

INNOVATIVE POLICY CREDITING
FOR ENERGY REFORM:

iCRAFT

INNOVATIVE CARBON RESOURCES APPLICATION FOR
ENERGY TRANSITION

A World Bank Initiative in Uzbekistan

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iCRAFT is a unique pilot for how to scale policy crediting programs globally



This is a first-of-its-kind policy crediting program globally – and with great potential for replication.



First climate and carbon trade transaction in Uzbekistan and Central Asia.



First project of the World Bank's Transformative Carbon Asset Facility (TCAF)

Innovative Carbon Recourse Application For Energy Transition (iCRAFT)

Component 1: Payments for measured, reported and verified emission reductions (ERs) - (US\$ 20 million)

- Result-based payment for the verified GHG emission reduction from reduced end-user energy demand from tariff adjustment.
- Payment annually, reflecting volume and unit price agreed with GoU.
 - ER to stay in Uzbekistan to be used for NDC goal.

Climate Finance

Component 2: Payments for measured, reported, and verified Internationally Transferred Mitigation Outcomes – (US \$25 million)

- Same result-based payment as Component 1, *but ER transferred out of Uzbekistan* and sold to TCAF donors as ITMOs = pilot international carbon market transaction. (US\$25mln)
- Need to comply with accounting and reporting requirements of the Paris Agreement.
- Share of Proceeds for Adaptation and Overall Mitigation of Global Emissions to be followed as best practice under Paris Agreement (US\$1.25mln)

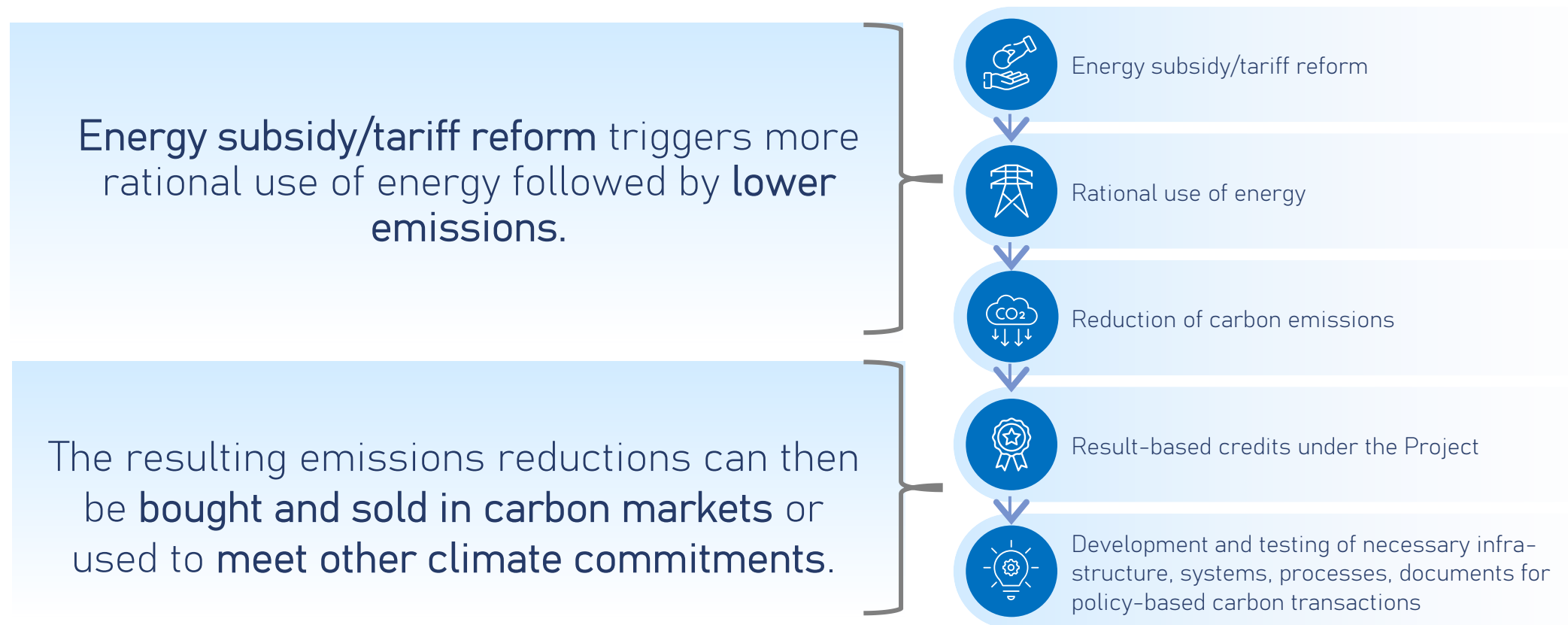
Carbon Finance

TA (US\$2 million BETF) – supporting the institutional capacity, systems, and infrastructure for carbon transaction.

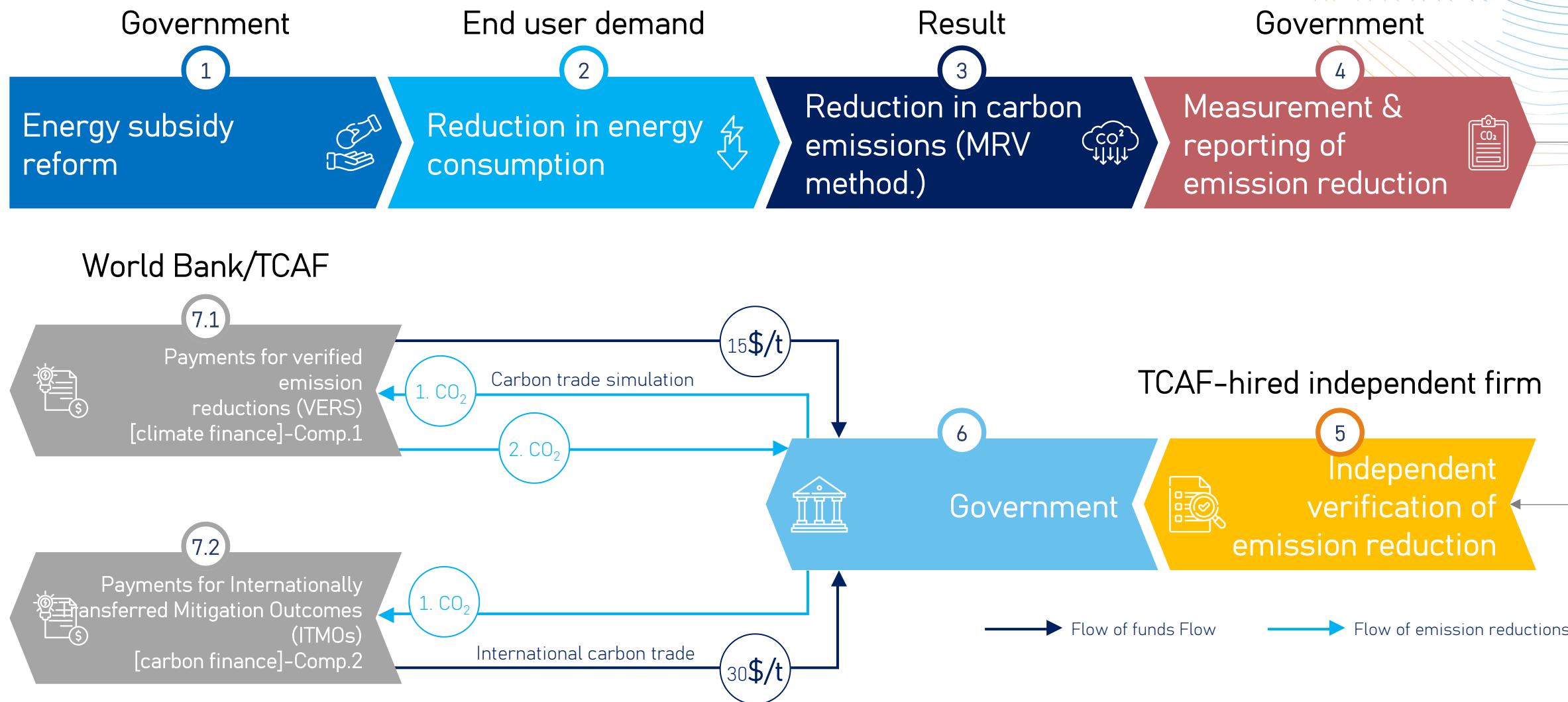
- Robust Monitoring Reporting Verification (MRV) framework in compliance with Article 6 of the Paris Agreement
- National registry to track the generation, issuance, and transfers of all ERs in and out of the country
- Reporting templates

Strategic Framework and Objectives of the iCRAFT Initiative

iCRAFT generates carbon credits based on **economic modeling** to quantify and attribute emission reductions to the **implementation and/or enforcement of policies** (“policy crediting”)



iCRAFT's model aims to incentivize efficient and sustainable energy use as a result of energy subsidy/tariff reform.



Uzbekistan's Energy Transition & Climate Action



Uzbekistan submitted
the Annual Reports for
2022 and 2023



9,928 million tCO₂
emissions reduced



Uzbekistan received
US\$ 15 million under
ERPA

Funds allocated to:

Establishment of a
MRV system and
implementing RISQ
platform



Implement carbon
registry and I-REC
platform



Capacity building on
green growth and
carbon trading



Improve energy sector
and energy efficiency



Establish Energy
Market Regulator and
UzPowerTrade



Create training centers
for energy specialists



Energy tariff (subsidy)
reforms and
implement
communication
campaign



Install solar panels for
those affected by tariff
reforms and
implement pilot
projects



iCRAFT drives progress towards the Sustainable Development Goals (SDGs)



Climate action

People & businesses need a reliable, sustainable, and affordable supply of energy over the long term.

iCRAFT delivers:

- Reduced GHG emissions
- Contributing to Nationally Determined Contributions (NDCs) under the Paris Agreement



Energy security

Climate change is an existential yet preventable risk to the world.

iCRAFT delivers:

- More sustainable/efficient use of energy
- Reduced strain on energy systems (reducing blackouts)
- Mitigating risks of running out of fossil fuels



Sustainable development

With the right support, developing countries can grow their economies, develop economically, and mitigate emissions at the same time.

iCRAFT delivers:

- Savings from eliminating subsidies can be channeled to other anti-poverty initiatives and social protections
- Increased financing from carbon credits towards needed infrastructure and initiatives



Thank you!

CONTEXT SETTING

