

Buyer's Experiences from Carbon Finance Transactions



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NEFCO and Carbon Finance

- Nordic Environment Finance Corporation (NEFCO) is a risk capital institution and specialist fund manager, established in 1990 under international treaty by the five Nordic governments
- NEFCO Carbon Fund launched in early 2008, focusing on CDM in India, China, developing Asia, southern and east Africa.
- Carbon funds resources up to €135 million (AUM €121 million)
- Represent governments and investment grade companies
- Bulk of carbon finance investments include renewable energy & energy efficiency components
- 25+ ERPAs concluded in Asia and eastern Europe

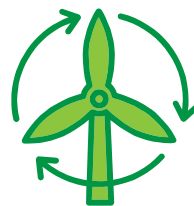
NEFCO's CDM Procurement Strategy

- The acquisition strategy driven by judicious project selection and application of risk management techniques, focussing on
 - Ensuring compliance with Kyoto Protocol & EU ETS guidelines (noting post 2012 CERs subject to EU ETS eligibility)
 - Reasonably predictable generation of emission reductions, with high delivery (issuance) rates, favours certain technologies such as energy efficiency
 - Use of proven commercial technology with manageable risk profiles, approved methodologies (Kyoto risk, registration risk)
 - Technical, economic, financial, institutional and environmental feasibility
 - Competent and creditworthy project owners

What are Carbon Purchasers Looking for?

Carbon purchasers focus on certainty of delivery, depends on a number of factors, of which:

- Delivery risk is key – focus on supplier’s financial status and technical capacity to deliver
- Ability to service debt / deliver credits, and make a profit, evidenced by
 - i.a. financial analysis, credit checks & robust business plan
- Other risks are manageable under conventional investment procedures
 - social & environmental, technology, market (sector viability), financial, construction etc



- Post 2012 crediting makes smaller projects attractive
- Acceptable methodology and registration risks
- Adequately advanced project development
 - Projects with a credible financial plan
 - Most key agreements or permits in place
 - some public sector risk sharing (grants, guarantees)
- Transparency of ownership and integrity of business conduct



Seller Considerations



- A judicious choice of buyer is also required:
 - sellers should consider buyer creditworthiness, especially in view of credit crunch and recession
 - Governmental buyers and compliance buyers can be long term, non speculative partners
- Be comfortable with the buyer, it may be a 10 year relationship
- Selling post 2012 credits if offered by Buyers especially for smaller and less well capitalised project owners, to "lock in" a revenue line to enhance project economics, better to package Kyoto and post Kyoto
- Consider value of sustainable development impacts for which buyers may take on risk or offer premium

For further information contact:

For additional information, please visit
www.nefco.org/cff

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