

Emission Reduction Program for EAP

Helping developing countries in East Asia & Pacific understand
and access global emission reduction credit markets



Voluntary Markets: Growing pool of corporates are announcing long-term emission reduction targets



Net-zero by 2030



Net-zero by 2040



Net-zero by 2050

Growing numbers of commitments & pressure to act

- 21% of the world's 2,000 largest companies representing sales of >US\$14 trillion have committed to net-zero targets
- Investors are increasingly incorporating ESG metrics into decision-making: 33% of global assets under management in funds that consider ESG metrics during investment process

Momentum is spread across buyers & sectors

- MNCs purchase 50% of all offset volumes; domestic companies/SMEs accounting for another 35%
- Fortune 500s in 17 of 19 sectors had made a sustainability commitment
- 2000+ organizations from 80+ industries in 78 countries have supported the Task Force on Climate-related Disclosures as of March 2021

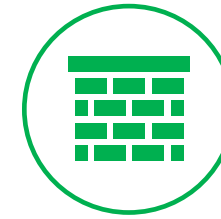
Long-term trend expected to hold despite delays by Covid-19

- 87% of the public want corporations to integrate environmental considerations into products/ services & operations
- 40% of millennials state that sustainability is a consideration in their job choice

Note: Non-exhaustive

Compliance markets: Governments establishing emissions reduction programs and placing obligations on emitters in their jurisdiction

Shadow prices of CO emissions, I-NDC and C-NDC, Assuming less ambitious targets as per 2019



Offset limits

Most compliance markets allow only small portion of targets to be allocated to offsets



Fragmented initiatives

Compliance markets exist on provincial, national & regional levels with different standards; i.e., 31 ETS systems globally, each with their own requirements



More difficult to enter & innovate

Compliance markets tend to have high entry requirements & lower appetite for new methodologies

Reason for buying ERCs

Voluntary Market
 To meet Net Zero commitments of a Company
 Different standards, priorities and processes

Buyer

**Compliance/Regulatory Markets
 (26 and counting)**
 To meet legal obligations under home country
 carbon tax or emissions allocations

Who can help sell/buy

Some more aggressive/
 opportunistic
 than others

- Intermediaries
- Exchanges
- TFs/Donors
- Buyers

Evolving
 with NDCs

Higher prices

Which ERCs to export

ERC w/No Corresponding Adjustment
 Will count against Seller country NDC, not Buyer country NDC aka claiming, retention

MRV
 To ensure standards, registry to avoid double counting

ERC w/Corresponding Adjustment (Approved)
 Offset against Buyer country NDCs aka ITMO, offset, counting, transfer

How to generate quality ERCs

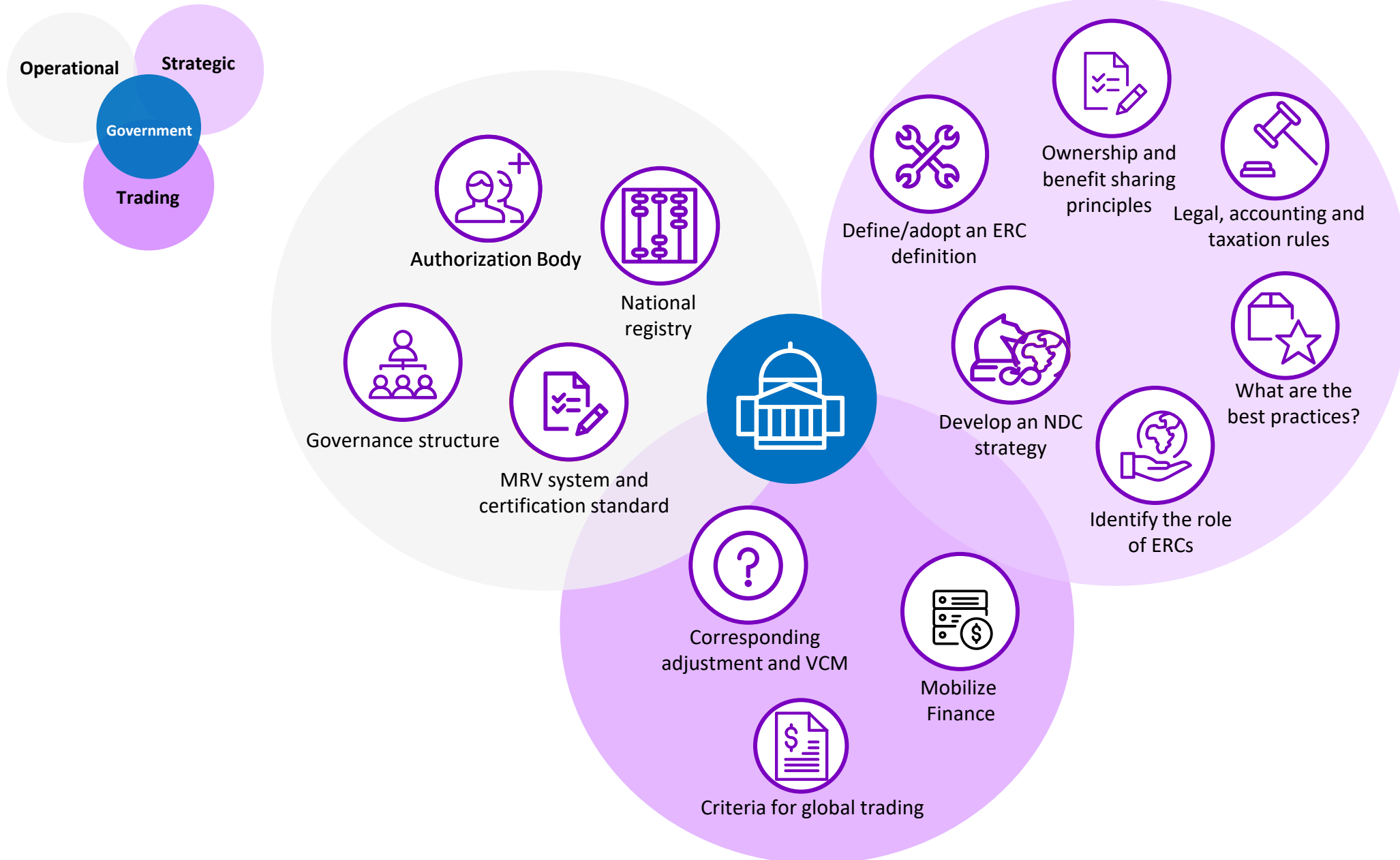
Legal/Regulatory Framework
 Certainty, transparency, sustainability

Seller

Institutional Framework/Processes
 Clarity, coordination, capacity

NDC – Nationally Defined Contribution under the Paris Agreement; ETS – Emissions Trading System; ITMO – Internationally Transferred Mitigation Outcome that counts against the buyer’s NDCs; MRV – Monitoring, Reporting, Verification;

Key Decisions for Governments...



World Bank Group Emissions Reduction Program

Emissions Reduction Program (ERP) will support developing countries in East Asia Pacific to engage **strategically** with evolving global **Emissions Reduction Credit (ERC)** markets, **prepare transactions** to generate ERCs and **mobilize finance** for such transactions.

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After consulting more than 100 stakeholders across the ecosystem

Project Developers

Country participants

- Buraphawood
- Conservation International
- Ecoeye, Korea
- Fauna and Flora International
- Hivos Foundation
- Mongolian Society for Range Management
- **Nakau Foundation**
- Oxfam
- Shell
- South Pole
- Wildlife Works

Implementation Partners

Consultants

- Carbon Trust
- Deloitte
- **Envision Digital**
- Norton Rose Fulbright
- PWC
- The Conference Board

NGOs

- World Wild Fund (WWF)
- Forest Trends
- Clean Cooking Alliance
- **Save the Children, Australia**

Innovators

- Sylvera
- Carbon Base
- Allied Offset
- BeZero Carbon

Multilaterals and Donor Funds

- **Asian Development Bank**
- German Agency for International Cooperation
- International Finance Corporation
- MIGA
- **UK Department for International Development**
- Australia DFAT
- Ministry of Environment, Japan
- South Korea
- Global Affairs Canada
- UNDP
- **Swedish SIDA**
- CERF, FCPF, ISFL, TCAF
- Global Green Growth Institute (GGGI)
- UNFCCC

Financiers

Commercial Banks

- Bank of America Merrill Lynch
- Citi Bank
- Capital for Climate
- DBS
- Industrial Bank of Korea (IBK)
- JP Morgan
- Macquarie Bank
- Rabobank
- Standard Chartered

Asset Managers

- Temasek

Social Impact Funds

- Livelihood Funds

Certification Organizations

- CDM
- Gold Standard
- Plan Vivo
- VERRA

Trading Intermediaries

Exchanges

- Air Carbon Exchange
- Carbon Trade Exchange
- Climate Impact X
- Xpansiv

Buyers

Active and interested ERC buyers

- Cargill
- Glencore
- Mitsui
- Mitsubishi
- Shell
- Singapore Airlines
- Unilever
- VF Corporation



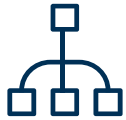
Already interviewed, *To be interviewed*

Key themes from ERP consultations



LEGAL & INSTITUTIONAL FRAMEWORK

- Definition of a credit (credit + sustainable development)
- Legal and accounting framework
- Future of the voluntary carbon market, corresponding adjustments, interim policy till Article 6 crystalizes
- Clear and robust certification, MRV policy, MRV systems



CARBON MARKET GOVERNANCE MODEL

- Coordination of Government agencies with clear mandates for carbon markets, clear approval matrix and model for engagement with local communities
- Single point of engagement for private investors/purchasers, to ensure consistency



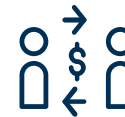
FINANCIAL MARKETS AND INSTRUMENTS

- Legal/regulatory framework for carbon credits as an asset and how financial instruments can interface with those assets
- Risk implication of ERCs for financial sector
- Financing models: debt, minimum price guarantee, first loss, options/derivative instruments, result based financing, insurance,



KNOWLEDGE & CENTER OF EXCELLENCE

- Curated knowledge: technological innovations, global policy development, World Bank and other carbon market initiatives, market trends (article 6, project sectors, demand)
- Training programs for Government and private players
- Ideation between market stakeholders, Governments, and multi-lateral institutions, brain-storming workshops, voice of customer surveys and summits



LINK TO GLOBAL MARKETS

- Standardization of certification requirements
- Standardized pricing vs project-based pricing
- Exchanges vs over the counter trading
- Match of supply and demand

Design of ERP evolved based on voice of the market

ERP pillars



Access to
Knowledge



Technical
Assistance



Access to
Capital

Market Needs

- Knowledge of global CCM and VCM standards and requirements to generate high value ERCs
 - Knowledge of concessional and commercial sources of funding and financing for ERC programs
 - Access to training programs, on-line and in person and global best practices
 - Capacity building of Government and private stakeholders
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- Guidance for country assessments, to improve legal, regulatory and institutional framework and processes
 - Assistance to undertake country assessments, design and implement reforms to link better with global ERC markets
 - Guidance for project selection and preparation to deliver high quality ERCs and mobilize additional capital
 - Assistance implementing project guidance and delivering ERC programs
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- Mobilize financing against future flow of credits
 - Options/derivative instruments, credit enhancement, blended financing and other mechanisms as needed

Stakeholders

- Governments
- Project Developers
- Buyers
- Financiers
- Trading Intermediaries
- Certification Organizations
- Implementation Partners
- Other Key Players



THE WORLD BANK

THANK YOU

