Lowering transaction costs

The Climate Investment Partnership
Understanding the needs of carbon-linked project finance

- Current Greenhouse Gas (GHG) transactions are dominated by “forward contracts”
  - with payment on delivery terms, and
  - non-convertible ERPAs (emission reduction purchase agreements)

- But GHG projects need upfront financing
  - in the form of equity, loans, grants, guarantees, delivery insurance, etc (“Structured Project Finance”), with...
  - carbon as collateral: Utilizing the market value of the emission reductions to enable projects to proceed
Understanding the needs of carbon-linked project finance

- Transaction costs are being blamed for the lack of support for small to medium GHG reduction projects.
- Without the small to medium projects there will be a significant shortage of ERUs (Emission Reduction Units) under the JI & CDM schemes.
- Project finance risks are inherently complex and in the case of JI & CDM projects most private financial institutions are shying away from supporting them.
- Public money is pledged but not effectively being accessed by project developers (e.g. due to lack of experience in developing business plans to required standards).
CIP - a project finance facility for project-by-project investing

Project Finance Facility (PFF)

- Equity Investors
- Loan Providers
- Grant Providers
- Credit Guarantee Providers
- Delivery Insurance Providers

PFF Manager

Financial Returns
Carbon Credits

Projects:
- Project 1
- Project 2
- Project 3
- Project 4

Financial Flows:

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CIP - process in detail

Platform screening

Internal Platform

GHG documents managed and if necessary enhanced

Documents visible to PFF members

Project Agent

Registered

HTML form

Project Developer

Project developer with direct Internet access and English language skills do not need to use agents

Verifier

Consultants

Lawyers

Services paid for by project developer to bring the carbon to a marketable standard

Equity

Loans

Guarantees

Insurance

Grants

Project Finance Facility

Any additional due diligence
The “CIP Fund” for those who want to invest & forget

A carbon-linked global equity fund
  - first closing: €50m
  - 10-15 projects (up to €5m per project)
  - substantial equity participation: 25-50%
  - targeting medium size standalone projects: €30-50m
  - focus on Renewables (wind, biomass, landfill, etc), and Energy Efficiency
  - target ROI: 10-15% net (including the carbon value)
  - minimum participation: €5m
CIP offers

- A Database of GHG Projects
  - enabling investors to access quality eligible projects & share investment risk

- A network of “Project Suppliers”

- An On-line Platform
  - to facilitate registration and processing of projects (helping to reduce transactions cost), and

- A technical office
  - providing high quality project management services & coordination
  - independence and integrity - a non-profit organisation based in Geneva
The current stakeholders

The Original Vienna Group Members

• Swiss Re
• EBRD
• Development Bank of Japan (DBJ)
• Austria Wirtschaftsservice (AWS)
• FINNFUND
• European Commission
• Natsource
• Ernst & Young
• Fenwick Elliott

Plus the new CIP supporters

• Swiss State Secretariat for Economic Affairs (SECO)
• Swiss Ministry for the Environment (BUWAL)
• Standard Bank (London)
• INNOGY/RWE
• Deloitte & Touche
• Environmental Investment Partners (EIP)
• Global Environment Facility (GEF)
• UNCTAD-Earth Council Carbon Market Program
• Ecossecurities
• Factor Consulting
• PriceWaterhouseCoopers (PWC)
• CarbonWatch
• Point Carbon
• European Investment Bank (EIB)
The Climate Investment Partnership is committed to making projects real

THANK YOU FOR YOUR SUPPORT