



# UNDP MDG Carbon Facility

## Leveraging finance for sustainable development

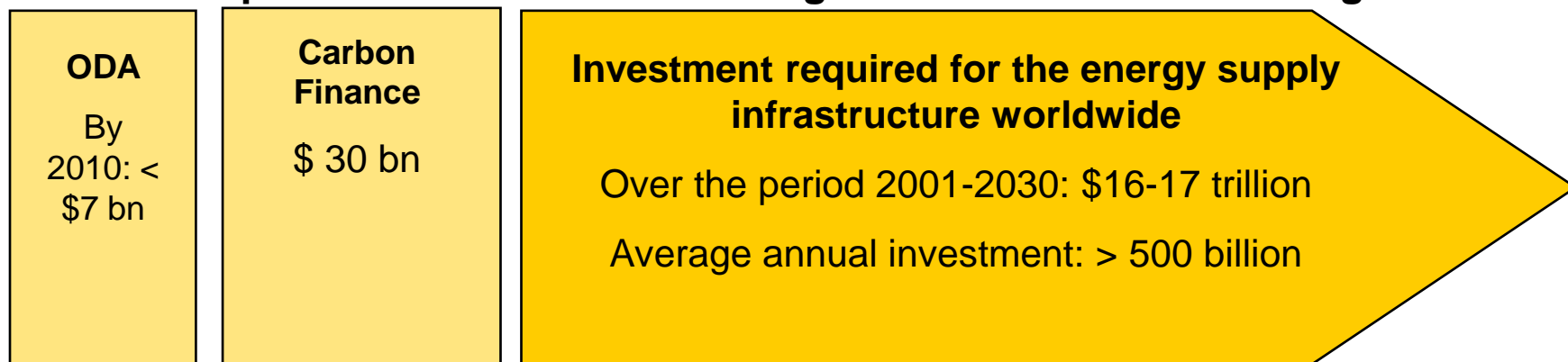


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**Monday, October 15, 2007**

**JI/CDM Project Presentation and Investors Forum**  
**Leipzig**

# Channeling investments towards clean energy technologies

## Relative Importance of Various Financing Sources for Climate Change

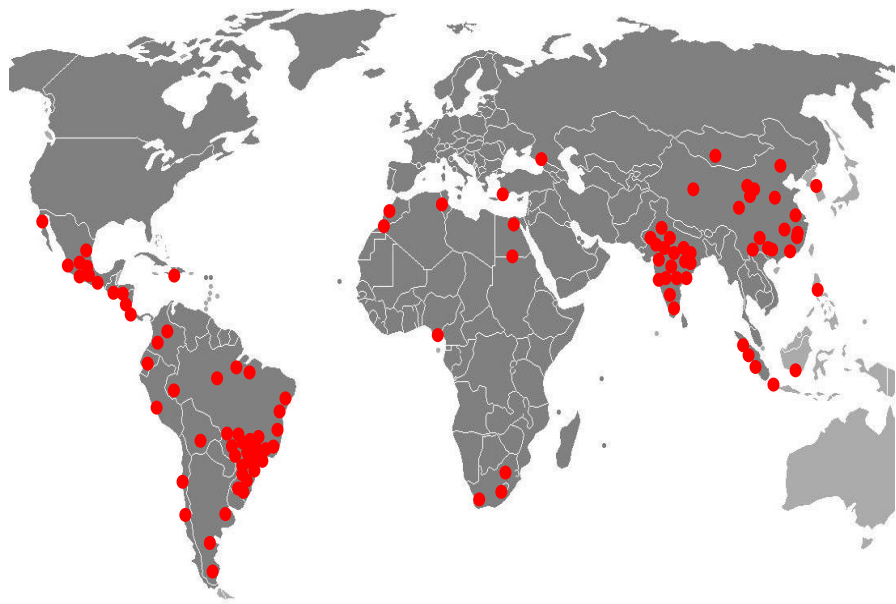


- ✓ Policy challenge is ensuring investment required for energy supply infrastructure worldwide is channeled towards clean energy technologies, so countries are not locked into unsustainable paths for 30-50 years
- ✓ Globally, new markets are being set up to create economic incentives to protect global environmental goods
- ✓ Carbon finance could raise resources several times greater than that available as ODA
- ✓ *But* carbon finance alone cannot finance massive investment required to address energy needs of developing countries and to reduce climate change risks
- ✓ ODA and carbon finance should be leveraged to remove barriers to direct investments

# CDM failure to deliver sustainable development dividend

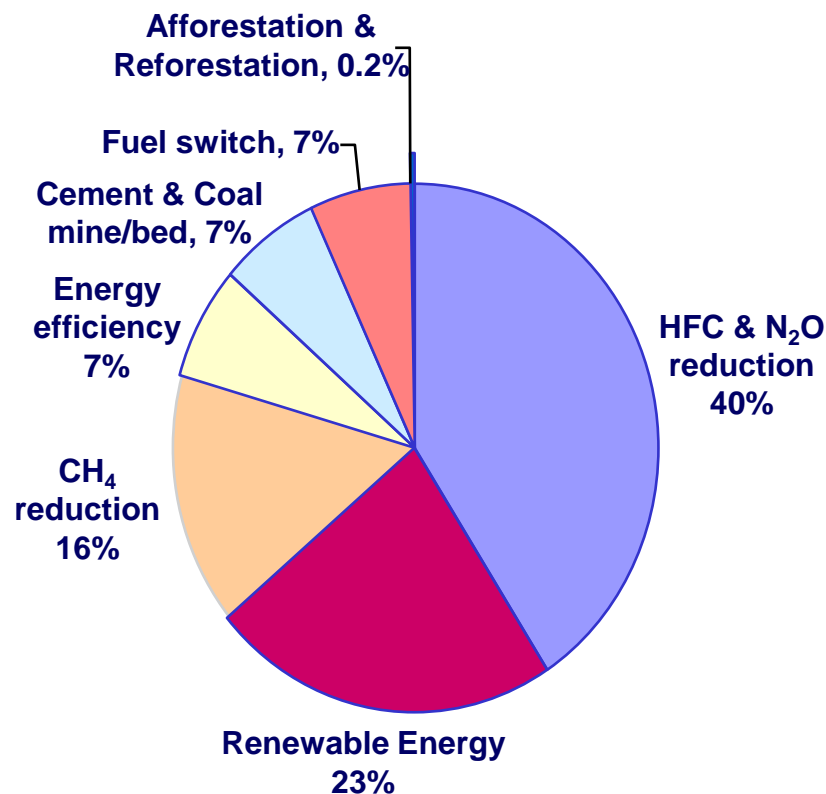
## Geographical Imbalance

(CDM Project Locations)



## Sectoral Imbalance

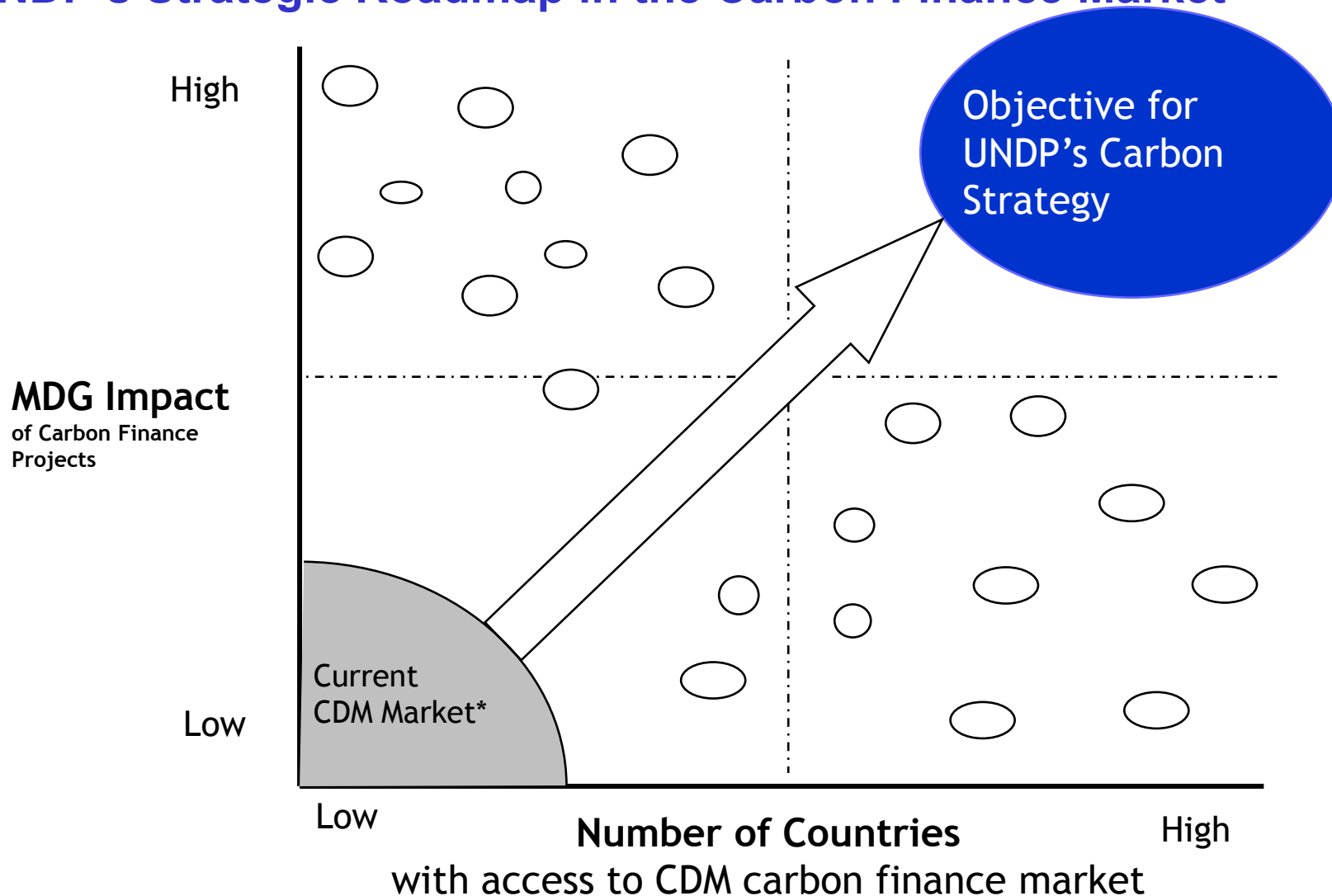
(Anticipated 2012 Cumulative CERs)



## UNDP's core objectives in carbon finance

- Improve access to carbon finance for a broader range of developing countries and project types through creating effective carbon markets (capacity development and one-stop shop service in carbon project development in pre-market situations)
- Maximize carbon development dividend through developing an MDG Carbon portfolio that strike a balance between cost-effective projects (e.g. landfill methane recovery projects) and high development impact projects (e.g. small agro-forestry projects)
- Develop capacity of programme countries to combine & sequence different funding sources (EFR, ODA, GEF, CDM/JI) to channel direct investment towards climate-friendly technologies

# UNDP's Strategic Roadmap in the Carbon Finance Market



\* 60% of CDM projects in 4 countries; projects from the LDCs constitute only 1% of the CDM pipeline

# UNDP approach to promote leverage carbon finance for sustainable development

## Step 1:

Remove barriers to direct investments in Climate-friendly technologies (EFR, GEF, ODA, foundations)

- analysis of key barriers for targeted sectors
- initiation of policy dialogue with regulatory authorities on barrier removal strategies
- Development of sector-specific strategies
- Implementation of barrier removal activities

## Step 2:

Establishment of efficient host-country procedures for CDM&JI review and approval (EFR, ODA)

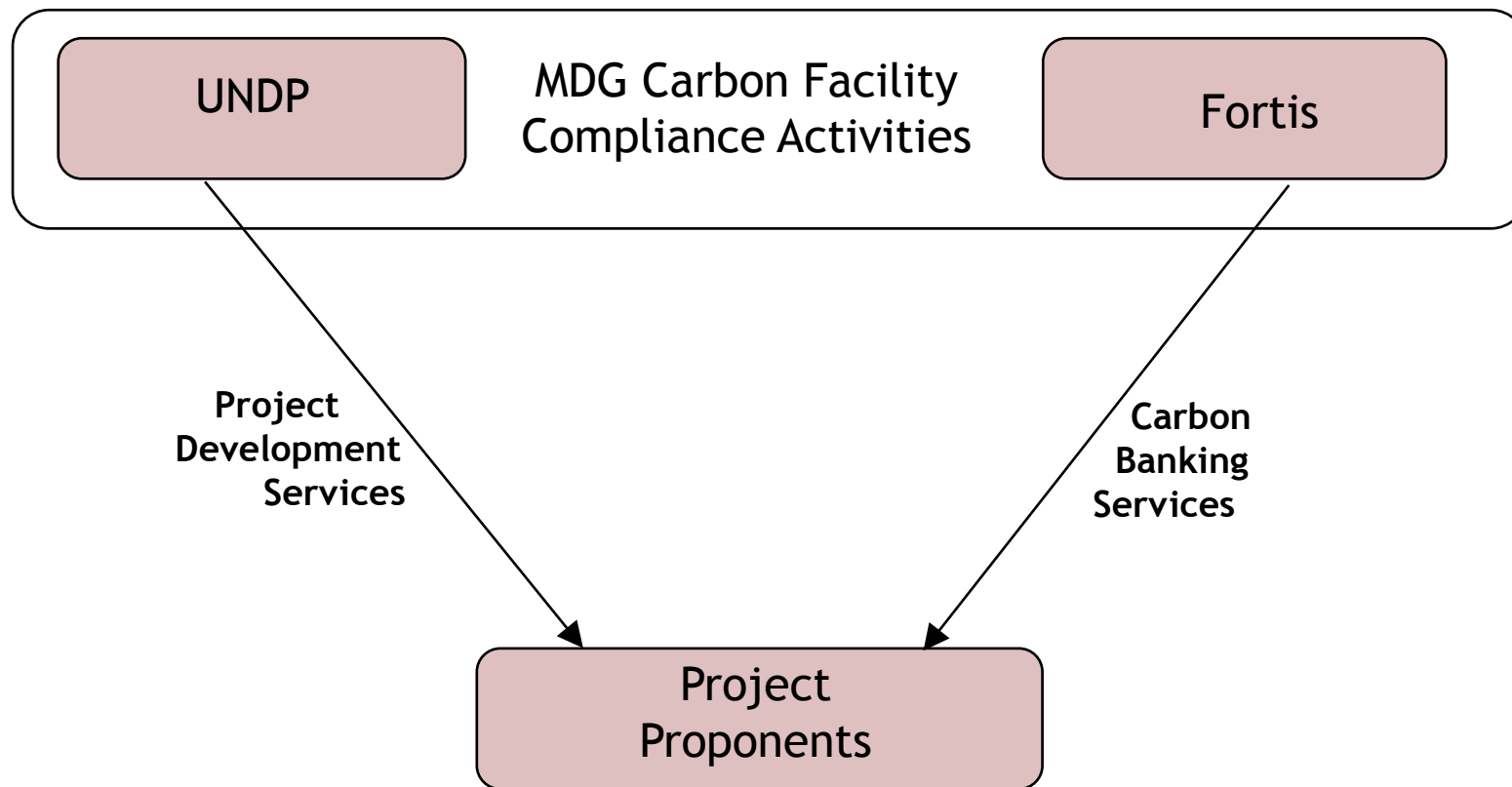
- knowledge management platform on CDM rules for bio-carbon;
- South-South cooperation
- assistance in establishment of DNA, CERs ownership rights and approval procedures for biocarbon projects
- training for DNA staff and decision-makers
- Public awareness raising workshops

## Step 3:

Provision of project management services to individual project developers (carbon finance)

- Identify priority sector to maximize the development dividend ( biomass, AR and biofuels production, biomethanation, energy efficiency; ect.)
- development of demonstration projects with **MDG Carbon**
- compilation, analysis and dissemination of experiences and lessons learnt

## Overview of Structure



## UNDP - project development services

### Services Offered by the Facility

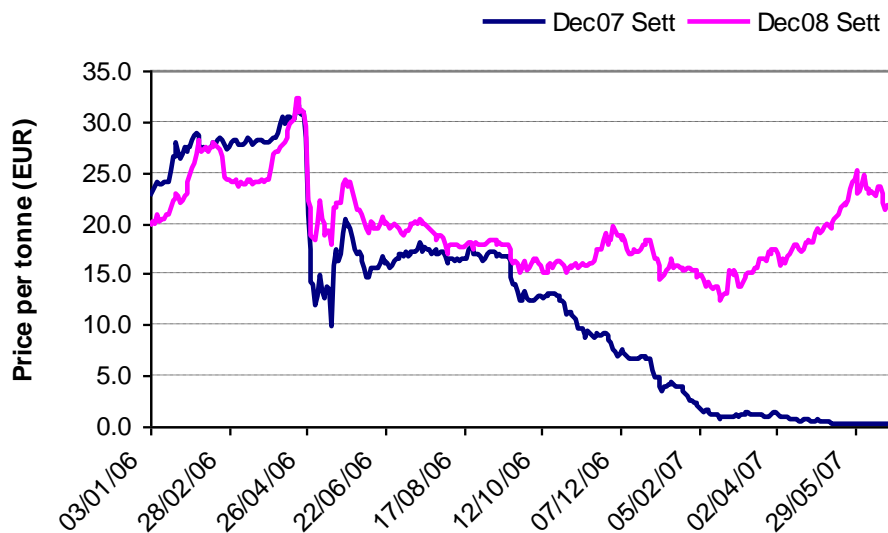
Project Year	Milestone	Services Offered by Facility include
Year 1	CDM registration; agreement of CER sale	<ul style="list-style-type: none"> <li>- project identification and initial screening</li> <li>- preparation of project documentation</li> <li>- due diligence</li> </ul>
Year 2	Project commissioning	<ul style="list-style-type: none"> <li>- basic oversight and technical assistance on implementation</li> </ul>
Year 3	1 <sup>st</sup> year of credit issuance	<ul style="list-style-type: none"> <li>- monitoring support and pre-verification of credits</li> </ul>



# Fortis – Carbon Banking Services

## Carbon Market Price

ECX CFI Futures Contracts  
2006 - 2007 YTD



Source: European Climate Exchange, as of 6/25/07

## Features

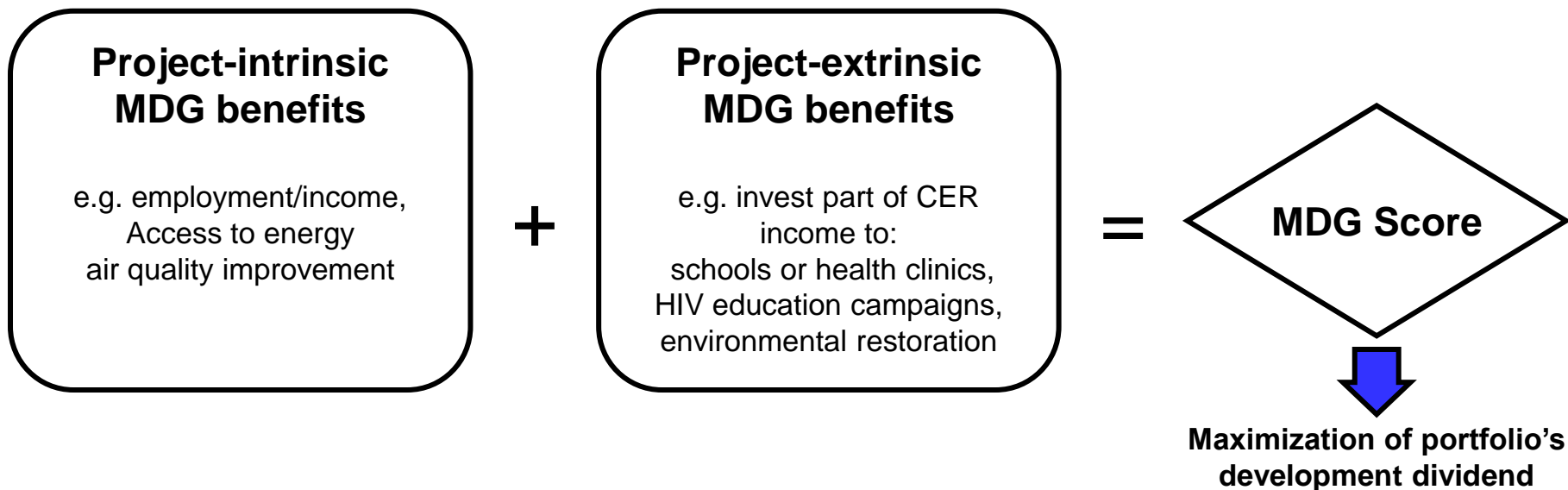
- 15 million credits, ~36 projects
- Key feature: one price across the portfolio, irrespective of project characteristics
- Benefits for project proponents
  - Fixed price protects against market downside
  - Advance payment for UNDP's Cost-Recovery Fee
  - Fortis as a solvent counterparty

## Project Types Initially Targeted by the MDG Carbon Facility

<b>Methane Mitigation Sector</b>	<b>Renewable Energy</b>	<b>Energy Efficiency Sector</b>	<b>Transport Sector</b>	<b>Cleaner Energy Sector</b>
Bio-methanation of wastes	Grid-connected electricity	Building efficiencies -- new and retrofit	Transport fuel switching	Biofuels
Biological methane oxidation -- landfills	Off-grid electricity (e.g., solar PV, micro hydro, etc.)	Industrial energy efficiency -- including cogeneration		Fuel switching
Landfill gas capture/generation	Solar thermal	Supply side energy efficiency improvements		
Capture and flaring of landfill gas	Biomass energy	Refrigeration/ chiller efficiency involving CFC replacement technologies		

## MDG Impact assessment and project selection

- Intrinsic and extrinsic MDG impacts are quantified
- Quantification based on “no. of people impacted under each MDG”
- PP not required to re-invest CERs into extrinsic benefits but may do so to increase MDG Impact



## Why UNDP?

- On the ground in 166 countries, UNDP has built links and considerable trust with governments, civil society, and the private sector
- UNDP is one of the world's largest providers of technical assistance in the area of climate change (US\$5 billion portfolio of energy and environment projects)
- Over the past 7 years, UNDP has been actively involved in carbon finance capacity development activities in more than 20 countries across several different regions
- Systematic review and compilation of best practices and lessons learnt on CDM



THANK YOU FOR YOUR ATTENTION!



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[www.mdgcarbonfacility.org/](http://www.mdgcarbonfacility.org/)