

Objective of Project Preparation Guidelines

Full Description

The Guidelines are designed to provide practical and implementable guidelines for governments to select ERC projects that are most likely to attract high demand and best-value pricing, and identify key elements related to the project's governance and sales strategy that will enable the project to achieve its value potential. The Guidelines and Framework draw upon insights from global Voluntary Carbon Market (VCM) standards, industry standard-setting bodies¹, research institutions, and successful case studies, to identify best practices and attributes for high-quality ERCs at an international level. These best practices and attributes reflect the expectations of buyers in the VCM, who would be concerned about the integrity of the offsets they purchase, the impact of the project, and the assurance that potential reputational risks of supporting the project are minimized. The Guidelines can be applied in a manner and to the extent that it meets the objectives of its use case, where the optionality for varied uses has been built into its design. Potential use cases for governments could include identifying projects or programs for support, or to inform policy and implementation decisions related to VCM engagements.

Project or program-level support

The Guidelines can be applied to review a pipeline of projects, assess the potential of an individual project or program in consideration of its eligibility and viability for ERC generation, or select projects with the most likely value-for-money ERC development opportunities. For assessments at a program-level, most criteria can be assessed using an objective-based approach to determine if, and to what extent, the projects under the program as a whole meet the objective of the criteria based on the guideposts provided.

In addition, while it is recommended to follow the 4-step process for conducting the assessments proposed in [Process to Conducting Assessments](#), the two-levels of assessments can also be taken separately. The shorter analysis – represented by the Project Profile – is meant to provide an early sense of the project's ERC value potential and alignment to the country's priorities, while the more detailed analysis – represented by the Project Assessment – will entail a deeper review into the project's attributes and mechanisms relative to best practices and is expected to require more resource capacity.

In the case that the longer assessment is preferred, bypassing the need for the shorter analysis, the Strategic National Alignment criteria can be extracted to add to the initial profiling. In the same regard, in the case that the shorter analysis is preferred, the Quality Execution criteria can be used to complement the assessment. It should also be noted that Project Assessments are estimated to take 5x longer to complete compared to the Project Profile. Conducting Project Assessments without an early sense of their viability as would be provided by the Project Profile will mean that limited analysis resources may be spent on non-viable Projects.

The outcome of these applications could be, for example, to channel funding or resource support for these projects or programs through capability building, incentives, access to capital, and other ERC-generation support initiatives. Based on the targeted outcome of the exercise and the availability of project information, the importance and consideration of each criterion in the Framework described in Section 1.3 and the data parameters used to assess the project's closeness to best practice for each criterion can be tailored accordingly when assessing projects or programs. The following examples explore how governments may approach the application of these Guidelines based on their targeted outcomes:

- Governments intending to have financial interest in the projects or considering co-financing the project may place look to the project's financial value to decide on the project's prioritization.
- Governments intending to prioritize the potential of the Projects to contribute to the national decarbonization agenda may exclude the analysis of the project's economic value and assess the

project's potential against its expected ERC volume instead.

- Governments intending to position themselves as a globally-leading, credible suppliers of VCM projects may decide on the project's prioritization based on its robustness of ensuring core carbon-quality principles.
- Governments concerned with a project's broader contributions to national and sectoral objectives may anchor the exercise on the project's strategic national alignment.

These can also be adjusted dynamically as and when priorities shift or when the level of project information available changes, by selecting a set of criteria for conducting the analysis based on its utility or relevance.

Inform policy and implementation decisions

The Guidelines can also be leveraged to inform governments of important considerations for developing policies and regulations surrounding the development of VCM projects in-country by private sector participants or other organizations. For example, to support the development of a national MRV and crediting system, the government can propose criteria for MRV infrastructure that project developers should have to be approved or registered, using elements of the guideposts proposed where relevant. Other criteria such as environmental and social risk management can also provide a reference point for governments to consider building into their regulations for project implementation approval. In this case, the application of these Guidelines may involve focusing less on the ratings assigned to the project across the different criteria, and may instead be used to understand the common themes and gaps in local ERC projects, to inform the policy and regulation development.

These Guidelines are recommended for use by governments to support climate financing objectives, in relation to the carbon markets. Hence, they are intended to be complementary to the different programs and initiatives offered by the World Bank in relation to climate policy and financing, including:

Fund/Initiative/Program	Fund/Initiative/Program Objective
<u>Climate Support Facility</u>	Integration of long-term climate considerations into the World Bank's advisory services and operations, including support to expedite project preparation and facilitate post-COVID green stimulus projects.
<u>Partnership for Market Implementation Facility</u>	Support countries to build capacity and supports scaling up of carbon pricing instruments, including international carbon markets.
<u>Scaling Climate Action by Lowering Emissions</u>	Aim to be one-stop shop for deploying results-based climate finance to drive transformative climate action at scale for countries' mitigation efforts.

[The Climate Warehouse](#)

Produce analytical and technical outputs to enable participation in Article 6 transactions by the WB's client countries and shape the next generation of climate markets, specifically prototypes, tests, and develops digital infrastructure to foster greater transparency, trust, and integrity in the carbon markets.

[Climate Market Club](#)

A forum for discussion and consensus for a group of national governments and non-sovereign members that agree on common principles on how different elements of Article 6.2 of the Paris Agreement can be piloted.

[Mitigation Action Assessment Protocol \(MAAP\)](#)

A tool to evaluate the risks and performance of climate actions and policies in relation to their design, capacity, financial sustainability and development benefits across 3 major modules: (1) Programs and projects; (2) Carbon Pricing Instruments; and (3) International Transfer Readiness.

[State and Trends of Carbon Pricing](#)

Annual World Bank publication that provides up-to-date overview of existing and emerging carbon pricing instruments around the world, including international, national and subnational initiatives on an annual basis.

Footnote 1: These include organizations such as the Integrity Council for the Voluntary Carbon Market (ICVCM) and the International Carbon Reduction and Offsetting Accreditation (ICROA).

Related Content

[Guidance for Countries in Assessing ERC Projects \(Download PDF version\)](#)

[Strategic Guidance for Country System Assessments \(Download PDF version\)](#)

[World Bank Emissions Reduction Program: Mobilizing ERC Finance \(Download PDF version\)](#)

Additional Resources

[Climate-Smart PPPs: Further Reading and Resources](#)

[Infrastructure Challenges and How PPPs Can Help](#)

Page Specific Disclaimer

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