# Transformative Carbon Asset Facility (TCAF)

# Preliminary-Program Information Note (Pre-PIN)

This template for Pre-PIN note is to be completed to enable the screening of proposed scale-up crediting program for TCAF consideration. The note should give concrete information about the proposed investment program or policy measures to ensure the crediting program is attributable to a particular intervention.

Please provide the following information in approximately 5-6 pages in a concise manner.

**Preliminary-Program Information Note (Pre-PIN)**

**Country: Name of the propsed program**

1. Pro-mitigation policy and regulatory framework for the target sector
* Describe the country’s sectoral context relevant to the TCAF program, including policy/regulatory framework and development challenges that the proposed program is trying to address;
* Describe the country’s NDC, the mitigation strategy for the target sector as suggested in the NDC and how the proposed program is aligned with the sectoral mitigation strategy.
* Describe the country’s emission trajectory and emission drivers in the sector relevant to the TCAF program as defined in the NDC submission, preferably in three scenarios, business as usual (BAU), unconditional, and conditional with international support;
1. Description of the proposed program

- The objective and key activities of the proposed program;

- Institutional framework and implementation arrangement (Please specify the arrangement for sub-project preparation, approval and implementation, enforcement of regulation/standard if applicable, MRV, etc.)

- Financing arrangements for program coordination and underlying investment and/or policy implementation/enforcement cost;

* Describe how the proposed crediting program will support transformation in the sector by addressing the following aspects of transformation.[[1]](#footnote-2)

|  |  |  |
| --- | --- | --- |
| **Criteria** | **Indicator** | **Metric** |
| **Size**  | * Volume of ERs
 | * tCO2e
 |
| **Sustainability*** Technology
* Policy
* Financing
 | * Pathway consistency using technology specific indicators
* Political/social acceptance
* Capacity
* Exit strategy
 | * Qualitative and quantitative (program specific)
* Qualitative
* Qualitative and quantitative (program specific)
* Qualitative
 |
| **Leverage** | * Financial benefit
* Strengthened capacity
 | * $
* Qualitative
 |
| **Carbon Pricing** | * Carbon price signal
* Recipients of price signal
* Support of domestic carbon pricing through capacity building and stakeholder engagement
* Replicability international carbon market
* Impact on Article 6
 | * $/t
* Qualitative and quantitative (#)
* Qualitative
* # Replicated Programs
* Qualitative
 |

- In describing the transformation potential, please explain how the proposed crediting program will support domestic carbon pricing. Identify TCAF’s support falling into one of the four areas in the matrix described below.

 Matrix of TCAF’s potential support to domestic carbon pricing

|  |  |  |
| --- | --- | --- |
|  | Implicit domestic carbon pricing | Explicit domestic carbon pricing |
| Direct TCAF support | 1. Crediting of emission reductions achieved through regulatory policy or non-carbon based pricing policies/reforms

Example: crediting of a renewable energy program supported by a feed-in tariff system  | 1. Crediting of emission reductions achieved through or above a carbon tax or ETS

Example: Crediting of emission reductions achieved by a carbon tax above a defined threshold  |
| Indirect TCAF support | 1. TCAF program builds infrastructure used for implicit domestic carbon pricing

Example: provision of benchmarks and MRV in a TCAF energy efficiency program that are used by the host country to implement a mandatory energy efficiency standard | 1. TCAF program builds infrastructure used for explicit domestic carbon pricing

Example: Facility level MRV developed for a TCAF energy sector program that is used by the host country to implement an ETS. |

1. Size of the mitigation outcome/potential for scaling up
* Describe broad baseline approach and how it reflects the unconditional target of the Nationally Determined Contribution (NDC).
* One of TCAF’s selection criteria is that the program should generate 5 million tons of emission reductions over 5-7 year payment period of 2021-2027. Please estimate the emissions reductions from the program.
* For sectoral policies supported by investment, please link the ER estimate directly with the financing status. It is preferred that secured financing can achieve at least ¼ of the required minimum volume (5 million ERs over 5-7 years);
* For policy measures, please estimate ER based on realistic program start date and implementation timetable;
* What percentage/amount of those ERs would be retained to count for implementing country’s own contribution? what percentage/amount of those ERs would be transferred to TCAF?
* Confirm that the Host government understands the requirement of Corresponding Adjustment (CA)[[2]](#footnote-3) in order to participate in the carbon transaction under Article 6 of the Paris Agreement, is interested in carbon market transaction in Paris Agreement, and would consider authorizing Article 6 transaction after it completes the necessary capacity building and analytical work under Phase I engagement of TCAF.
1. Envisaged carbon finance payment

- What is the total payment envelope that the program will be requesting, understanding that TCAF’s payment will be divided into two phases, financed by different funding sources and depending on whether the host government will authorize the Article 6 transaction? [[3]](#footnote-4)

- How the carbon finance payment is envisaged to be used? e.g. removing barriers for policy implementation (please specify the barriers), supporting preparation of subsequent investment activities, building MRV capacity, replenishing the funding mechanism to incentivize mitigation activities, etc.;

- Please articulate the relationship of TCAF with other funding instruments and why it is needed in that particular circumstance/ adds value.

- Identify the entity that will sign the ERPA and coordinate the implementation of the crediting program?

- Identify the agency that will take the lead in preparing and implementing capacity building plan for Article 6 readiness. [[4]](#footnote-5)

1. Estimated timeline for preparation and implementation

**-** Timeline for World Bank lending project’s concept review, decision meeting;

- For sectoral program supported by investments: timeline for preparation, domestic approval, financial closure of sub-projects, implementation, commissioning;

- For policy program: status of legislation, implementation plan, staffing and budgeting approval;

- Timeline for preparing PIN, internal consultation, signing MoU, Program Design Document.

Suggested timetable

|  |  |  |
| --- | --- | --- |
| **Program readiness for implementation** | **World Bank lending project preparation and implementation** | **Preparation of crediting program** |
| Completion of feasibility study: | Concept Review: | PIN preparation:  |
| Domestic approval/passing legislation:  | Board approval: | Signing MoU: |
| Financial closure of underlying investment activities:  | Start of Implementation:  | Crediting Program Design Document:  |
| Project commissioning: | Program commissioning and ER generation: | ERPA signing:  |

1. Please refer to the guidance note *Core Parameters for TCAF Operations* to describe the transformational change this program can bring to the sector. https://tcafwb.org/knowledge-center [↑](#footnote-ref-2)
2. TCAF has an innovative hybrid funding structure comprising funding from both climate finance and carbon markets. The funding from carbon market will support piloting the transfer of ER credits under the Article 6 of Paris Agreement. The portion of ERs paid by the carbon market funding and transferred to TCAF cannot be counted towards the NDC target. As a result, the Host Government would need to take Corresponding Adjustment in the NDC target year in its NDC accounting and reporting in order to avoid double counting and safeguard environmental integrity. Detailed analysis on corresponding adjustment can be found in the TCAF Discussion Paper: Corresponding Adjustment. [↑](#footnote-ref-3)
3. TCAF’s payment structures can be found in the summary: Note on TCAF payment structure. [↑](#footnote-ref-4)
4. Capacity building plan will be an integral part of Program Information Note (PIN) package, based on which the TCAF contributors make decision on whether to endorse the proposed program into the TCAF portfolio. [↑](#footnote-ref-5)