This is a new section of the Public-Private Partnership Resource Center website and is currently in draft form. Your feedback is welcome: If you would like to comment on the content of this section of the website or if you have suggestions for links or materials that could be included please contact us at ppp@worldbank.org.

Photo Credit

Establish an ERC club, photo tech people trying to achieve ambitious sustainability goals

Establish an ERC Club

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On this page: *Pooling demand through an ERC buyer's club is attractive because it helps stimulate ERC supply and allows delivery risk to be distributed across buyers. Read more below, or visit Strategic Guidance for Country System Assessments, Guidance for Countries in Assessing ERC Projects, or Mobilizing ERC Finance.*

Pooling demand through an ERC buyer's club could send a strong market signal and improve the expected cash flows of ERC activities, reducing ERC market risk and helping to unlock debt capital. Those benefits can potentially be heightened through an Article 6.2 club that provides a government-sanctioned path to market, thus also reducing political risk. Pooling demand is attractive from an ERC buyer's perspective because it helps stimulate ERC supply and allows delivery risk to be distributed across buyers.

An ERC club should serve not simply as a buyer's club, but it can also reduce market frictions and transaction costs for ERC activities and buyers. An ERC club would act as a platform for multiple parties across the value chain of ERC financing to coalesce around specific rules and approaches that standardize all ERC transactions that occur through the club. That can create a high-integrity environment for trade while the broader market continues to mature. This could be attractive for buyers broadly to bolster the integrity of their claims of buying and using high-quality ERCs and could be particularly attractive for mid-sized buyers that might face reputational and regulatory scrutiny but find it difficult to engage in extensive due diligence of ERC purchases on its own.

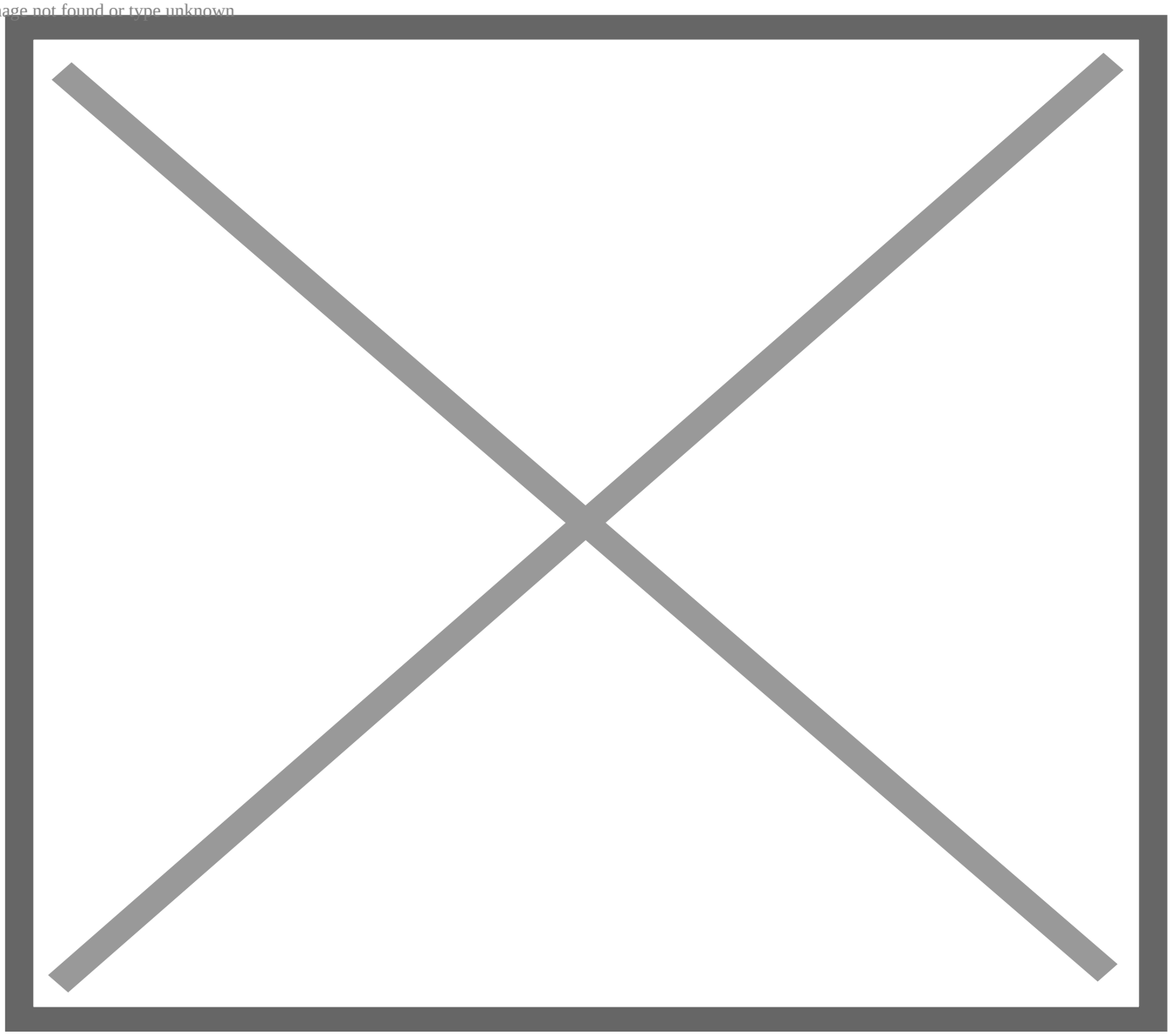
There are multiple potential iterations of an ERC club **(**Figure 15**)**, including a:

- Voluntary Club pooling demand from a group of voluntary ERC buyers who combine capital to finance ERC activities directly.
- Sovereign Article 6.2 Club comprised of buyer and seller countries that are party to the Paris Agreement's Article 6.2, under which countries can cooperate to achieve their emissions reduction targets by trading international mitigation outcomes (ITMOs). A sovereign Article 6.2 club could agree upon a set of rules and procedures for creating and transferring mitigation outcomes. Seller countries must have a corresponding adjustment but buying countries do not have to "use" that corresponding adjustment and there could be a mechanism to repatriate the mitigation outcome, allowing a contribution to the selling country's NDC.
- Article 6.2 Club w/ Private Parties comprised of buyer and seller countries, in addition to private parties invited by their host governments to purchase ITMOs for other international mitigation purposes. This would have the same benefits as a sovereign 6.2 club and potentially expand the pool of buyers seeking ERCs with a corresponding adjustment (though buying countries and private parties would not have to use that corresponding adjustment).

The ERC club could be designed as a standalone entity or, alternatively, could build upon or be housed in existing efforts that seek to achieve similar or complimentary goals.[1]

Figure 15. Illustration of potential variations of an ERC club.

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A DFI could help convene and organize the policies and procedures of and trade among an ERC club. For any version of an ERC club, it is critical the club has a clear and transparent governance structure that ensures consistency across the ERCs being traded and, in the case of an Article 6.2 club, minimizes the risk of double counting and leakage. This offers one potential role of DFIs, particularly multilateral institutions, which are well placed to organize and manage an ERC club thanks to their credibility and convening power.

Footnote 1: See, for example, World Bank Climate Warehouse, *Climate Market Club*, 2023.

Additional Resources

- Defined Article 6 Transaction Frameworks
- Maximizing Revenue for Funding Infrastructure
- Power and Renewable Energy PPPs

This section is intended to be a living document and will be reviewed at regular intervals. The Guidelines have not been prepared with any specific transaction in mind and are meant to serve only as general guidance. It is therefore critical that the Guidelines be reviewed and adapted for specific transactions. Unless expressly stated otherwise, the findings, interpretations, and conclusions expressed in the Materials in this Site are those of the various authors of the Materials and are not necessarily those of The World Bank Group, its member institutions, or their respective Boards of Executive Directors or member countries. For feedback on the content of this section of the website or suggestions for links or materials that could be included, please contact the Public-Private Partnership Resource Center at ppp@worldbank.org.