



European Bank
for Reconstruction and Development



European Investment Bank



Multilateral Carbon Credit Fund

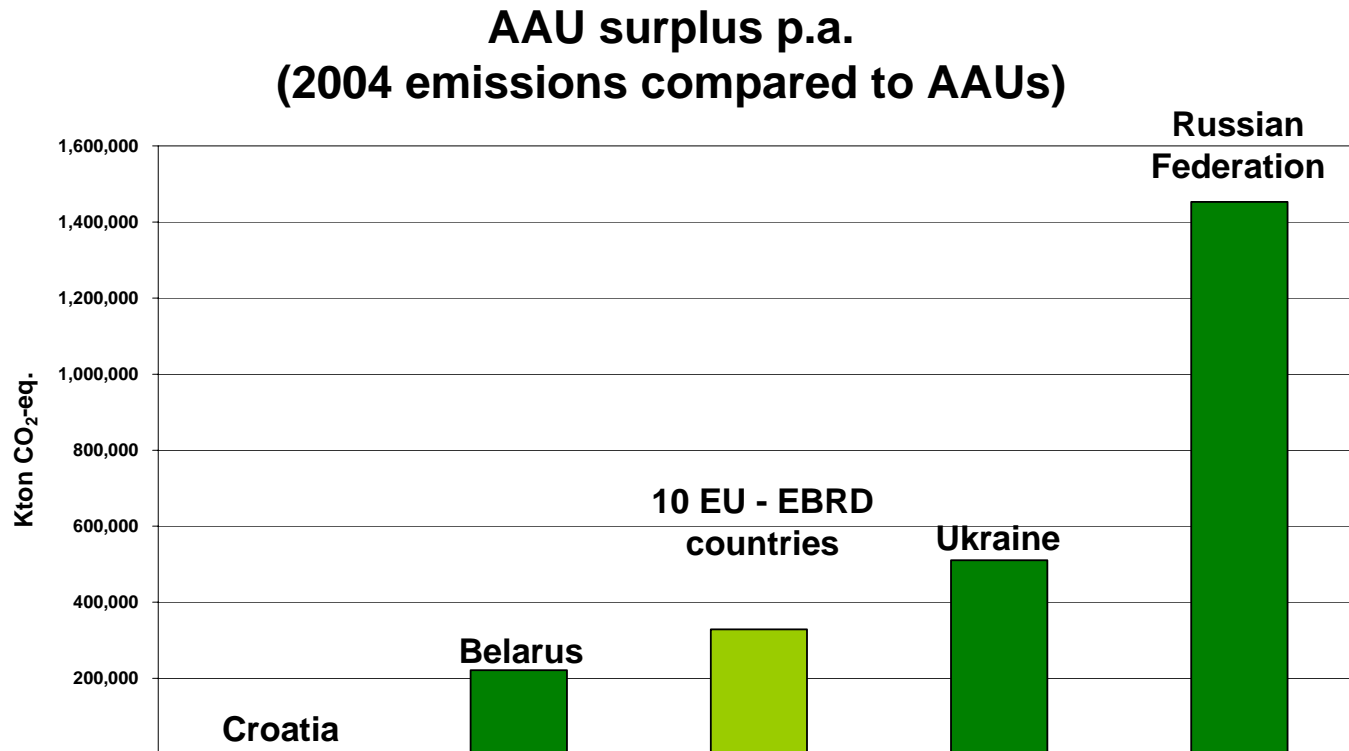
AEB Conference: Kyoto Protocol

Jan-Willem van de Ven
Head of MCCF Secretariat

MCCF: JI and GIS

- The EBRD – EIB **MCCF** has two funds for its 6 sovereign and 5 private participants:
 - Project Fund (€150 million)
 - Green Carbon Fund (€40 million)
- **Green Carbon Fund** to facilitate Green Investment Schemes, i.e. AAU transaction proceeds are used to co-finance sustainable energy projects
- **Project Fund** to purchase EUAs, CERs and ERUs from projects (indirectly) financed by EBRD and/or EIB in EBRD Countries of Operation

Potential suppliers of AAUs \Leftrightarrow ERUs?



Russian Federation remains to be attractive for JI and GIS, due to its size and energy efficiency potential.

MCCF to date

- **JI / CDM**
 - Potential JI in EU member countries decreased due to EU ETS double counting rules, Poland court case could reopen JI set-aside debate
 - CDM in Caucasus is moving, however only a few large projects possible, focus on bundling
 - Ukraine is picking up speed, however ERU generation are linked to industrial output and sponsors find it more difficult to find financing
- **GIS**
 - One GIS development is advancing
 - Seller country's interest is growing, however GIS/AAU demand is suffering
- **Russia** can play an important role in the market:
 - large JI projects are still possible and its sustainable energy potential under GIS,
 - realising this potential requires JI/GIS procedures to start soon.

JI in Russia: considerations for the design of an effective instrument

- Focus on increasing ERU supply, keep the application procedures attractive for investors and eliminate unnecessary (perceived) risks
- Application to follow a normal business planning and financing structuring processes; JI to help the project
- Beyond the tax issue, any fees payable to carbon authorities related to i) JI LoA application and appraisal, and ii) ERU issuing and transfers to be clear upfront.
- Use surplus AAUs to leverage / support JI projects, e.g. :
 - Collateral for ERPA advance payments (state assumes risk and backstops a JI project)
 - Late credit schemes whereby project sponsor receives AAUs with the obligation to “repay” with post 2012 VERs.
- JI Track I with Programme of Activities approach (as fallback for GIS?).

GIS in Russia

- International experiences so far:
 - First transactions happen (Hungary, Latvia, Ukraine)
 - Greening implementation appears harder than thought (impact financial-economic crisis)
 - Is reputation already tainted?
- Russia can differentiate itself by focusing first on the development and quality of the greening pipeline, including internationally recognised GIS MRV procedures
- Deliver where JI can not, such as small scale renewables and energy efficiency.
- To build credibility for GIS, JI approvals need to materialise

Potential Greening Structures

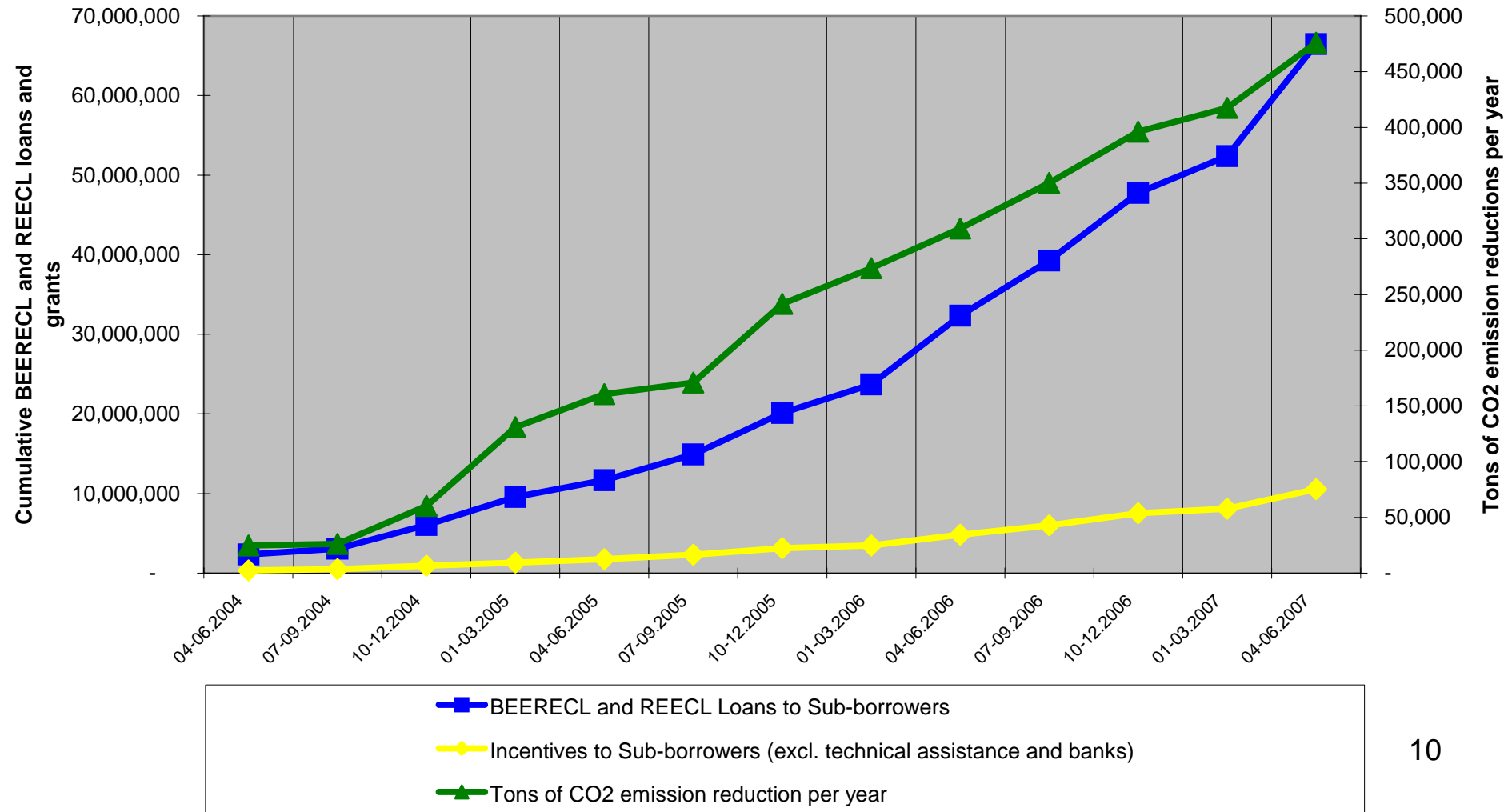
- EBRD credit lines – EIB global loans with local financial intermediaries
 - Target: small scale projects such as energy efficiency or renewables
- Framework agreements with Ministries or government agencies
 - Target: public infrastructure projects to reduce energy losses
- Large individual projects

Example EBRD's SEFFs

| Framework | Eligible country | Board approval date | Framework amount | Type of eligible projects* |
|---|---|---------------------|------------------|----------------------------|
| Bulgaria Energy Efficiency and Renewable Energy Credit Line (BEERECL) | Bulgaria | 27/01/2004 | €155 million | IEE, RE |
| Residential Energy Efficiency Credit Line (REECL) | Bulgaria | 17/05/2005 | €50 million | REE |
| Ukraine Energy Efficiency Programme (UKEEP) | Ukraine | 18/10/2006 | €150 million | IEE, RE |
| Caucasus Energy Efficiency Programme (CEEP) | Georgia, (Armenia), (Azerbaijan) | 24/07/2007 | \$60 million | IEE, REE, RE |
| Slovakia Sustainable Energy Finance Facility Framework (SLOVSEFF) | Slovakia | 23/10/2007 | €60 million | IEE, REE, RE |
| EU Energy Efficiency Finance Facility (EUEEFF) | Bulgaria, Romania | 03/12/2007 | €100 million | IEE |
| EU/EBRD Western Balkans Sustainable Energy Credit Line Facility (WeBSECLF) | Bosnia & Herzegovina, FYR Macedonia, Montenegro, Serbia | 25/11/2008 | €60 million | IEE, RE |
| Kazakhstan Sustainable Energy Financing Facility (KAZSEFF) | Kazakhstan | 10/12/2008 | \$75 million | IEE, RE |

* Industrial Energy Efficiency (IEE), Residential Energy Efficiency (REE) and Renewable Energy (RE)

Example for Greening: Bulgaria Sustainable Energy Credit Line Results BEERECL and REECL - June 2007



EBRD and EIB in Carbon Finance

- EBRD and EIB financing for emission reduction projects qualifying for JI and/or GIS
- Jointly managed MCCF focuses on making carbon finance available to Russia in particular
- Technical assistance to JI project preparation can be considered
- Technical assistance to market facilitation include:
 - Carbon emission factors for electricity in Russia and Ukraine
 - St Petersburg Climate Change Review
 - GIS Model Agreement
- Policy dialogue between Russian Federation and EBRD.

MCCF Secretariat Contacts

- **Jan-Willem van de Ven**

Head of the MCCF Secretariat
EBRD
One Exchange Square
London EC2A 2JN
United Kingdom

Phone: (+44) 207 338 7821
Email: vandevej@ebrd.com

- **Kristin Lang, CFA**

Deputy Head of the MCCF Secretariat
EIB
100, Boulevard Konrad Adenauer
L-2950
Luxembourg

Phone: (+352) 4379 87009
Email: lang@eib.org