IND: Greenway Carbon Credits Gender Finance Project

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5 June 2024
Carbon Markets– requirement for finance

Voluntary carbon markets (VCM)— driven by voluntary carbon footprint reduction and net zero commitments of corporates.

Projects— small community–based activities such as improved cookstoves (ICS) to large projects including renewable, industrial & afforestation projects.

Independent crediting mechanisms or standards make the rules to certify and monitor the issuance of VCU's.

Key registries are Verra, Gold Standard, Climate Action Reserve and American Carbon Registry.

Carbon markets are expected to play a key role in decarbonization for hard–to–abate sectors where the technology to ensure 100% decarbonization is not yet available.

Improved cookstove projects produce smaller volumes of carbon credits but generate additional socio–economic and environmental co–benefits and garner higher demand and premium pricing.

There is uncertainty on the prices and revenue visibility. Countries are still developing their engagement strategies to participate in the international carbon markets.

ADB will support the voluntary carbon markets by providing debt finance through the project.
Community based project– Improved Cookstoves

Traditional cooking practices result in major negative environmental & social impacts

- Over 800 million people in rural India use traditional cookstoves.
- Over 1 million premature deaths in India annually.
- Women & children disproportionately affected – higher exposure to household air pollution, fuel fetching risks, and drudgery time.
- Traditional cookstoves account for about 2% of India’s CO₂ emissions.

Financing Challenges

- Funding gap – between ICS cost and ability of households to pay.
- Timing mismatch – projects need funding up–front to finance capital and operating expenses, but revenue flows over time as the ICS is used.

Carbon finance is required to bridge the gap.
Project Overview– Carbon Finance to ICS Project

• **Borrower:** SDG 13 Ventures Private Limited (SDGVPL), a subsidiary of Greenway Grameen Infra Private Limited (Greenway).

• **Sponsor & Guarantor:** Greenway manufactures ICS.

• **Project Concept:**
  ✓ Carbon offset project– 1 million ICS to be distributed.
  ✓ Location– rural Madhya Pradesh (MP) and Odisha in India.
  ✓ Discount– 85% of the market price to target user.
  ✓ Target users– rural households using traditional cookstoves
  ✓ Fuel saved with ICS usage results in GHG emissions avoided
  ✓ Verified Carbon Standard (VCS) managed by Verra.
  ✓ Established methodology based on statistical sampling and verification.
  ✓ Sale of verified carbon units or VCU to international buyers.

• **Risk of insufficient VCU volumes, low VCU prices, termination of offtake contracts or change in regulation.**
  ✓ ADB has conducted due diligence on technical, market, legal aspects of the project.
  ✓ Strategic use of first-loss liquidity reserve facility of $3.25 million from CIDF to partially mitigate the residual risks.

**Why Improved Cookstoves (ICS)?**

- **38%** thermal efficiency vs **10-15%** efficiency of traditional stoves
- **70%** smoke reduction – **4.5 tons** of CO₂ avoided per ICS annually
- **60% fuel savings – 1.25 tons** of fuel wood saved per ICS annually
- **Life span of 7 years**

The project will reduce GHG emissions by **22.9 million tons of CO₂**
ADB Additionality

Financial Additionality
- **The required financing that is not available in the market.** Path maker project for evaluating transactions which rely on the carbon market for the main source of revenue.
- **Potential high demonstrative impact on the sector.** ADB’s experience can be used by others to lend to this sector.
- Transaction is **replicable and scalable** across community-based VCU projects.

Non-Financial Additionality
- Gender, environmental and social standards.
- The project will be assessed on the sustainable development impact using an internal methodology being piloted by ADB. Assessment report will be shared with the client.

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<th>Sustainable Development Goals</th>
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<td>POVERTY</td>
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<tr>
<td>Project is aligned with SDG 1.1, 1.4, 1.5, 5.4, 5.5, 7.1, 7.3, 12.2, 13.3 and 13.a</td>
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