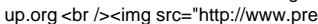




First Pilot Auction to Capture Methane a Success

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Auction supports projects to reduce greenhouse gas emissions
Private sector bidders taking part in the Pilot Auction Facility for Methane and Climate Change Mitigations (PAF) first online auction bought price guarantees for 8.7 million tons of CO₂e emissions reductions to cut methane emissions in waste management at a clearing price of \$2.40 per credit. The first auction which allocated carbon credit price guarantees, marks a new and innovative way to finance reductions of emissions of methane gas. Methane is a highly potent greenhouse gas with a global warming potential 25 times that of carbon dioxide.
The results now in from the first auction on July 15 show it attracted 28 bidders. The bidders came from developed and developing countries, ranging in size from large multinational companies to small local businesses. 12 companies won (please see www.pilotauctionfacility.org for a complete list).
"The success of this pilot auction sends a clear signal that this new approach to financing climate change mitigation has potential to deliver dividends to reduce methane emissions and benefit communities by helping cut air pollution," said Rachel Kyte, World Bank Group Vice President and Special Envoy for Climate Change. "This is just the kind of financial innovation needed to help bolster the impact of scarce public funds and entice the private sector to make investments in projects that reduce greenhouse gas emissions."
The first auction focused on methane-reduction projects at landfills, agriculture and wastewater sites. Most of the eligible projects are in Brazil, India, Indonesia, Malaysia, Mexico and Thailand. The auction winners will purchase a special type of World Bank bond that pays holders a guaranteed price upon delivery of eligible carbon credits.
"Delivering this price guarantee to support climate-friendly projects through a structured World Bank bond is an innovation for the capital markets that complements our pioneering issuance of Green Bonds to deliver climate financing. The PAFs structure has the potential to be applied to other climate pollutants in addition to methane, which we are excited to explore," said Doris Herrera-Pol, Global Head of Capital Markets at the World Bank.
By using auctions to bid the guarantee price, or price floor down, the PAF aims to achieve the most results for climate change mitigation from limited public funds. Additionally, as it is set up on a pay-for-performance basis, the PAF will only pay the auctions guarantee price, if exercised, once results are achieved.
"Today capturing methane isn't always worth the cost, despite the fact that technologies to reduce methane are relatively inexpensive," said Vikram Widge, Head of Climate and Carbon Finance for the World Bank Group. "Right now, the price of carbon credits is so low that over one thousand methane-reducing projects are in danger of shutting down. These projects, if sustained, could keep hundreds of millions of tons of methane out of the atmosphere."
Donors are Germany, Sweden, Switzerland and the United States and have agreed to contribute more than \$50 million to the PAF. It has a capitalization target of \$100 million dollars and is actively fund-raising to hold two to three more test auctions over the next year and a half.
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