

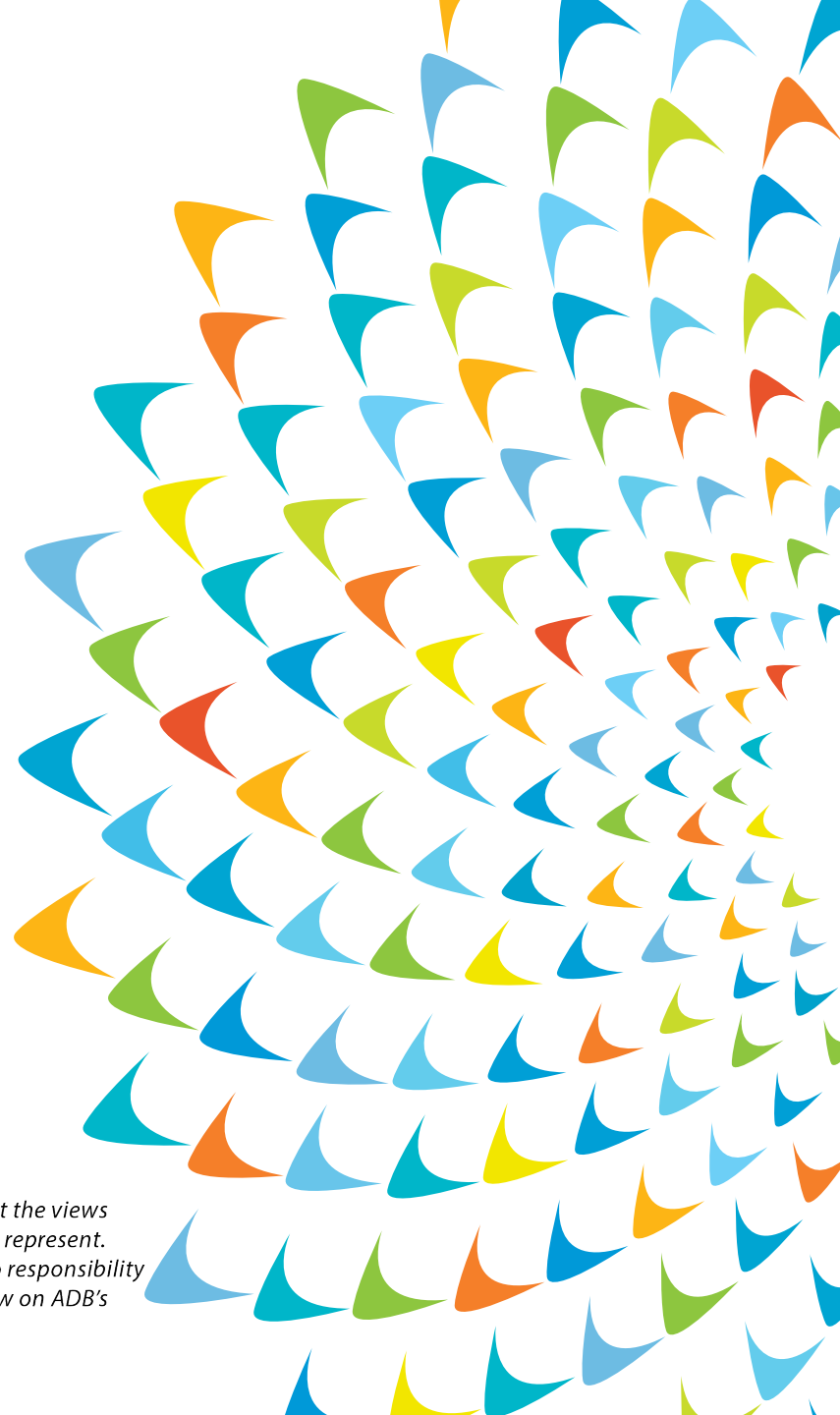


Future Carbon Fund

Delivering Co-Benefits for Sustainable Development

October 2020

The views expressed in this material are the views of the author/s and do not necessarily reflect the views or policies of the Asian Development Bank, or its Board of Governors, or the governments they represent. ADB does not guarantee the accuracy of the data included in this presentation and accepts no responsibility for any consequence of their use. The countries listed in this presentation do not imply any view on ADB's part as to sovereignty or independent status or necessarily conform to ADB's terminology.





Introduction: What are co-benefits?

- In the context of climate change mitigation, **co-benefits are the additional positive social, environmental, and economic benefits** attributed to climate mitigation projects above and beyond the main benefit of GHG emission reduction.
- Co-benefits include benefits such as -
 - improved air, water, or soil quality
 - employment generation
 - improved livelihoods
 - improved energy security and access to energy services
 - improved health, infrastructure development and
 - technology transfer
- Co-benefits can be direct or indirect and can be delivered at local, regional, or even trans-boundary levels.

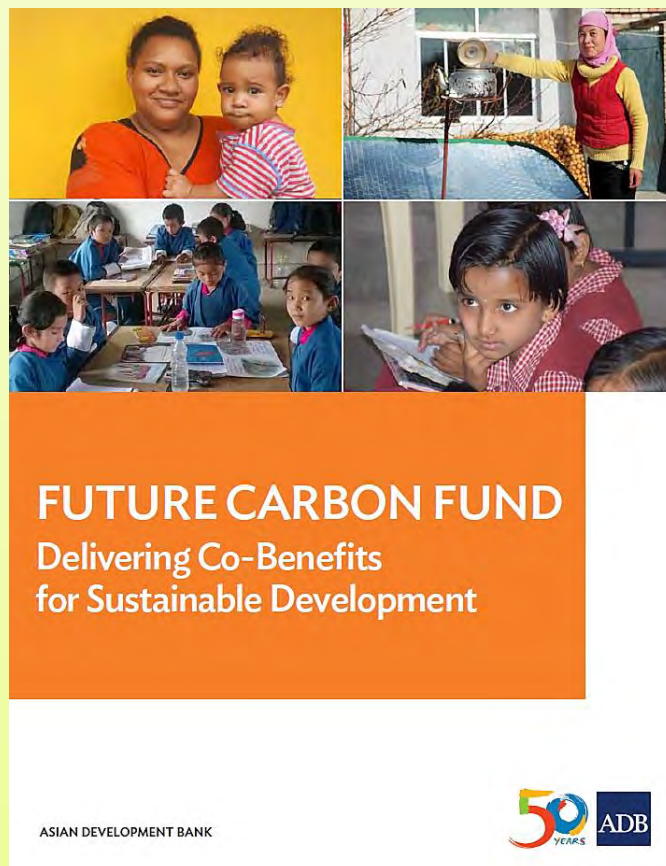


The ADB's Future Carbon Fund (FCF)

- Under the Carbon Market Program (CMP), ADB has established the Future Carbon Fund (FCF) for providing carbon finance support to 34 high-quality CDM projects in 11 of ADB's developing member countries (DMCs) that were not only contributing to GHG emission reductions but were also delivering wider co-benefits.
- The **co-benefits being delivered by the FCF portfolio projects were assessed using a methodology** to track the social, environmental, and economic impacts of the projects. These impacts were then mapped on to the relevant Sustainable Development Goals.
- For the assessment, both intended and unintended co-benefits were identified, and additional benefits delivered through project entities' corporate social responsibility activities were also captured.

Future Carbon Fund

Delivering Co-Benefits for Sustainable Development



<https://www.adb.org/publications/future-carbon-fund-benefits-sustainable-development>





Future Carbon Fund

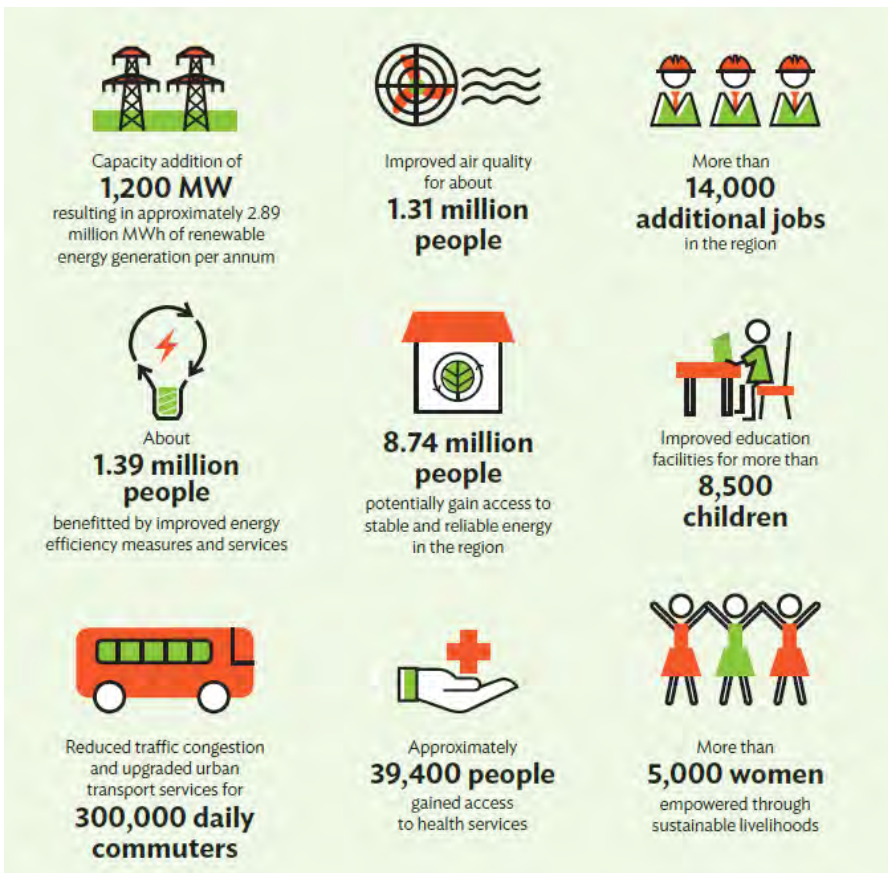
Delivering Co-Benefits for Sustainable Development

- Projects supported by FCF are providing a broad set of co-benefits to the beneficiary communities and delivering positive impact to more than 10.5 million people across Asia and the Pacific.
- Co-benefits include improving energy access and energy security, employment generation, diffusion of low-carbon technologies, technological innovation, **health benefits associated with reduction in air pollution**, reduced dependence on imported fuels, reduced traffic congestion, and an increase in net trade of technologies and services.

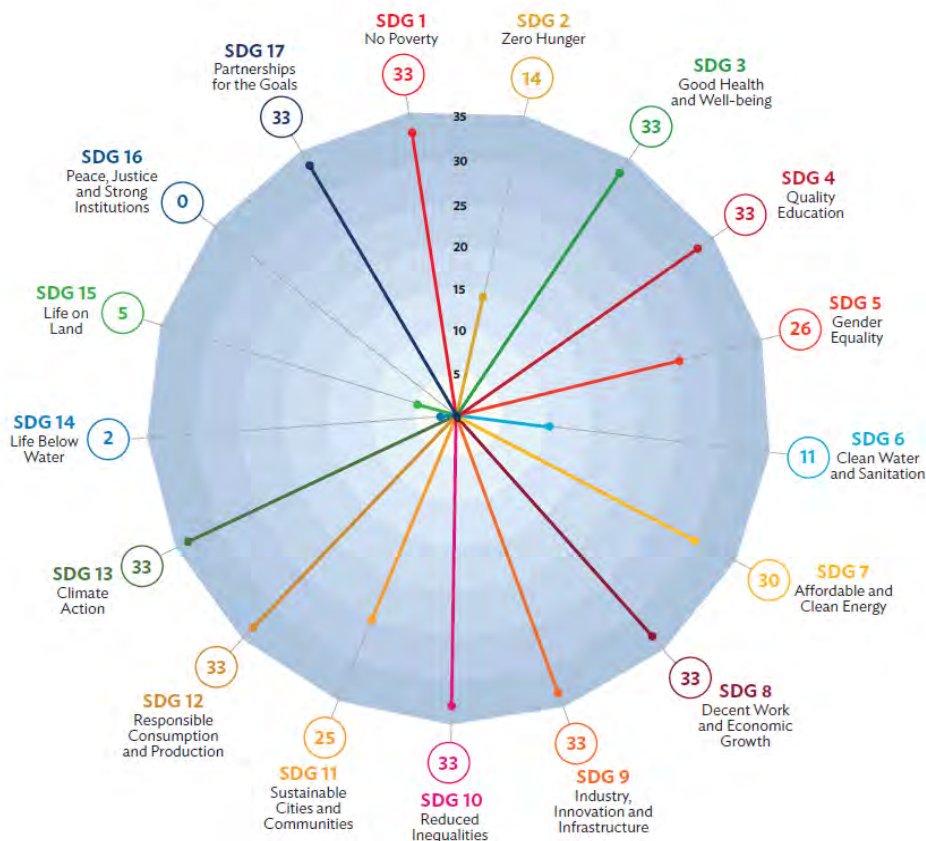


Future Carbon Fund Delivering Co-Benefits for Sustainable Development

Co-benefits of FCF projects



Co-benefits mapped to SDGs



- ✓ FCF projects provide a broad set of co-benefits to the beneficiary communities
- ✓ Delivering positive impact to more than 10.5 million people across Asia and the Pacific

- ✓ Contributes to 16 of 17 SDGs, including **SDG 3 covering good health and well-being because of co-benefit from improved air quality**



Case Study: Improving Kiln Efficiency in Brick Making Industry, Bangladesh

- Installation of Hybrid Hoffman Kilns (HKK) designed to improve heat retention in the kilns and capture waste heat for recirculation in the drying tunnel.
- Project contributes to the avoidance of GHG emissions and air pollution associated from burning coal.



- **Air quality improvement:** HHK emits 75% less particulate matter compared with FCKs, contributing to improvement of air quality.
- **Multiple Co-benefits** - The project is not only reducing GHG emissions (200,000 tCO₂ from 2011 to 2017) and improving the air quality – but has brought **about new technology** in Bangladesh and is also contributing to **Women Empowerment**. This has been beneficial to health of workers and local communities and for the crop production in the surrounding farmlands.



Key Lessons

- ❖ **Project design that maximizes co-benefits:** Climate change mitigation and co-benefits can go hand in hand if considered and planned from the early stages of the project. If co-benefits are carefully integrated into a project's blueprint, it can ensure their delivery.
- ❖ **Importance of dialogue with local communities in the decision-making process:** Close collaboration with a range of local stakeholders from the early stages of project development is crucial as they all play a pivotal role in the success of the project and delivery of co-benefits.
- ❖ **Corporate philosophy of the project entities:** Regular engagement with the local communities through well-considered corporate social responsibility programs helps to create shared value for the business and society.
- ❖ **Smart domestic policies bring synergy for multiple co-benefits:** Through the implementation of smart policies, governments can create an enabling environment to encourage a shift to a low-carbon approach by incentivizing investments in low-carbon technologies and providing the required stimulus to greenhouse gas mitigation projects for realizing their full potential.



Key Lessons

- ❖ **Incentivize high-quality mitigation projects:** The nature and scope of co-benefits and even the quantum of such benefits varies from project to project depending upon a variety of factors. It is the prerogative of Carbon credits buyers to assess co-benefits as part of their due diligence and take them into consideration in their transactions.
- ✓ **Inclusion of co-benefits in the emission reduction purchase agreement:** Carbon credits buyers can structure their transactions to provide results-based carbon finance linked to certain development activities and delivery of pre-defined co-benefits. This can motivate stronger inclusion of co-benefits in greenhouse gas emission mitigation projects.
- ✓ **Secured stream of carbon finance:** Long-term fixed price contracts and upfront payments can help project entities during project implementation and operations and therefore contribute to sustained delivery of the co-benefits.



Thank you

V.K. Duggal

Principal Climate Change Specialist
Sustainable Development and
Climate Change Department

Asian Development Bank

vkduggal@adb.org

