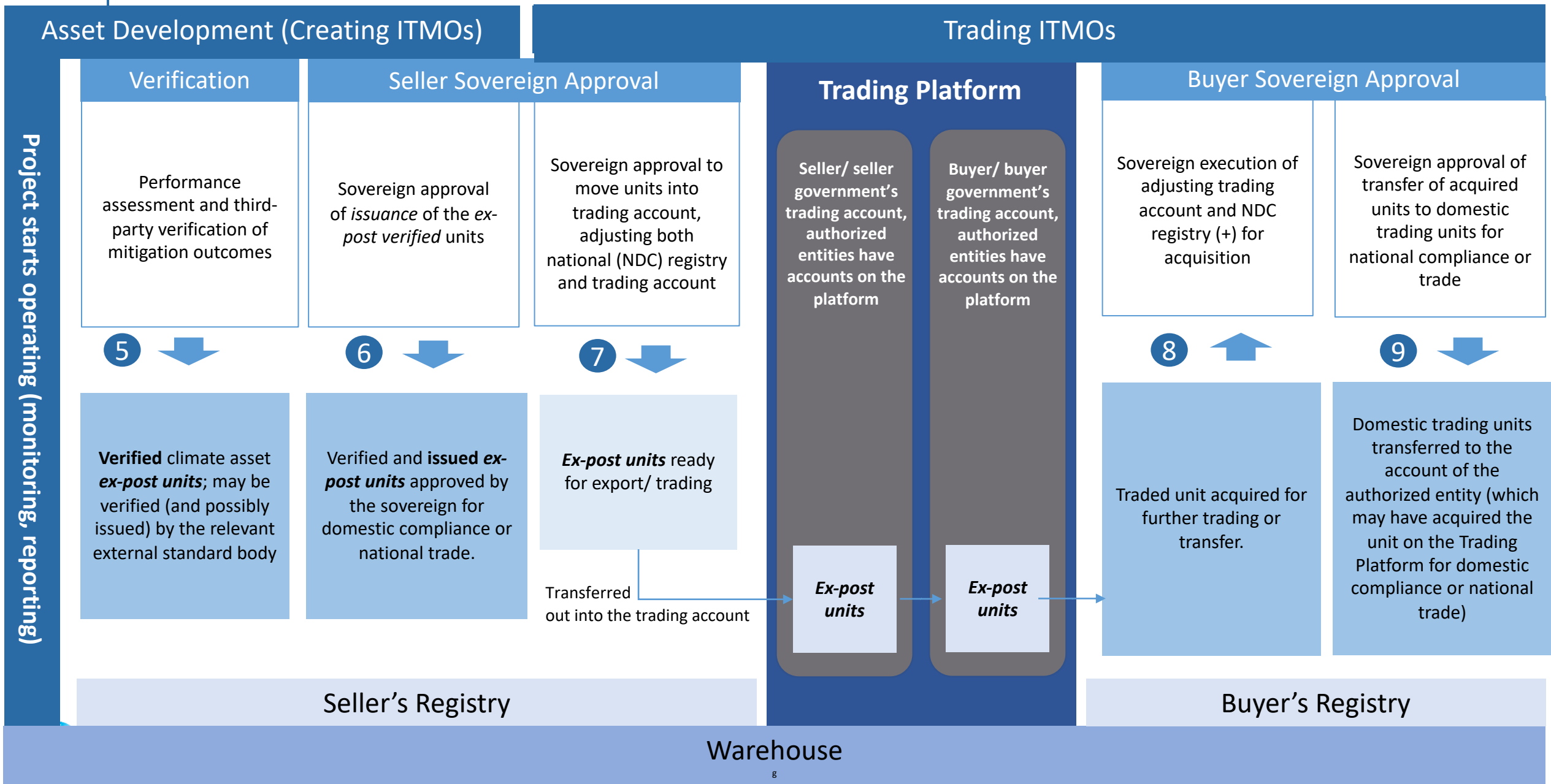
## Meta-Registry

- Links sub-accounts to the global architecture for recording and tracking MOs (i.e., other registry systems) and reflects those MOs in a single, easy-to-use interface.
- Links to national registries with common features (MOs generated with sufficient safeguards, environmental integrity, etc.).

## Transactions / Exchange

- Allows for transfer of MOs among market participants, using existing registries / exchanges or a new distributed ledger system (blockchain technology)
- Not only mirrors other registries, but can facilitate transactions
- Potentially can allow a single user account to access all registries linked to it
- Potential to address accounting, corresponding adjustment issues

# The Warehouse will include registries and trading platform





# TRADING ITMOs: Transaction Platform

- **Objective:** Design financial instruments and products to mitigate risks to catalyze private sector action
- **Advisory Group input:** Key issues are sovereign (seller) regulatory risk related to “corresponding adjustment” and eligibility of assets’ use for domestic compliance
- **Two financial products under development:**
  - MIGA risk guarantee for mitigating seller regulatory risk (corresponding adjustment) in Article 6 transactions
  - Option contract for managing price risk and uncertainties related to compliance demand (market risks)

# Stakeholder Engagement

## Advisory Group

- Donor countries (3), private entities (11) in partnership with IETA, and project implementing entities (4) to inform work on the piloting program
- 3<sup>rd</sup> Meeting on March 7 and the 4<sup>th</sup> meeting at I4C in June.

**MDB Working Group on Art 6.** Meets regularly to agree on common approaches for implementing Article mitigation activities linked to operations.

## Client country consultations

- Help client countries build institutional approaches and make informed decisions on Art 6 engagement. Bangladesh, Bhutan and India completed. Kenya and West Africa consultations planned in March.
- Partnership with IETA and others to actively consult the private sector. Meetings to date in Calgary, London, Seoul and Tokyo.

# In conclusion

Progress on Article 6 will benefit from pilot activities

The World Bank has a number of programs on Article 6 (ASA, PMR, TCAF, etc.) and the work programs are aligned to pilot.

- **Warehouse** will start operation in 2019 and provide infrastructure for early action;
- **Creation of mitigation outcomes** linked to World Bank/ MDB operations will test independent assessment process and will initiate discussions in countries on NDCs and ITMOs;
- Through consultations with the Advisory Group, **financial products to address the risk and engage the private sector** will be developed and piloted.

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