

# What Can Green Mean - DRAFT ●●●

OEDSP Memo for Country Offices Regarding Carbon Finance

June 12, 2007

## The CO Introduction to WFP and Carbon Finance

### Why Does My CO Need Carbon Finance?

Carbon reducing or removing projects yield carbon incomes, positive media attention, increased donor funding, and offer environmental benefits.

### What is Carbon Finance?

When a country ratifies the Kyoto protocol it agrees to cap its emissions below a given level. If a country exceeds its emissions threshold it must buy emissions reduction credits. Emissions reductions credits can be produced by projects which remove or reduce carbon from the atmosphere

### What Kind of Projects Produce Emissions Reduction Credits?

Emissions reductions credits are measured in tones of CO<sub>2</sub> equivalent (tCO<sub>2</sub>e). CO<sub>2</sub>e simply means the total amount of greenhouse gases in terms of carbon dioxide. Projects that reduce or remove carbon generally involve forestation, conservation, and usage of alternative energy.



### What Kinds of Projects Qualify for Carbon Finance?

Common carbon finance projects are reforestation, afforestation, forestry conservation, carbon capturing schemes, and switching to cleaner energy. All projects must show they would not occur without carbon funding (i.e. not part of the baseline scenario). This requirement is called "additionality" and seeks to prove a project is the result of the Kyoto mechanisms.

### Why Fund a Project That is Not Economically Advantageous?

If the project were economically and the best choice the project would happen regardless of Kyoto and thus not contribute to solving climate change. For example, for WFP offices to use solar over traditional power is not economically advantageous. Payment from an outside source (carbon finance) would be a necessary incentive to move WFP to emissions reducing solar power.

### How Do I know If a Project Reduces or Removes Carbon?

The measurement of carbon removal or reduction, and thereby the number of credits produced, is in terms of tCO<sub>2</sub>e below the baseline. The net tCO<sub>2</sub>e emissions difference between the baseline and project scenario is then claimable as emissions reductions.

## How

# CO<sub>2</sub> = \$\$\$

## For WFP

### Who Pays for the Project?

Kyoto allows for developed countries to invest in carbon removing or reducing projects in developing countries. These partnerships are called Clean Development Mechanisms (CDM) and allow the developed nation access to carbon reduction credits at a set price. Funding for the project could easily come from a single Kyoto compliant country or private donor.

### Are FFW Programs That Provide Clean Energy for Communities Without Energy Access Credit Worthy?

Yes, most carbon credit certifying bodies credit projects supplying clean energy to populations without prior energy access. This means in such instances where there is demand for power but not supply the baseline scenario is treated as if the demand was being met by coal fired electric plants.

### Are There Any External Effects Besides the Carbon Incomes?

A carbon financed project will likely attract positive media and donor attention on top of the yearly carbon payments.

### What are typical carbon finance incomes?

The price for emissions reduction units (ERU) varies depending on reduction quality. Projects simply removing and storing carbon like forestry activities receive less than projects reducing carbon production like alternative energy and solar cookers. A 4000 ha reforestation project can expect around USD \$2.2 million over a 15 year period or roughly \$4 per tCO<sub>2</sub>e. An alternative energy project can expect payments of around USD \$10 million over a 15 year period or roughly \$15 per tCO<sub>2</sub>e.

### What is OEDSP Looking for in A Project?

OEDSP will assist COs interested in a forestation or alternative energy project. The CO's role will be providing relevant information in the early phases, seeking donors in the middle phase, and implementing the project in the final phase. OEDSP will assist interested COs in meeting any needs which may arise during the project process.

