

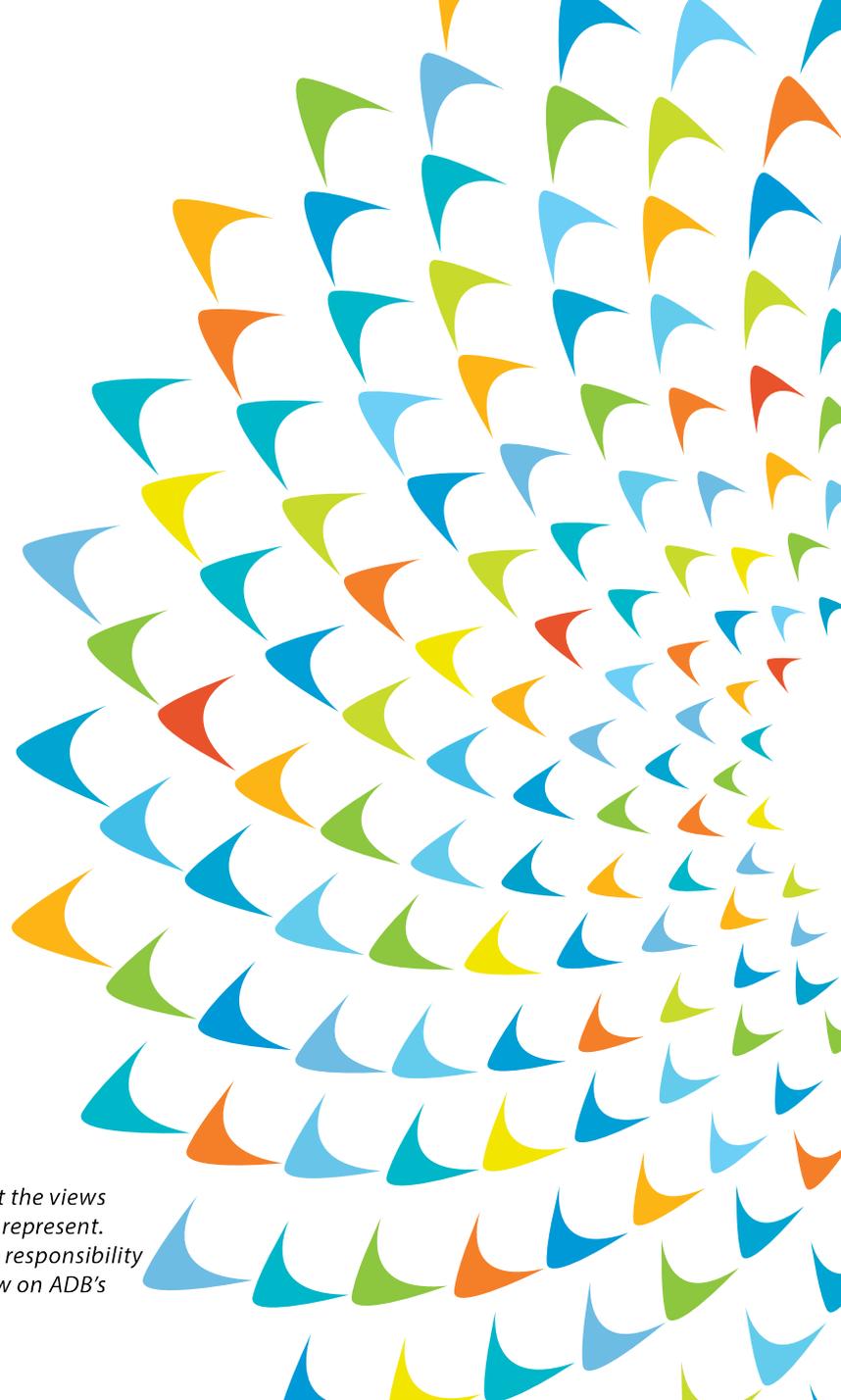


Future Carbon Fund

Delivering Co-Benefits for Sustainable Development

October 2020

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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.

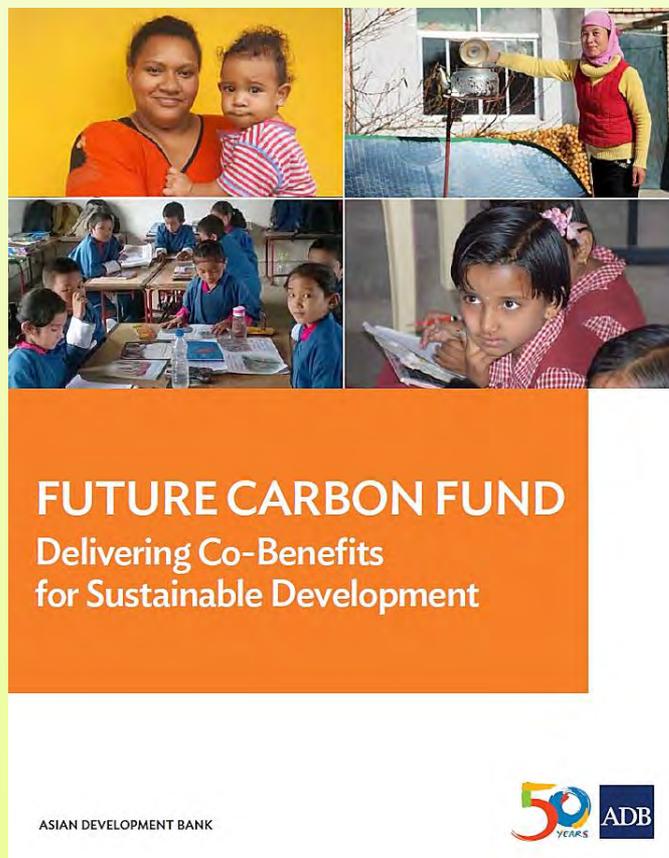


The ADB's Future Carbon Fund (FCF)

- 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.

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





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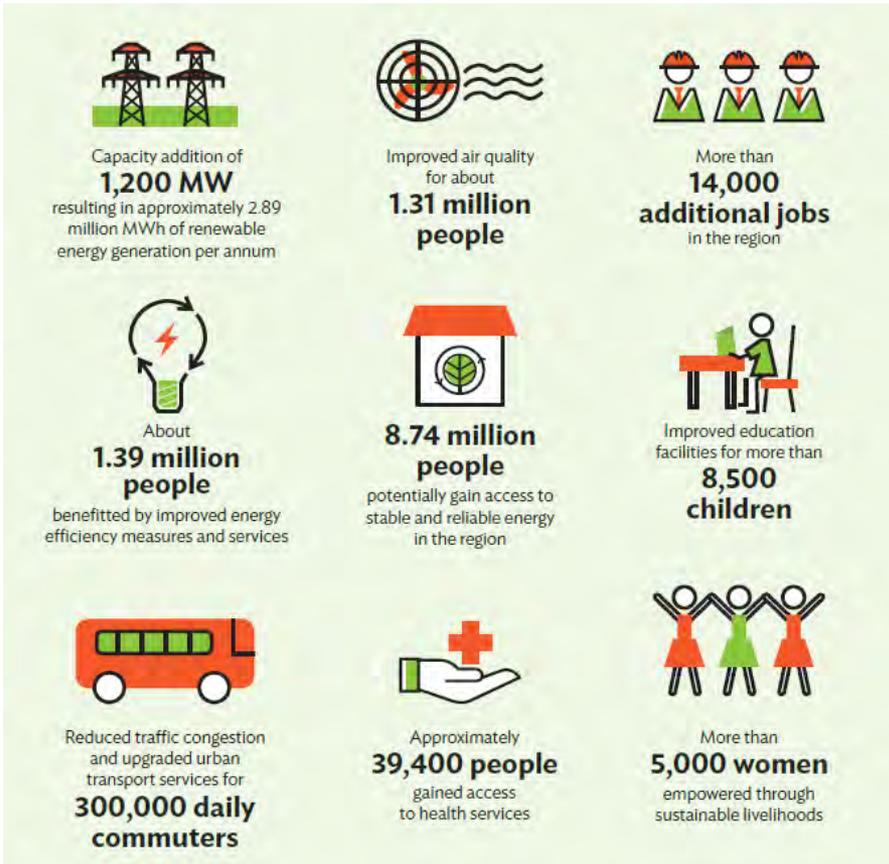
- Projects supported by FCF are providing a broad set of co-benefits to the beneficiary communities and delivering positive impact to more than 10.5 million people across Asia and the Pacific.
- Co-benefits include improving energy access and energy security, employment generation, diffusion of low-carbon 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.



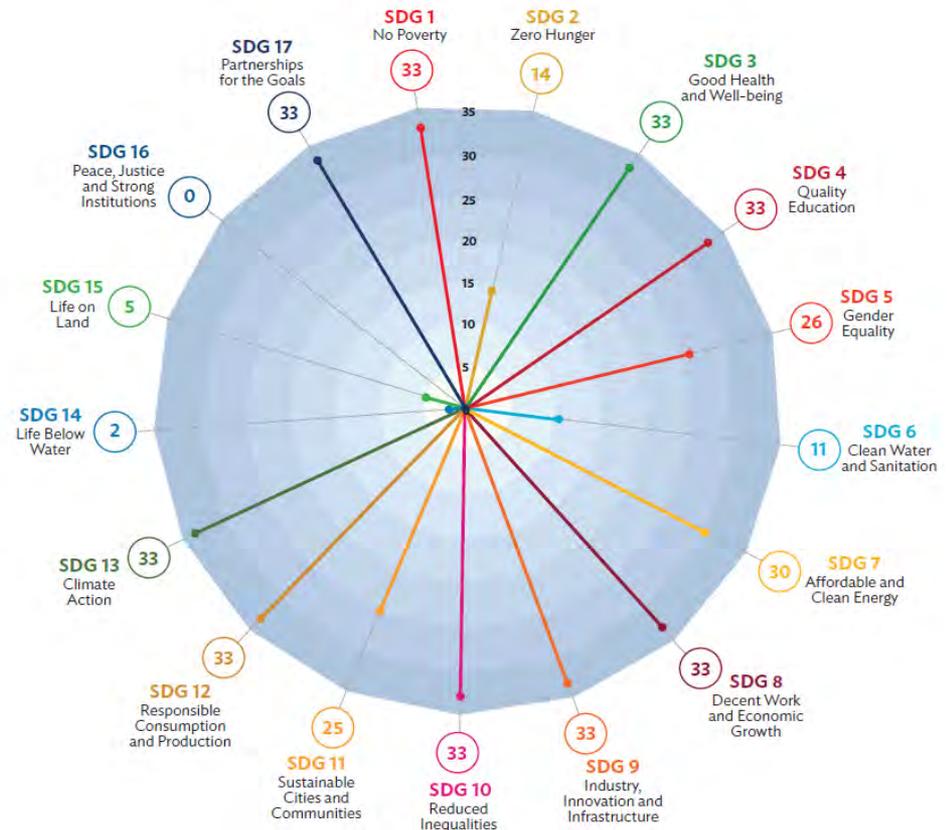
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Co-benefits of FCF projects



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

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