

EBRD and Emissions Trading

Financing GHG emission reduction projects

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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: KEY INGREDIENTS

- Institutional Focus
 - Mainstreamed objectives structured into individual banking team business plans supported by specialised Energy Efficiency and Climate Change team
- Investments
 - Project and mainly private sector driven approach using a range of instruments
- Investment related grants
 - technical assistance to overcome barriers (market analysis, energy audits, training, awareness raising); grant investment co-financing to provide appropriate incentives and address e.g. affordability constraints
- Policy dialogue
 - Working with governments to support development of strong institutional and regulatory frameworks that incentivise sustainable energy.



SEI Phase 2

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

- SEI financing target: €3-5 billion (total project value: €9-15 billion)
- Carbon emissions reduction range: 25-30 million tonnes CO₂e/annum
- Technical assistance grant funding: €100 million; investment grant funding: €250 million

SEI PHASE 2 DIRECTIONS:

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



Carbon Market Development

The SEI promotes and facilitates the development of the carbon market in the EBRD region of operations complemented by two funds:

- the Multilateral Carbon Credit Fund (MCCF) a joint EBRD/ EIB initiative (€190 million); and
- the Netherlands Carbon Fund (€23 million - fully committed)



Netherlands Emissions Reductions Cooperation Fund

- Established in October 2003 with the objective to purchase carbon credits from projects in countries with a GHG emission limitation or reduction 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 in EBRD Countries of Operation
- €40 million dedicated to MCCF Green Carbon Fund
- Green Carbon Fund set-up to facilitate Green Investment Schemes, i.e. AAU transaction proceeds are used to co-finance sustainable energy projects
- Commitments of both Ireland (€15 million) and Spain (€25 million) for the purchase of AAUs through GIS



Project example: Freenergy

- €18.85 mln equity investment to fund the equity needs for development and construction of wind projects in the Baltics
- €13 mln subscribed - second subscription scheduled for Q1 2010
- 7 wind power projects anticipated to reduce ~ 485,000 tCO₂ up to and incl. 2012, potentially generating an additional €5 million in carbon credit revenues



Green Investment Schemes (GIS)

- 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
- 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



Bulgaria Energy Efficiency and Renewable Energy Credit Line (BEERECL)

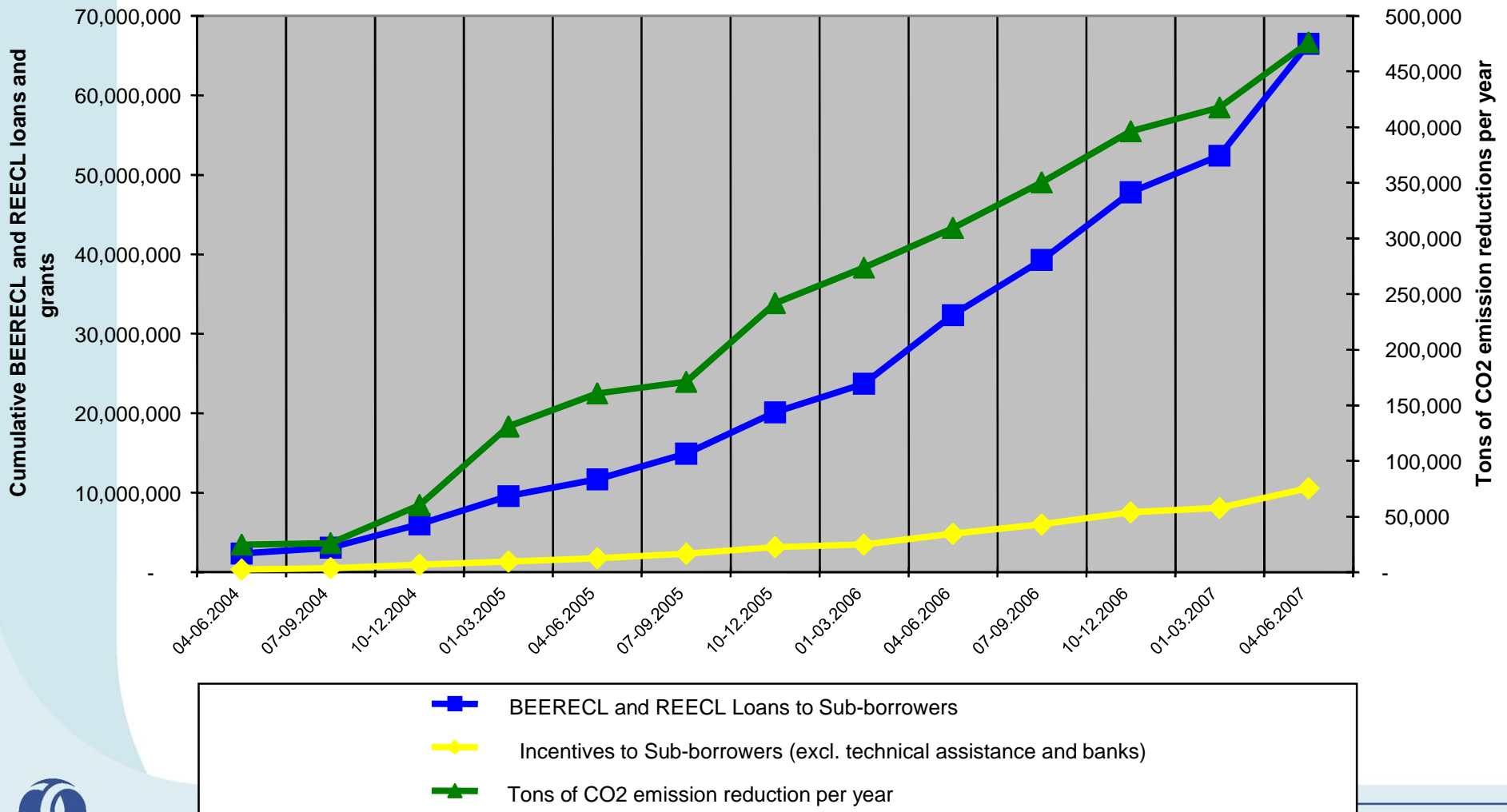
- EBRD Credit Line - EUR 155 million
 - Financially intermediated by 8 local Bulgarian banks
- KIDSF Grant Support (over 95% EU contribution) – EUR 35,2 million
 - Technical Assistance - EUR 13.5 million
 - Incentives to Sub-Borrowers and Banks - EUR 21.7 million

Results to date

- Number of sub-loans: 134
- Total disbursements: EUR 89.8 million
- Average size of sub-loans: EUR 670,150
- Electricity equiv. saved: 905,011 MWh/year
- CO₂ emissions reduction: 576,543 tCO₂/year



Greening Example: BEERECL and REECL – June 2007

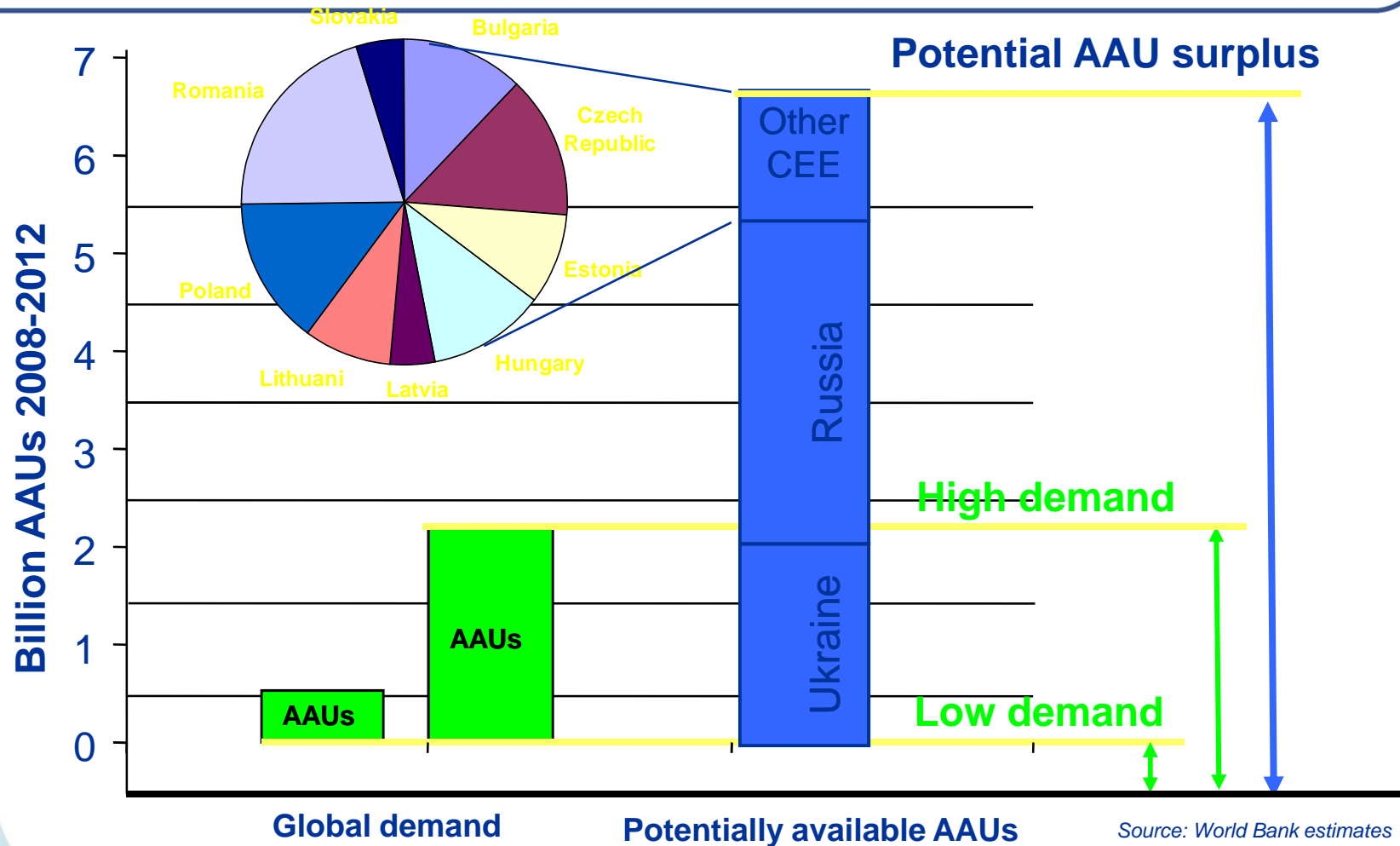


GIS: International experiences to date

- First transactions happen (Hungary, Latvia, Ukraine)
- No GIS projects so far implemented (impact financial-economic crisis)
- One MCCF facilitated GIS development is advanced
- Deliver where JI cannot, such as small-scale renewables and energy efficiency
- Seller country's interest is growing (e.g. Lithuania), however GIS/AAU demand is suffering



Potential demand for and availability of surplus AAUs 2008-2012



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