



Pilot Auction Facility for Methane and Climate Change Mitigation



**PILOT
AUCTION
FACILITY**

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Pilot Auction Facility

Challenge:

- 2010: Carbon credit prices collapsed, stranding methane abatement projects

Opportunity:

Methane Finance Study Group:

- 1,200 new methane mitigation projects were initiated, but not implemented, under carbon offset standards in developing countries, representing at least 850 Mt of CO₂e in emission reductions over the period 2013 – 2020
- Abatement possible at < \$10/tCO₂e

Goal:

- Incentivize cost-effective private sector action to achieve methane abatement through a result-based finance mechanism

PAF formation:

- Germany, Sweden, Switzerland, and the United States, contributed \$53 million in total resources to pilot climate auctions

The Challenge

- **Efficient allocation of public funds to leverage private sector climate investments**
- **Public funders want to incentivize private sector climate activities**
 - Concerns include:
 - Identifying the minimum level of subsidy needed by companies
 - Minimizing the administrative burden of selecting mitigation activities
 - Allocating climate funds to unlock and leverage private investment
 - Paying only for real results
- **Companies make climate investments if they have a favorable risk-return profile**
 - Concerns include:
 - Uncertain revenues and return on investments
 - Perceived high costs of action
 - Opaque, bureaucratic processes for securing public funds
- **Host countries need to channel climate finance to activities that relate to the countries' climate commitments**

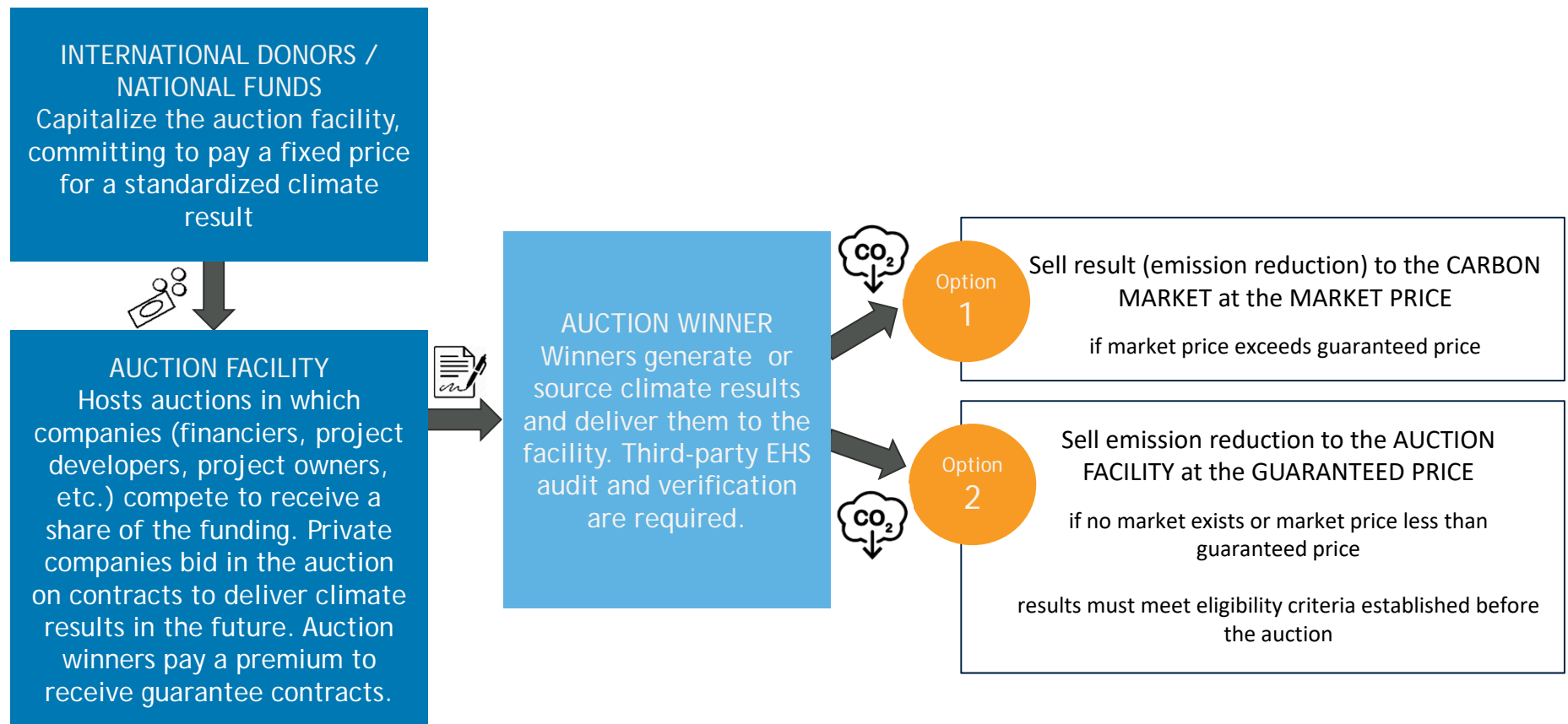
What does the PAF Sell?

- The PAF offers “put options” to guarantee a price floor for future climate results
- The options offer the right, but not the obligation, to deliver climate results to the facility at a guaranteed future price
- Bidders compete on the price at which they are willing to deliver eligible results to the facility in the future
- The bidders that offer to deliver eligible results at the lowest cost win the auction



How do climate auctions work?

- A new approach, piloted by the World Bank, focuses climate funders on the ends and the private sector on the means

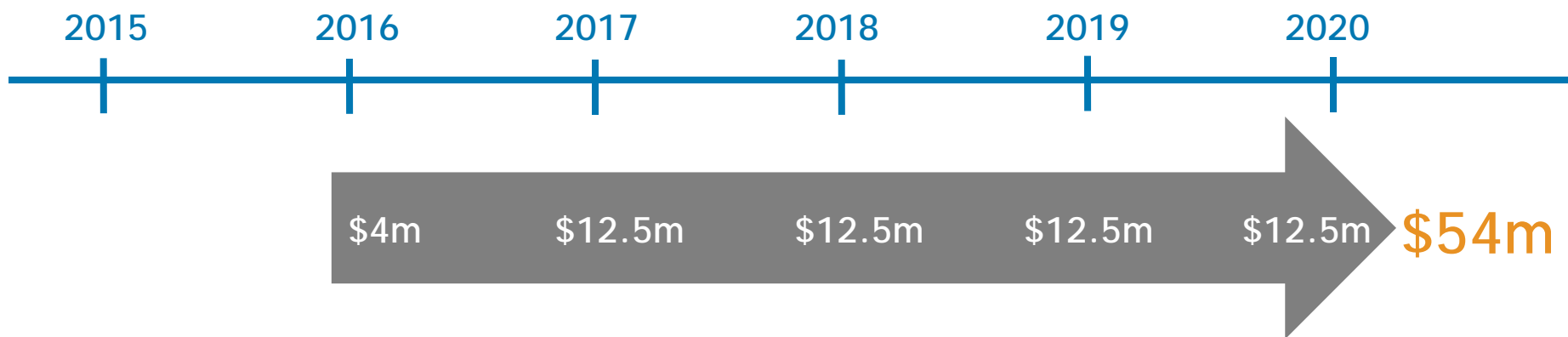


PAF Auction Results

Auction 3: Nitrous Oxide
(January 2017)

Auction 2: Methane
(May 2016)

Auction 1: Methane
(July 2015)



PAF Auction Results

Results of the pilot phase demonstrate low-cost mitigation potential

	Auction 1 July 2015	Auction 2 May 2016	Auction 3 January 2017	Totals
Strike Price (\$/tCO ₂ e)	\$2.40	\$3.50	\$2.10	
Premium Price (\$/tCO ₂ e)	\$0.30	\$1.41	\$0.30	
Net Benefit (\$/tCO ₂ e)	\$2.10	\$2.09	\$1.80	
Reductions (million tCO ₂ e)	8.7	5.7	6.2	20.6
Climate Finance Allocated (USD million)	\$20.9	\$20.0	\$13.0	\$53.9
Premium Funds Raised (USD million)	\$2.6	\$8.0	\$1.9	\$12.5
Budget (USD million)	\$25.0	\$20.0	\$13.0	

Pilot Auction Facility Impact

■ Impact

- In total, from 2016 - 2019, \$37.3 million dollars of climate finance have been paid in exchange for 14.1 million metric tons of CO₂e
- Supported landfill gas-to-energy in Brazil, Chile, India, Malaysia, Mexico, Thailand, and Uruguay; wastewater treatment & biogas utilization in Thailand; and nitrous oxide abatement in Egypt

■ Risk sharing & leverage



80% climate finance 20% private sector funds

■ Independent evaluation (2019)

- Auctions are a viable mechanism to allocate scarce funding for climate change mitigation and have potential for broad applicability
- Positive findings about WBG's role in delivering the auctions and bonds

Pilot Auction Facility: Fourth Auction Plans

Pilot Auction Facility: Fourth Auction

■ Focus

- Methane emissions from landfill, wastewater treatment, and animal waste

■ Eligibility Criteria

- Carbon credits will be generated under the Clean Development Mechanism, Gold Standard, or Verified Carbon Standard
- Methodologies are listed on the PAF website
- Eligible countries for host projects are listed on the PAF website
- Emission reductions will be generated in 2020, between the time of the auction and December 31, 2020
- Credits must originate from a project with a passing Environmental, Health, Safety & Social audit report

■ Auction Timeline

- Auction date: Q1 calendar year 2020
- Payment in 2021

■ Auction Budget

- At least USD \$6 million



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Thank you for attending!

We are happy to answer your questions:

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