

Bureaucrats and businessmen

Limitations of “carbon finance” in CEE

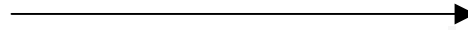
Renewable energy finance workshop

Budapest, 27th September 2004

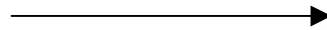




“Nice to have”



“Need to have”



From the bureaucrat's point of view

"Nice to have"

Looks nice - good PR

Doesn't cost much

"Need to have"

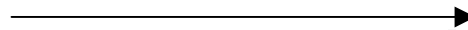
Expensive

Need to know how to bake



From the business man's point of view

"Nice to have"

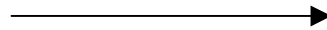


Lottery

No cashflows until 2009-2013

Risks outside business' control

"Need to have"



Up front payment

Transparent pricing

Viable allocation of risks



Buyers of ERUs

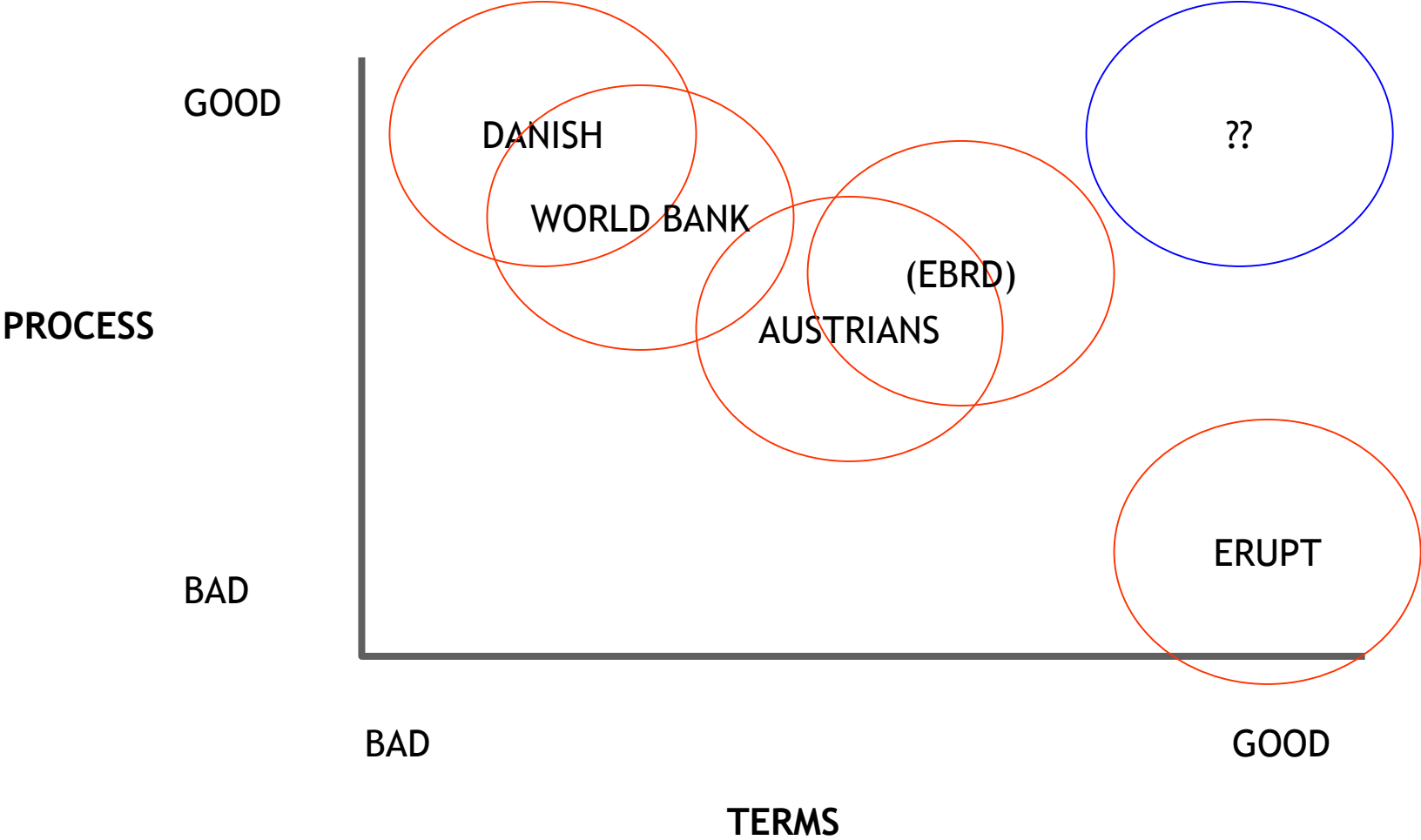
- Strange procurement processes
- Unappealing terms
- Questionable legitimacy

The buyers

The World Bank Group's mission is to fight **poverty** and improve the living standards of people in the **developing world**.

www.ibrd.org "about us"

Other buyers of ERUs



Where are the commercial buyers?

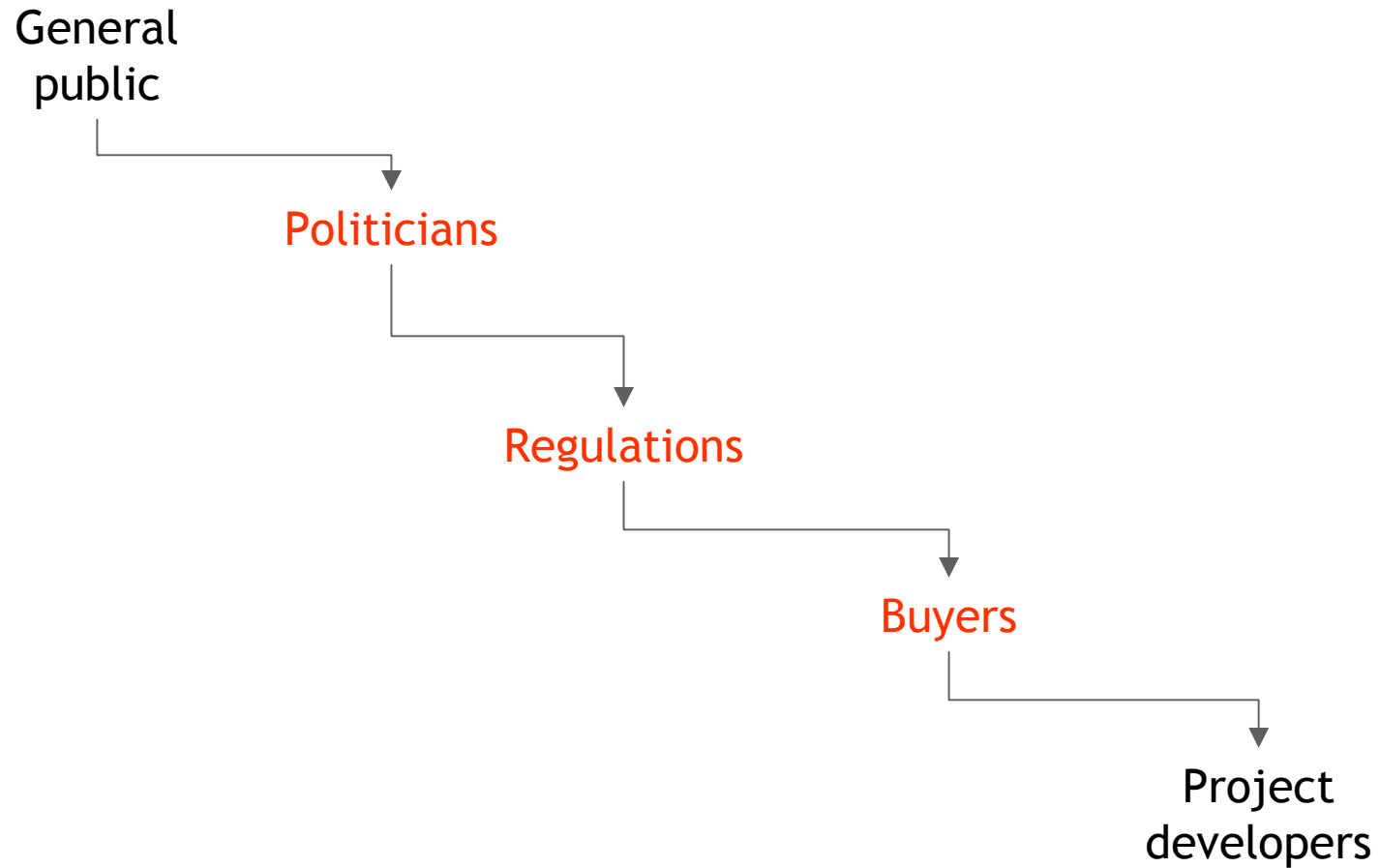


Reasons why companies are not buying

- Kyoto risk
- JI Executive board risk
- Linking Directive

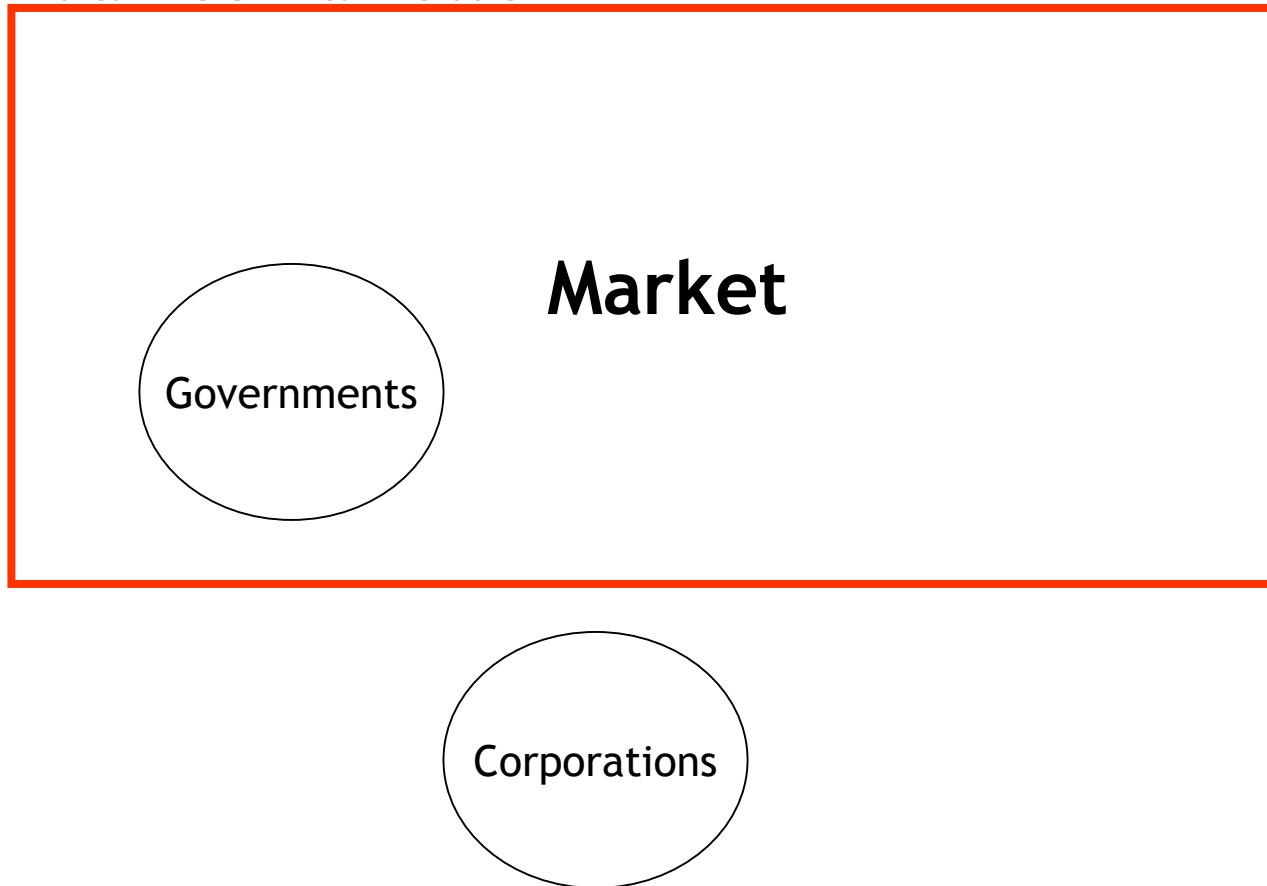
NOT: Sovereign risk, project risk, fuel supply risk etc.

Cause and effect



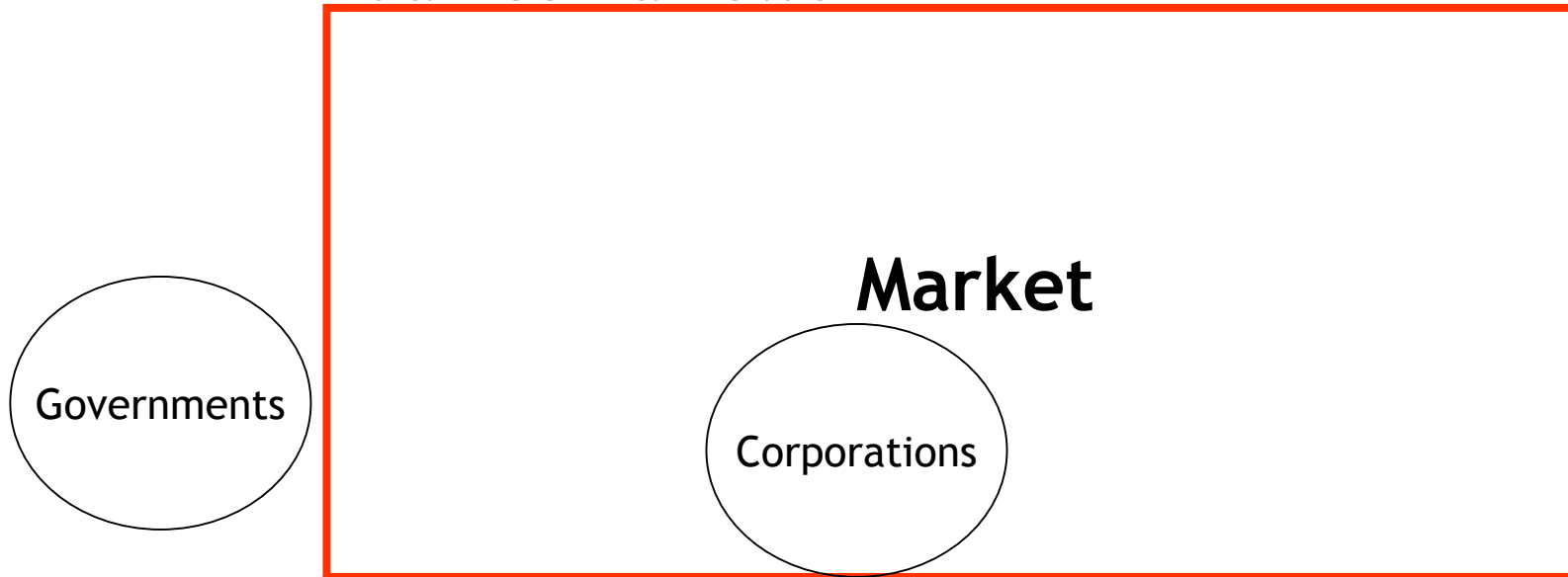
Making JI and AAUs deals into a market

Market framework



Making JI and AAUs deals into a market

Market framework



Making emissions trading appealing

- Simplify the rules
 - Reduce transaction costs
 - Sort out “additionality”
 - Take out the lottery element
- Clear link to EU ETS ASAP
- Get all sectors involved (residential, transport) and at same time free up AAU trading