



The World Bank

Caixa Solid Waste Management and Carbon Finance Project (P124663)

REPORT NO.: RES47929

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RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
CAIXA SOLID WASTE MANAGEMENT AND CARBON FINANCE PROJECT
APPROVED ON DECEMBER 5, 2011
TO
CAIXA ECONOMICA FEDERAL

URBAN, RESILIENCE AND LAND

LATIN AMERICA AND CARIBBEAN

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**I. BASIC DATA****Product Information**

Project ID P124663	Financing Instrument Investment Project Financing
Original EA Category	Current EA Category
Approval Date 05-Dec-2011	Current Closing Date 30-Jun-2022

Organizations

Borrower Caixa Economica Federal	Responsible Agency Caixa Economica Federal
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Project Development Objective (PDO)

Original PDO

Project will support the creation of a Program within the Caixa Economica Federal do Brazil, through which Caixa will be able to identify, prepare and partially finance emission reduction activities under solid waste management projects and sell the resulting emissions reductions credits.

Summary Status of Financing (US\$, Millions)

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net		
					Commitment	Disbursed	Undisbursed
TF-B0773	08-Dec-2019	01-Aug-2020	01-Aug-2020	30-Jun-2022	.20	0	.20
TF-B0774	08-Dec-2019			30-Jun-2022	2.07	0	2.07
TF-11236	05-Dec-2011	05-Dec-2011	05-Dec-2011	31-Dec-2019	21.05	21.33	0
TF-11237	05-Dec-2011	05-Dec-2011	05-Dec-2011	25-Jul-2017	3.81	3.86	0



Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No

II. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES

1. Summary of Project Status

The Project Development Objective (PDO) "support the creation of a Program within the Caixa Econômica Federal do Brasil, through which CAIXA will be able to identify, prepare and partially finance emission reduction activities under solid waste management projects and sell the resulting emission reductions credits" remains achievable.

Status of Achievement of PDO Indicator Targets. Three of the five PDO indicators have already been met. The status of all five PDO indicators is given below:

- (i) Program of Activities (PoA) registered with the UNFCCC - Achieved, the PoA was registered on October 5, 2012.
- (ii) Emissions Reductions (ERs) delivered for the PoA (Santa Rosa and São Gonçalo landfills) under TF-11236 - Achieved, CAIXA delivered the agreed 2,500,000 CERs.
- (iii) ERs delivered for the Itaoca and Candeias Landfills (TF-11237) - Achieved, CAIXA delivered the agreed 500,000 CERs.
- (iv) ERs generated by São Gonçalo Landfill (TF-0B0774) - Not yet achieved, as the verification and certification of ERs by the CDM Board is pending. About 605,447 ERs are expected for delivery (74 percent of the contract volume).
- (v) ERs generated by Caruaru and Petrolina Landfills (TF-0B0773) - Not yet achieved, as post-registration change, verification and certification is pending. About 14,966 ERs are expected from Petrolina (33 percent of the contract volume). Caruaru did not register with the UNFCCC due to the delay in signing the ERPA.

Intermediate Results indicator: Number of Component Project Activities (CPAs) registered by the UNFCCC, target of four CPAs. After the last restructuring, two additional CPAs (Caruaru and Petrolina) were expected to register. However, due to the delay in signing the ERPA, Caruaru dropped out the program. Petrolina registered with the UNFCCC and signed the sub-ERPA with CAIXA. Thus, the total number of CPAs is three.

The performance of Caixa as the signatory of the ERPAs and the coordinating entity for the CDM PoAs remains satisfactory. During the implementation support mission conducted on May 13 and 16, 2022, Caixa agreed to continue working with the operators of the São Gonçalo landfill and the Petrolina landfill to advance the verification processes. If no additional review is requested by the CDM Board, the issuance of certified emission reductions (CERs) is expected by December 31, 2022.

Compliance with the ERPA. Petrolina has fulfilled the conditions of sale and purchase specified in Schedule 1 of the Emission Reductions Purchase Agreements (ERPAs). São Gonçalo had fulfilled all but one condition, i.e., generate electricity from landfill gas. This condition was fulfilled on June 2, 2022. There are no other pending covenants to fulfill before the delivery of ERs.

Safeguards. The Project has a satisfactory track record on implementation of safeguards. Social risk and environmental risk remain moderate. Reports on safeguards have been received from both landfills and reviewed by the Bank. Both landfills continue to operate in accordance with the Environmental and Social Management Plans and the operators are in compliance with the ESMPs. Grievance Redress Mechanisms (GRMs) are in place at the São Gonçalo Landfill and



grievances/comments are being addressed by the landfill operator. In the second semester of 2021, the landfill operator received 52 grievances, of which 49 were complaints and 3 were requests. All of them have been addressed by the landfill operator. In Petrolina the GRM channels are available but no grievance has been registered so far. The ISDS does not need to be updated.

Status of CPAs. Both Petrolina and São Gonçalo CPAs have achieved higher landfill gas (LFG) generation than the ex-ante estimate registered with the UNFCCC. Because of these higher results, there has been a delay in completing the verification process, and it is not expected to be completed by the original closing date of June 30, 2022. In the case of Petrolina, an additional post-registration change (PRC) is required with the UNFCCC to validate the changes in methodology for higher LFG generation compared to the ex-ante estimate.

2. Rationale for the Proposed Extension

This restructuring proposes an extension of the ERPAs for the São Gonçalo Landfill (TF0B0774) and the Petrolina Landfill (TF0B0773) from June 30, 2022, to May 31, 2023. As explained above, both CPAs are experiencing significant delays in verification due to their higher performance in LFG generation. On January 10, 2022, CAIXA submitted a request for extension of both ERPAs. However, the Carbon Partnership Fund (CPF) indicated that the São Gonçalo landfill has to fulfill all the condition of sale and purchase specified in Schedule 1 of the ERPA. On June 2, 2022, CAIXA submitted a letter with the evidence of electricity generation at the São Gonçalo landfill and requested to extend the ERPAs. Subsequently, the CPF approved the proposed extension of both ERPAs until May 31, 2023. It would give sufficient time for the verification, issuance, and delivery of ERs to be completed, allowing the Bank to make the corresponding ER payments to CAIXA. Further, the extension would allow continued support for CAIXA's carbon finance portfolio, while Brazil develops a more robust climate policy that generates demand for these mitigation activities. CAIXA has currently no other buyer for these ERs, thus putting at risk the continuation of its carbon finance operations if the ERPAs are terminated prior to the delivery of the ERs.

III. DETAILED CHANGES

LOAN CLOSING DATE(S)

Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
TF-11236	Closed	31-Dec-2019	09-Mar-2020		
TF-11237	Closed	31-Dec-2019	25-Jul-2017, 14-May-2018		
TF-B0773	Effective	30-Jun-2022		31-May-2023	30-Sep-2023
TF-B0774	Not Effective	30-Jun-2022		31-May-2023	31-May-2023



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