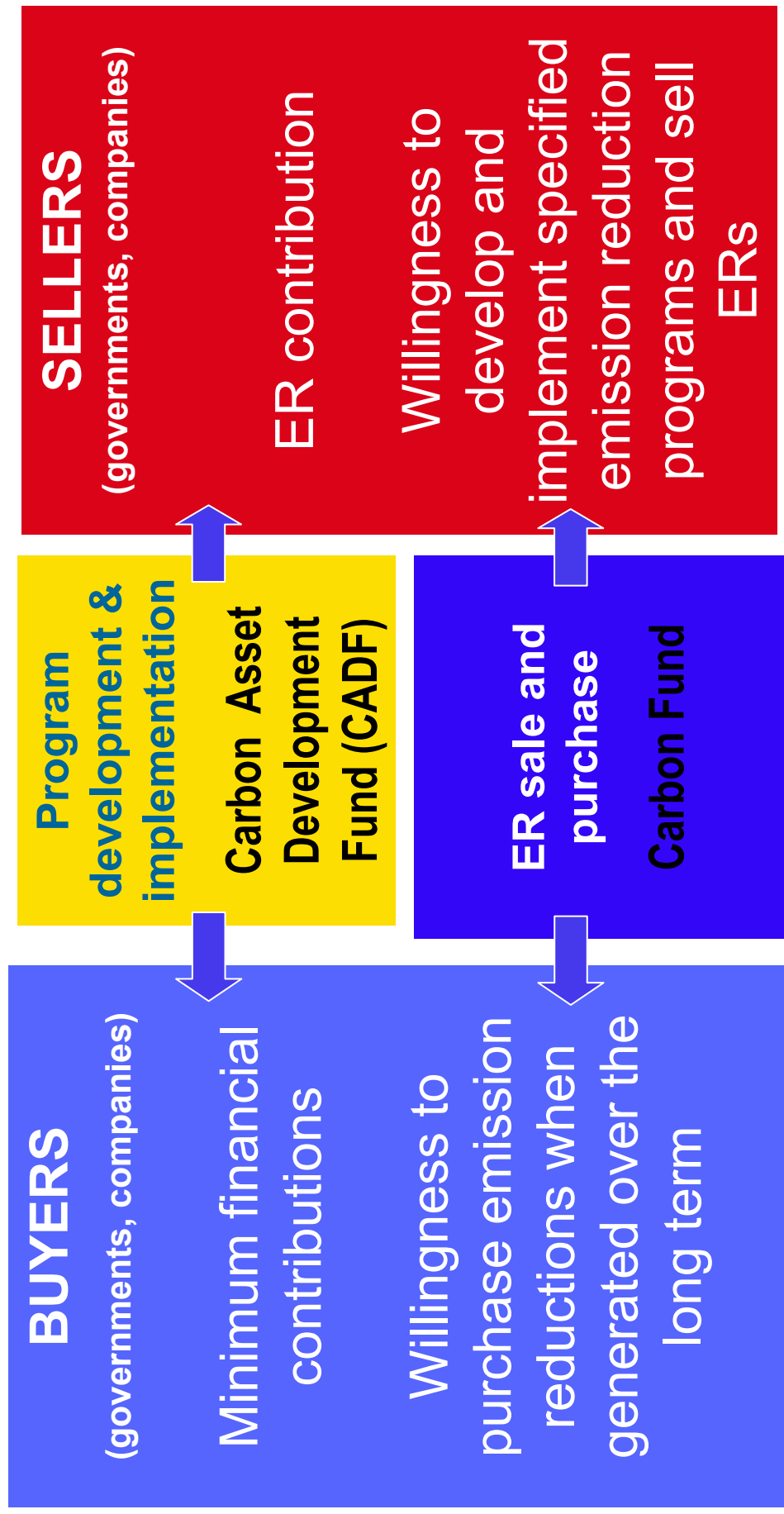


The Carbon Partnership Facility

Organizational structure
and design features

www.carbonfinance.org

CPF - Buyers and Sellers in a Partnership



Carbon Fund

- Holds funds for ERPA payments only:
 - ER payments, advance payments for ERs, if any, and ER option related payments
- Consists of Tranches:
 - each tranche has a discrete set of Buyer Participants and Portfolio Selection Criteria
 - Portfolio Selection Criteria for each Tranche may cover several sectors and technologies or be more narrowly focused.
 - Buyer Participants in the First Tranche have priority to become participants in a subsequent tranche
- First Tranche of the Carbon Fund:
 - becomes operational when a predetermined amount of Buyer Participant Contributions have been received and at least a predetermined amount of Seller Participation Agreements signed
 - closed on the earlier of a predetermined time period after the operational date or when Contributions reach a level in excess of a certain amount deemed appropriate by the Trustee

Carbon Asset Development Fund

- Covers all Facility costs for:
 - Program preparation and supervision functions, including
 - ER program preparation, due diligence and appraisal
 - ER program verification and ERPA maintenance
 - New methodology development
 - Trustee and facility management functions
- Provides Sellers and Host Countries financial support for:
 - ER program identification and development, including focused work on the enabling environment
 - Project Design Document and monitoring plan preparation
 - methodology work, if applicable
- Funded by
 - CADF Charge from Buyers
 - Donor contributions
 - Investment income generated by CADF itself, Carbon Fund, and pre-paid Contributions (if any)

Members of the Facility (1)

- Buyer Participants:
 - sign a Buyer Participation Agreement
 - Have met the First Tranche Minimum Contribution
 - Buyers may also pool their resources (e.g. by forming a consortium); pool would be represented by one legal entity as the Buyer Participant
 - required to provide a promissory note for the Contribution
 - A Buyer may also elect to pre-pay part or all of its Contribution
- Seller Participants:
 - sign a Seller Participation Agreement after their Program has been approved at the Program Idea Note stage
 - commit to develop an ER Program and sell a defined volume of ERs to the Carbon Fund

Members of the Facility (2)

- Partners:
 - sign a Partnership Memorandum of Understanding
 - Host Country governments assisting the Trustee in identification and development of Programs
 - other entities that may be invited by Trustee, subject to Partnership Committee's approval
 - participate in Facility discussions in a non-voting advisory role
- Donors:
 - sign an Administration Agreement to make a donor contribution to the CADF
 - participate in Facility discussions in a non-voting advisory role



Facility documents

- **Expression of Interest from Buyers**
- **Confidentiality Letter from Sellers, Host Countries and Donors**

- **Information Memorandum, which includes:**
- **Instrument**
- **Participation Agreements**
 - Seller Participation Agreement
 - Buyer Participation Agreement
- **Partnership Memorandum of Understanding (MoU)**
 - Host Countries where Programs will take place

- **Administration Agreements**
 - Donors

Governance: equal representation of Seller and Buyer Participants

Annual Participants' Meeting

- Provides broad guidance to Trustee and a forum for information exchange
- Each constituency elects its representatives to the Partnership Committee
 - when electing their representatives, Sellers would have one vote each, and Buyer Participants and Donors votes would be proportional to their Contributions
- May overturn decisions of the Partnership Committee on the Pricing Approach by simple majority of both Buyers and Sellers

Partnership Committee

3 to 6 Sellers, 3 to 6 Buyers, 3 Partners (1 Donor + 2 other Partners)

- **Equal representation of Buyers and Sellers at all times**
- Annual endorsement of the pricing approach and the form of ERPA, including ERPA general conditions
- Advises Trustee on carbon asset creation priorities and operational issues



Allocation of Programs to Tranches

- If a Program meets the Portfolio and Program Selection Criteria of several tranches, the Trustee may allocate ER Programs in more than one tranche
 - with the prior consent of the Buyers in the earliest Tranche
 - subject to the consent of the Buyers in the subsequent Tranche

- If Buyer Participants in a Tranche object to a Program, then Trustee would seek interest from Buyer Participants in other tranches to allocate the Program to their Tranche
 - subject to the consent of the relevant Seller Participant if the Seller Contribution Credit is higher in the subsequent Tranche

Buyer Participants in a Tranche

- Approve Programs at the CFD stage before they are included in the portfolio of that Tranche:
 - have a predetermined minimum number of business days to review the CFD (review should come before objection)
 - may object to Programs by a predetermined ratio of Buyer Participants
- Approve the Trustee's ERPA negotiation mandate in conjunction with the CFD approval
- Would be consulted for relevant decisions affecting the Programs in the Tranche and material changes in the CFD before the signing of an ERPA

Seller Participants

- Commit to develop one or more Programs and sell a portion of the ERs to Buyers
- Apply for participation by submitting a Program Idea Note (PIN)
- If PIN approved, Seller Participation Agreement signed
- May request a CADF grant to support preparation of the Program (e.g. costs of preparing CFD, PDD, monitoring plan, methodology work)

Buyer Participant's withdrawal

- Withdrawal by each individual Buyer Participant is possible if no International Agreement is reached by a predetermined date
- If the withdrawing Buyer's share is not purchased by other Buyers, the withdrawing Buyer would be reimbursed its pro rata share of CADF Charge that is not needed to meet the Trustee's commitments* and the withdrawing Buyer's uncommitted contribution would be cancelled

* i.e., resources needed to honor the obligations resulting from Programs that have been approved at the Carbon Finance Document stage by Buyer Participants in the Tranche

Management team structure

- Senior level Facility Coordinator will be appointed
 - Day to day management of the Facility, including annual business cycle and reporting
- CPF Operations Team Leader responsible for:
 - overseeing the selection and development of Programs
 - management of pipeline and portfolio of Programs
 - negotiation of ERPAS
 - leading sectoral dialogue with government counterparts in close partnership with country team members
- CFU Policy and Methodology Team and its Team Leader responsible for:
 - development of new methodologies
 - ensuring compliance with approved methodologies
 - analysis of the policy context.
- Furthermore, CPF management team will draw on other functional teams of the CFU and the specialist staff within the World Bank

Questions?

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