

EBRD and Joint Implementation

Retrospect and Prospect

Friso de Jong

Carbon Finance Analyst
Energy Efficiency and Climate Change
European Bank for Reconstruction and Development
DejongF@ebrd.com

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EBRD Sustainable Energy Initiative (SEI) Overview

The SEI responds to specific needs of the energy transition in the EBRD countries of operations, and addresses the international agenda for IFIs to scale-up climate change mitigation investment.

SEI was launched in 2006 with objective to:

- double investments in sustainable energy to € 1.5 billion in 2006-08.
- achieve diversification across SEI sectoral areas.
- ensure appropriate geographic distribution of SEI activities.
- strengthen organisation to scale up delivery and “mainstream” climate in the Bank’s operations.

Results of SEI phase 1(2006-2008) :

- SEI investments reached €2.66 billion exceeding original three-year target by 77% through 166 projects.
- Total project value reached €14 billion although not all directly linked to SEI.
- SEI Impact: 21 million tonnes of annual CO2 emission reductions and over 8 million toe in annual energy savings equivalent to emissions of Croatia.



SEI Phase 2

SEI Phase 2: launched at EBRD Annual Meeting in May 2009. Objectives:

- SEI financing target: € 3 5 B (total project value: of € 9 15 B)
- Carbon emissions reduction range: 25 30 M tonCO₂/annum
- Technical assistance grant funding: €100 M; investment grant funding: € 250 M

SEI PHASE 2 DIRECTIONS: MORE OF THE SAME

Building on existing SEI areas; further scaling up investment within 5 core activities:

- Industrial EE
- Sustainable energy financing facility
- EE and reduction of carbon intensity in power sector
- Financing of RE development
- Municipal Infrastructure EE



Netherlands Emissions Reductions Cooperation Fund

- Established in October 2003 with the objective to purchase carbon credits from projects in countries with a GHG emission reduction or limitation commitment for the account of the Netherlands
- 6 ERPAs under management in Bulgaria and Romania expected to deliver some 3 million ERUs by 2013
- €5.7 million paid in advance to 3 projects
- 1 UNFCCC registered project:
'Sreden Iskar Cascade HPP Portfolio Project'



EBRD – EIB Multilateral Carbon Credit Fund

- Joint initiative by EBRD and the European Investment Bank
- €150 million for purchase of Carbon Credits under JI, CDM and EU ETS provided that the underlying emission reduction project is being financed by EBRD and/or EIB
- €40 million dedicated to MCCF Green Carbon Fund
- Green Carbon Fund set-up to facilitate Green Investment Schemes
- Commitments of both Ireland (€15 million) and Spain (€25 million) for the purchase of AAUs through GIS



Impediments to JI project development

- EU Emissions Trading Scheme
 - Double counting
 - Price expectations
- UNFCCC JI infrastructure not sufficiently developed
 - Accreditation of IEs
 - DVM
- Additionality
- Window of opportunity



Mind the Gap

- Uncertainty on emissions trading regime post-2012
- Existing JI projects continue post-2012:
'Late crediting'
- Develop a toolbox for projects implemented post-2012:
 - JI?
 - Sector?
 - Cap and Trade?



MIND THE GAP



Late crediting

- Transfer of AAUs within the Kyoto Protocol commitment period in respect to emission reduction activity post-2012
- Projects applying for finance with EBRD today, might not become operational before 2011
- Host country governments do acknowledge that environmental benefits continue post-2012
- Improves the 'bankability' of projects and provides for enabling environment for climate friendly projects
- Provides greening comfort to buyers of first compliance period AAUs, by having started as a JI project and underwrites post-2012 VERs that adhere to Kyoto Protocol standards



Green Investment Schemes

- No rules and modalities in Kyoto Protocol
- No mandatory link between AAUs traded and GHG reduction
- AAUs can be traded ahead of physical GHG reduction
- Market dominated by few governments rather than private buyers and sellers
- AAUs cannot be used for compliance under EU ETS (EU linking Directive does not apply)
- Financial intermediary or fund structure between project owners and the buyer
- Scope and terms of revenue use negotiated bilaterally
- Crediting and revenues possible post-2012
- Less experience than project based mechanisms - EBRD supports market creation



AAU trading/GIS: Opportunities

- Can accommodate larger financial flows than project based mechanisms (wholesale carbon trading)
- Rewards adoption of quantitative emission targets (unlike CDM)
- Can be designed to facilitate private sector investments and trading
- Transfers skills in investment programming and project management
- Complement to credit instruments and national C&T systems until 2012 (if targeted at projects not suitable for JI, EU ETS)
- Post 2012: possible convergence between GIS and programmatic CDM (“CDM track 1”)
- Testing ground for post-Kyoto flexible mechanisms

