



The BioCarbon Fund: Achievements and Lessons

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Harnessing the carbon market to sustain ecosystems and alleviate poverty



World Bank Carbon Funds & Facilities

Total funds pledged = US\$ 2.1 billion (16 governments, 67 firms)



■ **Prototype Carbon Fund.** \$180 million (closed). Multi-shareholder. Multi-purpose.



■ **Netherlands Clean Development Mechanism Facility.** (closed). Netherlands Ministry of Environment. CDM energy, infrastructure and industry projects.



■ **Community Development Carbon Fund.** \$128.6 million (closed). Multi-shareholder. Small-scale CDM energy projects.



■ **BioCarbon Fund.** \$89.8 million (Tranche 1 closed @ \$53.8 million; Tranche 2 open). Multi-shareholder. CDM and JI LULUCF projects.



■ **Italian Carbon Fund.** \$155.6 million (closed). Multi-shareholder (from Italy only). Multipurpose.



■ **Netherlands European Carbon Facility.** (closed). Netherlands Ministry of Economic affairs. JI projects.



■ **Spanish Carbon Fund.** \$282.4 million (closed). Multi-shareholder (from Spain only). Multipurpose.



■ **Danish Carbon Fund.** \$69.4 million (closed). Multi-shareholder (from Denmark only). Multipurpose.



■ **Umbrella Carbon Facility.** \$737.6 million (Tranche 1 closed – 2 HFC-23 destruction projects in China).



■ **Carbon Fund for Europe.** \$65 million. Multi-shareholder. Multi-purpose. Managed with EIB.

Participants



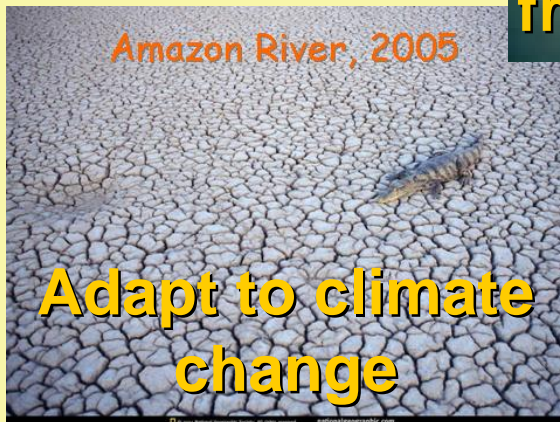
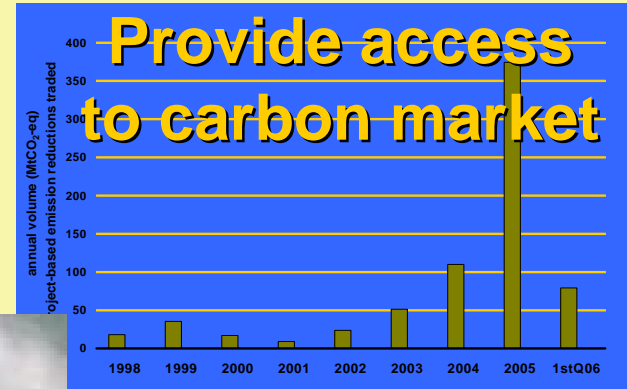
■ *Tranche 1* (\$53.8 million)

- Operational since May 2004
- Okinawa Electric, Government of Canada, Government of Italy, Tokyo Electric, Eco-Carbone, Agence Française de Développement, Government of Spain, Government of Luxembourg, Idemitsu Kosan, Sumitomo Joint Electric Power Co., Sumitomo Chemicals, Japan Petroleum Exploration, Japan Iron and Steel Federation, Suntory

■ *Tranche 2* (\$35.8 million)

- Operational since March 2007
- Consensus Business Group, Government of Ireland, Government of Spain, Natsource, Syngenta Foundation, ZeroEmissions Carbon Trust
- Open for contributions

BioCarbon Fund Goals





Two Windows

First Window

- Meet Kyoto obligations
- “Kyoto-grade” credits (tCERs, ICERs, ERUs)
- CDM: Afforestation & Reforestation
- JI: All LULUCF

Second Window

- No Kyoto credits
- Exploration & demonstration. Rules may change after 2012
- CDM: Revegetation, Forest management, Soil management

Signed Contracts



- **Albania Assisted Natural Regeneration**
- **China Pearl River Watershed Management**
- **Colombia Caribbean Savannah Carbon Sink**
- **Colombia San Nicolas Agroforestry**
- **Costa Rica FONAFIFO/Coopeagri**
- **Honduras Pico Bonito**
- **India Improving Rural Livelihoods**
- **Kenya Green Belt Movement**
- **Madagascar Biodiversity Corridor**
- **Mali Acacia Plantations**
- **Moldova Soil Conservation**
- **Nicaragua Precious Woods**
- **Niger Acacia Community Plantations**
- **Philippines Watershed Rehabilitation**
- **Uganda Nile Basin Reforestation**

Other Advanced Projects in LAC



- **Brazil watershed reforestation**
- **Chile reforestation**
- **Colombia mangrove restoration**
- **Mexico community reforestation**
- **Mexico seawater agroforestry**
- **Nicaragua commercial plantation**
- **Panama reforestation**
- **Trinidad and Tobago wetland restoration**

Pricing



■ BioCF Window 1

- Average since 2004 = \$4.15/t CO₂e
- For one ton sequestered and preserved until 2017
- Payment subject to project validation
- Payment on delivery of the VER, but right to tCER → 2 tCERs (2012 & 2017)

■ BioCF Window 2

- Average 2006 = \$2.50/t CO₂e
- For one ton preserved until 2017
- No validation but application of baseline & monitoring methodology

■ Market references (2006)

- CDM LULUCF: \$4.15/t CO₂e (Source: World Bank)
- Voluntary LULUCF (Source: New Carbon Finance, Ecosystem Marketplace)
 - A/R monoculture: \$10-13/t CO₂e
 - A/R mixed native: \$0.5-45/t CO₂e
 - Avoided deforestation: \$10-18/t CO₂e
- CCX (all assets, incl. LULUCF): \$3.71/t CO₂e

BioCF Achievements



- **Comfort building: show that CDM can work for LULUCF**
 - First contracts have been signed
 - First methodologies have been developed
 - First projects are being validated and registered
 - Carbon is being sequestered
- **Capacity building**
 - Project entities have been trained, more will be trained
 - Countries have adopted forest definitions
- **Learning by doing**
 - **Piloting activities**
 - A/R
 - Avoided deforestation / RED → Set stage for Forest Carbon Partnership Facility
 - Soil carbon management
 - Identifying areas of improvement in the rules

A/R's Potential pre-2012



■ Very small volume

- <1% of total CERs and ERUs
- A small fraction of the cap (1% of 1990 emissions)

■ Reasons

- Rules came late
- Some rules are not conducive
- Demand restricted: exclusion from EU ETS deterred private sector from buying
- Trees grow slowly

■ What can still be done before 2012?

- Unfortunately, very little that can change the 2012 outcome
- But changes adopted now will pave way for post-2012

Improvements for a Future LULUCF Regime



- Give AFOLU a share of the solution commensurate with its share of the problem, with incentive for early action
- Consider AFOLU as a suite of activities and create incentives beyond A/R
 - REDD
 - Revegetation
 - Agriculture
 - Renewable biomass
- Continue temporary crediting beyond 60 years (or grandfathering by issuing full CER)
- Allow A/R on land deforested after December 31, 1989, with “reverse additionality rule”
- Raise cap on small-scale A/R projects above 8,000 t CO₂e/yr
- Include AFOLU in EU ETS (from 2013?)



www.carbonfinance.org

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