



Transformative Carbon Asset Facility

A long-term predictable price on carbon is recognized as a necessary element in spurring climate change mitigation.

The Paris Agreement's support for markets and carbon pricing, the (intended) nationally determined contributions ((i)NDCs) reporting and global stocktaking process, and the international need to establish a regime and mechanism for transfers, confirmed the relevance and timeliness of the Transformative Carbon Asset Facility (TCAF).

Rationale

TCAF will support different types of direct and indirect carbon pricing efforts by paying for verified carbon assets that result from these actions. The results-based payments could be used to support the implementing country government to enhance sectoral planning, strengthen low-carbon policy coordination and implementation, and monitor sector performance on greenhouse gases (GHG) emissions. All these are necessary conditions to create a conducive environment for increasing private sector investment in low carbon technologies.

TCAF will support monitoring reporting and verification (MRV) of NDCs by developing baselines and monitoring performance of the programs. Piloting will also inform the international process to develop standards and agreements for future carbon crediting instruments and the transfer of mitigation assets.

Objectives and activities

The objectives of the Facility are:

- a. to support programs which aim to have a transformative impact, by creating an incentive to deliver additional long-term, sustainable GHG mitigation in high-emitting low- and middle-income countries, to encourage movement towards a low carbon development pathway;
- b. to contribute to the flow of results-based finance to low- and middle-income countries to support countries to implement carbon pricing and sectoral mitigation measures, and in the process pilot new and innovative GHG emission reduction crediting mechanisms, providing blueprints for efficient and low-cost mitigation globally and at scale;
- c. to generate Emission Reductions;

SECO country/region

Global

Main funding partners

UK, Norway, Sweden, Switzerland (SECO and Climate Cent Foundation), Germany, Spain, Canada

Implementing partner

World Bank

Duration

2016-2028

Total budget

USD 210,000,000

SECO contribution

USD 12,500,000

- d. to provide support via performance-based payments for Verified Emission Reductions to allow countries to increase the ambition of their climate change mitigation actions; and
- e. to disseminate broadly the knowledge gained in the development of the Facility and the implementation of Programs, particularly to inform the international climate change mitigation framework.

Governance Structure

Contributors set the priorities for the operational work program and provide operational guidance, including on portfolio and program selection criteria and the selection of independent third party auditors in the case where there is no international regime to certify the carbon credits. On an annual basis, they approve the Facility's following year work program and budget. Decision-making in the Facility is done on a consensus basis where possible. Those contributors who have contributed at least USD 25 million form the Facility Board. The Facility Board takes the final decisions on which programs will be included in the Facility's portfolio along with the commercial terms associated with each emission reduction purchase agreement (ERPA).

In instances where a consensus cannot be reached (whether in the case of a decision on the work plan and budget, or on the inclusion and commercial terms of a program), decisions will be taken via a vote of contributors requiring a two-thirds majority (in terms of contributions made) of those involved in the decision. Should one contributor represent a two-thirds share, at least one additional contributor's vote, regardless of pro-rata share, will be necessary to take the decision.

How to get involved

The minimum contribution for Contributors wishing to make decisions on programs to be included in the Facility is USD 25 million. For those contributors who wish to contribute less, the minimum contribution is USD 2 million.

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