



Pilot Auction Facility for Methane and Climate Change Mitigation

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October 2014**



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- The Pilot Auction Facility for Methane and Climate Change Mitigation (PAF) is an innovative climate finance initiative that will pioneer the use of auctions to allocate scarce public resources in an efficient manner for maximum impact and efficiency.
- Market prices for emission reductions collapsed in 2011, stalling projects that lost their incentive to reduce emissions – particularly in the methane sector where ~1,200 projects, capable of reducing ~850 Mt CO₂e until 2020, were identified as stranded – these will be the initial target of the PAF.



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- The PAF will incentivize a subset of these projects to sustain their methane abatement by guaranteeing a floor price for their future emission reductions; however should ER market prices increase above this floor, the owner has the option to forfeit the price guarantee at no penalty.
- In simplified terms, projects compete against one another at auction putting forward their minimum price guarantee level needed to ensure their continued operation. Those that can accept the lowest level price guarantee win. These are the least-cost climate mitigation activities.
- Winners must purchase the price guarantee for a nominal price; losers in the auction owe nothing. There will be multiple auction rounds (e.g. 3-5), each targeting specific sectors, countries and will test different auction approaches in order to maximize the learning.



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- The PAF has a \$100m target capitalization – it is intended as a pilot that could be replicated by other financial institutions, such as the Green Climate Fund -- and has the potential for significant scale-up
- Germany, Sweden and the United States have publically pledged resources. Switzerland is finalizing its review this month, and others are expected to pledge funding in 2015. The first auction is being planned for the first half of 2015. Robust outreach to private firms will be conducted in advance of the auction to publicize the opportunity to potential bidders. In the meantime, the Bank is collecting contacts of potentially interested firms and other partners to join the mailing list to receive updates.
- For more visit our Climate Finance site. <http://www.worldbank.org/en/topic/climatefinance>

