

CLIMATE INVESTMENT FUNDS

November 30, 2008

Summary of the Co-Chairs
First Meeting of the Trust Fund Committee for the Clean Technology Fund
November 17-18, 2008

Co-Chairs
Claudia Grayeb, Mexico
Andrew Steer, UK

Opening of Meeting

1. The meeting was opened by Andrew Steer. He informed the meeting that Ricardo Ochoa, the Co-Chair from Mexico, was unable to attend. In accordance with paragraph 26 of the proposed rules of procedure, the Trust Fund Committee elected Claudia Grayeb of Mexico to replace Mr. Ochoa as Co-Chair for the meeting.

2. Mr. Steer also advised the meeting that he would not be available for its session on November 18. The meeting elected Mr. Elwyn Grainger-Jones to replace Mr. Steer.

Adoption of the Agenda

3. The meeting adopted the provisional agenda as set forth in document CTF/TFC.1/1.

Guidelines for Investment Plans

4. The meeting reviewed the *CTF Guidelines for Investment Plans* (document CTF/TFC.1/2) and approved the guidelines with a number of revisions. The Secretariat was requested to revise the guidelines on the basis of the Committee's discussion and to circulate the revised paper to the Committee Members.

5. In reviewing the proposed guidelines, the Trust Fund Committee agreed that:

- (a) all the principles agreed in the design document approved in Potsdam should be included in the guidelines
- (b) in applying the guidelines, the Trust Fund Committee should seek a balance between moving expeditiously and ensuring strategic oversight. Investment plans submitted for review should be clustered to the extent possible and may be reviewed through decision by mail. The Trust Fund Committee recognized the need for learning-by-doing and for applying the guidelines flexibly to allow programming to proceed.
- (c) the guidelines and experience in their application should be reviewed by the Trust Fund Committee no later than at its first meeting in 2010. The MDBs were encouraged to draw to the Committee's attention any issues that may arise in the application of the guidelines;
- (d) it is important to engage with other development partners, including UN, other regional banks, and bilateral development agencies, as well as non-traditional development partners, during country-led consultations on the design of the investment plans;
- (e) the investment plan is agreed between, and owned by, the government and the MDBs. The role of the Trust Fund Committee is to review the plan with a view to authorizing the use of trust fund resources for activities identified in the plan;

- (f) the MDBs should coordinate closely in carrying out the joint missions;
- (g) the guidelines should ensure that MDBs may submit regional investment plans developed by a group of countries, possibly with regional organizations;
- (h) private sector activities should be integrated in the investment plans and the target areas identified, recognizing these activities may not be elaborated upon in the plan with the same degree of detail as public sector activities.

6. The Trust Fund Committee noted its expectation that the resources of the fund should not be spread too thinly if the fund is to achieve its objective of providing scaled-up financing to demonstrate, deploy and transfer low carbon technologies with a significant potential for long-term greenhouse gas emissions savings. Therefore, it was the sense of the meeting that fifteen to twenty investment plans should be developed.

7. The Committee recognized the need for scientific and technical input in the preparation of the investment plans and projects and requested the MDBs to include an external technical peer review in their project preparation.

8. The Committee recalled that, in accordance with its work program, it will review proposals for a results measurement system at its next meeting in January 2009, which will also include guidelines for calculating GHG emissions savings from CTF investments.

Investment Criteria for Public Sector Operations

9. The Committee reviewed the criteria proposed in document CTF/TFC.1/3 and approved the paper, with the exception of paragraph 7, subject to the revisions proposed by the Committee. The Secretariat was requested to revise the paper on the basis of the Committee's discussion and to circulate the revised paper to the Committee Members for further comment. Members were invited to submit additional comments to the Secretariat for inclusion in the revised document to be submitted to the next Committee meeting for its final approval. Such comments should be received by the Secretariat by December 19.

10. Paragraph 7 will be agreed pending future elaboration of certain technical criteria. It will be reviewed by the Committee at its meeting in January on the basis of a technical note to be prepared by the Secretariat (see paragraph 11 below). The MDBs were requested to continue their work in developing investment plans and project proposals on the basis of the revised paper to be prepared by the Secretariat.

11. The Secretariat was requested to prepare a technical note regarding the criteria to be applied in CTF financing for carbon capture and storage-ready coal power plants, fuel switching from coal to gas, and rehabilitation of coal-fired power plants. The note should examine, in particular, inclusion of numerical criteria. The Committee reaffirmed that, in any case, CTF funds will not be used to support sub- or supercritical coal power plants. The Secretariat was requested to work closely with the IEA and other relevant sources of expertise in preparing the note.

Financing Products, Terms and Review Procedure for Public Sector Operations

12. The Trust Fund Committee reviewed document CTF/TFC.1/4, *Financing Products, Terms and Review Procedures for Public Sector Operations*, and requested that the Secretariat revise the paper on the basis of the discussions. The Secretariat should circulate the revised paper for approval by mail.

13. In reviewing the paper, the Committee recognized that grant funding could be used for preparation of investment plans and projects. The Committee agreed that grant funding could also be provided for project components in certain circumstances, that the CTF grant resources should only be made available after other mechanisms, such as the GEF, had been explored, and that this would be reviewed on a case-by-case basis. Grant financing might be available for project components with very high additional costs that constitute a substantial portion of the total costs or with significant risks, and for innovative financing instruments to soften commercial and/or MDB lending terms for low carbon projects and programs.

14. The Secretariat was requested to prepare, in consultation with OECD, a note on whether CTF funds used to finance guarantees are eligible for ODA scoring, and provide alternative options for the use of guarantees that meet ODA scoring requirements.

15. The Secretariat was also requested to prepare an explanatory note on the practice of MDBs in requiring sovereign guarantees for sub-sovereign lending and to circulate the note to Members as early as possible.

Private Sector Operational Guidelines

16. The meeting reviewed document CTF/TFC.1/5, *Private Sector Operational Guidelines*, and requested that the IFC, in consultation with the Secretariat, to revise the paper on the basis of the discussions. The Committee noted that there was broad agreement on the substance of the paper, and encouraged the MDBs to continue their programming efforts. The revised paper should be circulated for approval by mail.

17. Committee Members were invited to submit written comments on the paper to IFC and the Secretariat by November 26, 2008.

18. In reviewing the paper, the Committee:

- (a) recognized the importance of the private sector in achieving the goals of the CTF, but noted that there was a need to develop a better understanding of how to engage the private sector through learning-by-doing;

- (b) underscored the need for consistency between the public sector and private sector investment criteria and requested that key elements from the public sector paper be incorporated; and
- (c) emphasized the need to integrate expectations regarding private sector operations in the investment plans, and to ensure engagement of the private sector arms of the MDBs in the joint missions.

19. Some Committee Members expressed the view that one-third of CTF financing should be programmed for private sector operations working through the private sector arms of the MDBs. The Committee agreed to keep the allocation of funds under review and to discuss the balance between public sector and private sector operations in the context of the investment plans.

20. The Committee agreed to review the private sector guidelines and experience in their application no later than at its first meeting in 2010.

Financial Status of the CTF

21. The Trustee introduced document CTF/TFC.1/, Trustee Report: Financial Status of the CIF. The Committee took note of the information. Contributing country Members informed the Committee of their pledges to the CTF.

Other Business

22. The Committee noted that its next meeting would be scheduled in conjunction with the SCF Trust Fund Committee and the PPCR Sub-Committee during the period January 27-30, 2009.