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First Donors Meeting on
Climate Investment Funds
Paris, March 4-5, 2008

MAJOR FINANCING INSTRUMENTS TO ADDRESS CLIMATE CHANGE

Major Financing Instruments to Address Climate Change

Shaded cells indicated "Proposed new financing instruments"

Mitigation - Low Carbon Growth				
Name	**Objective**	**Source/ Participants**	**Amount[1]**	**Comments**
GEF Trust Fund	Provides new and additional resources to achieve global environmental benefits. Finances incremental costs of removing barriers to market development. capacity building, policy and regulatory reform, institutional development, pilots and demonstrates innovative solutions.	GEF Donor countries	$ 240 mlln p.a. (GEF-4)	
GEF Special Climate Change Fund (SCCF)	To finance activities in developing countries complementary to those funded by the GEF in: adaptation; technology transfer; energy, transport, industry, agriculture, forestry and waste management; and economic diversification. Adaptation is principal focus of this fund.	Voluntary contribution, from 13 Donor countries Canada, Denmark, Finland, Germany, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland & United Kingdom.	about $ 15mlln	
Clean Energy Financing Partnership Facility	Facilitate investment in clean energy to meet annual lending target of $1 billion.	Japan, Australia, Sweden	$100 million	

[1] Amounts in US Dollars, unless noted otherwise.

Asia-Pacific Carbon Fund (APCF)	Co-finance for clean energy projects.	Established with investment from Spain, Sweden, Switzerland, Luxembourg, Portugal, Norway and Belgium.	$150 million	*Asian Development Bank*
Multilateral Carbon Credit Fund		6 sovereign participants and 6 private sector participants	EUR 165 million	*EBRD*
Sustainable Energy Initiative	Grant facility	15 donors	EUR 100 million	*EBRD*

Infrafund	Assisting public, private and mixed-capital entities in LAC in the identification, development and preparation of bankable and sustainable infrastructure projects that have the potential of reaching financial closure	IADB-Ordinary Capital	$20 million	*Inter-American Development Bank*
Sustainable Energy and Climate Change Initiative	Mainstream renewable energy, energy efficiency, biofuels, carbon financing and the insertion of climate change adaptation into policies and programs across sectors in the LAC region; specifically: increase investments in renewable energy, energy efficiency and biofuels in the region, expand IADB sustainable energy portfolio, increase attention to adaptation to climate change and climate-proofed IDB portfolio	IADB-Ordinary Capital plus ~$20 million from three Donor countries	$40 million	*Inter-American Development Bank*
Carbon Finance (10 Carbon funds and facilities as of end of FY07) Prototype Carbon Fund (PCF) Community Development Carbon Fund (CDCF)	Carbon finance improves financial returns through long-term purchase agreements for the GHG emissions reductions resulting from climate-friendly projects (RE, EE, SWM, forestry, for instance). Such projects may also generate more local benefits (e.g.: job creation, improved sustainable natural resources management, enhanced adaptive capacity…). The Bank currently manages 11 carbon funds and facilities, including the recently launched Forest Carbon Partnership Facility (FCPF). Below are two examples of these funds:	Purchase of emission reductions by gov'ts (16 countries) and private sector (66 companies)	Over $ 2billion under management, of which about 85% are already committed through ERPAs	*World Bank*

BioCarbon Fund Netherlands CDM Facility (NCDMF) Netherlands European Carbon Facility (NECF) Italian Carbon Fund (ICF) Danish Carbon Fund (DCF) Spanish Carbon Fund (SCF) Umbrella Carbon Fund (UCF) Carbon Fund or Europe (CFE)	Community Development Carbon Fund (CDCF)	provides carbon finance to projects in poorer areas of the developing world that combine development with investment in clean energy.	$128.6 million	*World Bank*
	BioCarbon Fund (BioCF)	focuses on projects that sequester or conserve carbon in forest and agro-ecosystems, while promoting biodiversity conservation and poverty reduction.	$90 million (still open to contributions)	*Also has some funding earmarked for purchasing ERs from activities not eligible under Kyoto and CDM, like reduced emissions from deforestation and degradation (REDD) and improved land management (soil/agricultural carbon).*
Forest Carbon Partnership Facility (FCPF)	To expand carbon market beyond current Kyoto Protocol regime to include avoided deforestation: 1- capacity building for reducing emissions from deforestation and degradation (REDD) 2- test performance-based incentive payments in pilot countries.	Donor countries and private sector (contributions to the readiness part); governments and private sector (emissions purchase); tropical forest countries, NGOs. Over 25 developing countries have requested an opportunity to participate in the FCPF, and a dozen industrialized countries and private entities are contemplating making a financial contribution to the Facility.	The target size of the FCPF is around $ 300 million, of which $ 100 million are devoted to capacity building and the remainder to carbon purchases. The minimum size of the Readiness Fund is $ 20 million, with contributions of at least $ 5 million per participants expected from governments and other public and private entities. The minimum operational size of	

			the Carbon Fund is set at $ 40 million; its target size is $ 200 million. Contributions to the Carbon Fund of at least $ 5 million per participant are expected to come from governments and other public entities.	
Carbon Partnership Facility (CPF)	To promote greenhouse gas emission reductions through larger-scale, longer-term carbon finance investments in programmatic and sectoral initiatives that would help catalyze a change in the way developing countries approach greenhouse gas mitigation: 1- program preparation and enabling environment (development fund) 2- transaction of carbon assets among participants (carbon fund). Two funds under facility: development fund for (can include ODA), and carbon fund (payments for purchase).	Purchase of emission reductions by governments and private sector. Could include financial contributions from other sources (such as donors) to support specific activities of the Facility (ODA for development fund, for instance). Seller participants from public and private entities located in client countries	$ 500 mlln (target for initial investment)	The CPF includes the possibility of opening "special windows" in its portfolio for technologies or sectors that provide a promising new opportunity to mitigate emissions, but that may not be of interest to all participants in the Facility[2]
Climate Investment Funds[3]: **The Clean Technology Fund (multi-donor trust fund)**	Finance country investments that achieve development goals through a transition to a low-carbon economy; Promote the demonstration and deployment of low-carbon technologies on a significant scale, by supporting policies, measures and programs that reduce the costs and risks imposed on developing countries by the adoption of new, low GHG-emitting technologies. Funding for programs supported by the fund will	Consultations are underway to determine interested donors high emitting countries to be targeted as recipient countries		

[2] Carbon Capture and Storage could be a technology for which a special window would be opened.

[3] CIF likely to consist of three investment funds/programs: (i) the Clean Technology Fund; (ii) Forest Investment Fund, and (iii) Climate Resilience Pilot Program and a strategic Climate Fund that will facilitate donors that want to make investments in more than one of the investment funds or programs, thereby strengthening the coherence of their contributions.

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	leverage private and public investments, carbon finance, and other IFI financing to induce investments that address climate change. It will also partner with national and international initiatives for technology development, so that investments are part of broader efforts to commercialize new technologies.			

Adaptation – Climate-Resilient Growth				
Name	**Objective**	**Source/ Participants**	**Amount**	**Comments**
Least Developed Countries Fund (LDCF) (managed by GEF)	Provides support to LDCs for climate change. Priority has been given to financing preparation and implementation of National Adaptation Plans of Action (NAPAs) in LDCs.	Voluntary contribution, from Donor countries (19 countries so far). Australia, Austria, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom.	$169.4 mlln	
Special Climate Change Fund (SCCF) (managed by GEF)	Supports adaptation in all developing countries.	Voluntary contribution, from Donor countries (13 countries so far). Canada, Denmark, Finland, Germany, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland & United Kingdom.	about $60mlln	
GEF Strategic Pilot for Adaptation	Supports pilot and demonstration projects that address local adaptation needs and generate global environmental benefits in GEF focal areas.	Within GEF Trust Fund	$ 50 mlln Funding allocation within the GEF Trust Fund	
Adaptation Fund (to be managed by GEF	To finance concrete adaptation projects and programs in developing countries that are Parties	A 2% share of proceeds on CERs issued to project activities	$400-600 mlln by 2012[4]	WB has been invited to serve

[4] Some 2.4 billion CERs are expected by 2012 from all the projects currently in the CDM pipeline. Adjusting for project yield brings this amount to 2 billion CERs. By the end of 2012 so, some 40 million CERs are to be forwarded to the Adaptation fund. Assuming a price for issued CERs ranging between $ 10-15, selling these CERs should bring between $ 400-600 mlln to the Adaptation fund by 2012.

Secretariat)	to the Kyoto Protocol.	registered under the Clean Development Mechanism (CDM)., as well as voluntary funds from other sources.		as trustee of the Fund
"Global Facility for Disaster Reduction and Recovery (GFDRR)	Partnersphip within the UN Int'al Strategy for Disaster Reduction (ISDR), focusing on building capacities to enhance disaster resilience and adaptive capacities in changing climate. The goal is to reverse the trend in disaster losses by 2015. Under TRACK 2, Country level deliverables will consist in technical assistance to assist low and middle income countries to mainstream disaster risk reduction in strategic planning, particularly the Poverty Reduction Strategies (PRSs) and various sectoral development policies.	Donor countries	$8 million FY07 $40million FY08	
Climate Investment Funds: **Climate Resilience Pilot Program**	Provide experience and knowledge as to how to integrate climate change adaptation into development plans and budgets. Will provide lessons for lending by development institutions and financing from Adaptation Fund.			*UK, USA and Japan currently reviewing "discussion draft"*

Both Low-Carbon and Climate Resilient Growth				
Name	**Objective**	**Source/ Participants**	**Amount**	**Comments**
IDA15 **(see IDA and climate change: making climate action work for development)**	To reduce poverty by providing interest-free credits and grants for programs that boost economic growth, reduce inequalities, and improve peoples' living conditions. Actions under IDA 15 should focus on: Expanding analytical work on climate change Mainstreaming climate actions in country assistance strategies by responding to country priorities Integrating adaptation and mitigation actions in IDA investments Scaling up disaster preparedness and developing innovative insurance products Leveraging GEF and carbon finance to increase access to new technology.	IDA is funded largely by contributions from the governments of its richer member countries. Additional funds come from IBRD's and IFC's income and from borrowers' repayments of earlier IDA credits.	Donor countries pledged a record US$ 25.1 billion in the IDA 15 replenishments. In total, the IDA15 replenishment will provide US$ 41.6 billion.	IDA can also partner with institutions such as the World Meteorological Organization and the Consultative Group for International Agricultural Research (CGIAR) to ensure that knowledge on climate change and research on

				technologies to increase climate resilience is applied in IDA countries.
Climate Investment Funds: **Forest Investment Fund**	Provision of investment financing for governments' efforts to reform the forestry sector as needed to protect remaining major stands of forest and reduce deforestation through support to sustainable forest management, with a strong emphasis on achieving co-benefits for environmental ecosystem services, adaptation and mitigation.	Consultations are underway to identify interested donors		

"Regular" sources

WBG uses a wide range of instruments to support development investments and policies, that have occasionally generated mitigation and adaptation outcomes, even through these are not their stated objectives. It is thus estimated that IBRD/IDA/IFC/MIGA invested about US$1.1 billion in low-carbon projects in FY07. In addition, IFC is accelerating business development opportunities in the area of mitigation, particularly investments in energy efficiency and renewable energy, together with a continued development of carbon finance product. MIGA is pioneering ways to apply its political risk guarantee to cover specific host country-related risk potentially affecting delivery of carbon credits from projects. Promising climate risk insurance products, such as weather risk management instruments, have been already introduced in several countries by the Commodity Risk Management Group of WBG. The work is also on-going on ways to further combine carbon finance with regular IBRD/IDA/IFC or GEF funding or guarantees (e.g. buying down the cost of IBRD loans through blending with carbon finance).