

Joint Implementation Round Table

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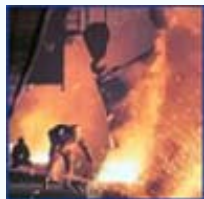


EBRD SUSTAINABLE ENERGY INITIATIVE (SEI)

Launched in 2006. Results through **Q1 2011**:

- EBRD's sustainable energy investments to **€6.6 billion**, for total project value of **€35 billion in 369 projects in 29 countries**;
- Annual GHG emissions savings of **39.6 million tonnes CO₂-eq p.a.** equivalent to Azerbaijan's emissions.

SEI 6 areas of investment are:



1. Industrial Energy Efficiency



2. Sustainable Energy Financing Facilities



3. Power Sector Energy Efficiency



4. Renewable Energy Scale-up

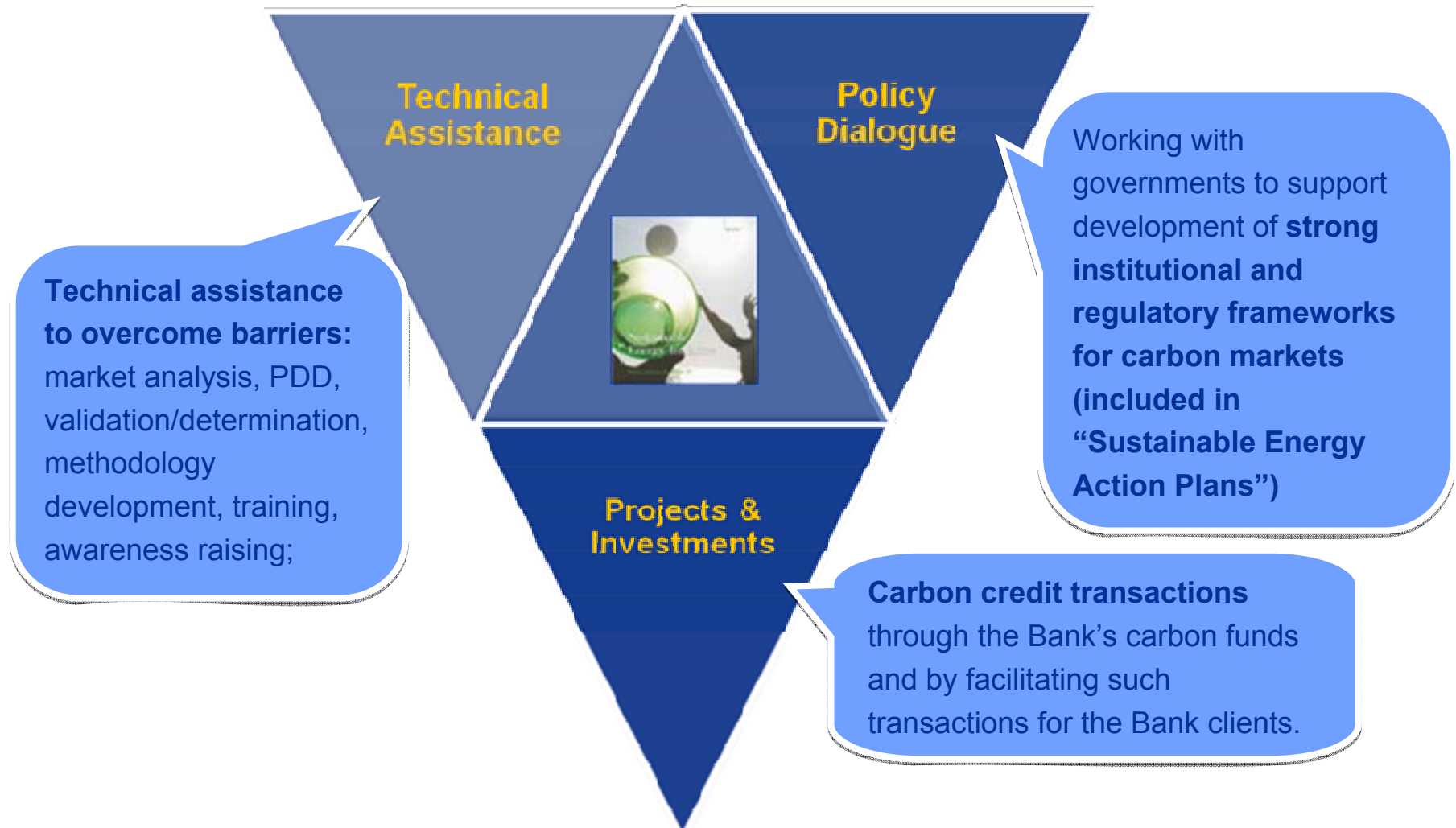


5. Municipal Infrastructure Energy Efficiency



6. Carbon Market Development

EBRD CARBON MARKET DEVELOPMENT APPROACH AS PART OF THE BANK'S SUSTAINABLE ENERGY INITIATIVE





Jl ITSELF HAS MORE BARRIERS THAN THE PROJECT IT WAS SUPPOSED TO SUPPORT

Jl, a project based instrument can be a driver for investments in emission reduction projects by increasing revenues and/or funding.

However the Jl market size is much smaller than CDM, ETS and even voluntary markets, due to a large set of barriers:

- Host country regulation non operating or not working efficient
- For the future: lack of a long term demand horizon
- Outside Jl sponsor's control issues (recession or KP compliance)
- ETS related issues such as double counting issues and non ETS sectors (buildings, transport) difficult to tackle via Jl
- Lack of Determinators and these parties became risk adverse and unable to provide judgement in interpretation issues.

From a financiers point of view, Jl is not sufficiently predictable to provide financing against, a financial scenario with carbon credits has little value.

Jl processes are too lengthy, too costly and do not concur with project development timelines and has difficulties coping with project restructuring.



YET, IF THERE IS DEMAND

Jl played an important role in increasing climate awareness among project sponsors

An increasing number of project sponsors in the region are interested in Jl and related carbon markets

All the Jl PDD and monitoring reports provide for a wealth of information that wasn't there before in such level of disclosure

Most important, the emission reduction potential is still there, and Jl/like instruments can assist the world in achieving emission reduction targets in an economic efficient way.

A body of awareness, understanding, expertise and experience is gradually being built-up



EBRD's EXPERIENCE IN JI MARKET

Focus on regulations, lowering JI costs and developing project supply by assisting EBRD's clients.

- Support to Ukraine under the Ukraine Carbon Market Facilitation
- Support to developing emission reduction methodologies, e.g, sustainable urban transport (Warsaw Tram and Metro)
- Promoting standardised baselines: Carbon Emission Factors for electricity in Russia and Ukraine

Arranging early stage JI demand by two carbon funds (€240 million) that purchase carbon credits from EBRD and EIB financed projects.

- NERCOF with The Netherlands and EBRD – EIB managed MCCF with 6 Sovereign and 5 Private Participants
- Over 20 JI transactions in Bulgaria, Estonia, Lithuania, Russia and Ukraine.
- Pricing is typically in range of €7-12/carbon credit

Developing innovative approaches:

- GIS of €40 million between Poland as seller and Spain and Ireland as buyers to co-finance biogas, biomass, energy efficiency in public buildings and electricity network connections to wind power projects in Poland, setting a transaction standard for environmentally robust transactions
- Develop a bundled JI transaction, such as UBB in Bulgaria



CARBON MARKET DEVELOPMENT ACTIVITIES IN UKRAINE

Through the **Multilateral Carbon Credit Fund (MCCF)**, a joint EBRD-EIB initiative, the Bank facilitated five Emission Reduction Purchase Agreements (ERPAs) with EBRD clients, example: Astarta.

Calculation of **carbon grid emission factors (CEF)** for the period 2009 – 2020 based on a power system simulation model was positively determined by AIE TUV SUD and finalised in October 2010. Training was organised for NEIA experts, facilitating the ex-post calculation of Ukraine's CEF. Donor funding was provided by Canada.

Ukraine Carbon Market Facilitation Programme (UCMFP). Programme funded by Spain facilitates the development of a well-functioning carbon market in Ukraine and modelling of the country's GHG emission levels in the medium and long term. Examples of work:

- Development of legal framework for PoA under "Track I" in Ukraine.
- Determination and Verification Manual for "Track I" JI projects
- Development of a handbook for JI developers (under development) Identification of legislative barriers for JI projects



Methodologies

Currently other issues than methodologies are important, such as seeing through as many as JI projects possible before end 2012

Future focus to be more on the MRV implementation, paving the way for sector and ETS like approaches.

Increase predictability by publishing acceptable baseline (“benchmark”) per unit of product (where possible for a region) as basis to claim carbon credits against (such as a carbon emission factor for electricity)

In case of complex sectors, such as building the acceptable baseline to relate to existing energy efficiency classification, e.g. a standard CO₂ saved per GJ consumption reduced.

Instead of proving financial additionality, focus more on avoiding “windfall” profits, against clearly set indicators.



Thank you!

European Bank for Reconstruction and Development

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