

Workshop on Financing Modalities of Clean Development Mechanism (CDM)

- Identify the financial barrier on CDM project and find out possible solution -

<Background>

The CDM was established by Article 12 of the Kyoto Protocol. Through the CDM, an industrialized country invests in projects in a developing country and obtains credits for achieved emission reductions called Certified Emission Reductions (CERs). The CDM is intended to provide specific benefits for developing countries, including transfer of clean technology, foreign direct investment and an income from the sale of tradable CERs, while attracting the investments from the private sector in developed countries in return to the generated CERs. The CDM also assists industrialized countries in achieving cost-effective compliance with their quantified emission limitations and reduction commitments under Kyoto Protocol's Article 3.

Getting the CDM into gear will require financial resources. The financial sector can play an important role in this respect, and, in particular, provide project financing, lending and insurance for CDM projects. However, the current involvement of private financial institutions in CDM projects remains low. This seems because the financing the CDM projects is more difficult than financing conventional projects due to the financial additionality regulation under the Marrakech Accords, that is, the project that is profitable enough even without CERs is not suitable as CDM project. In case of CDM projects, profits should depend not only on project based profits but also the revenue from selling CERs obtained.

Therefore, the work shop aims to explore the financial feasibility of CDM project from a view of financial institution's behaviour and consider the possible solution to reduce such bottlenecks. In addition, it is also necessary to identify policy options which are taken by Host countries and Annex-I countries for project developers and financial institutions to implement the CDM projects.

<Objectives>

- 1) To identify the risk and the issues on financial appraisals when the CDM project will be implemented,
- 2) To consider the way how such risks and issues are mitigated, and
- 3) To find out the policy solution to solve them to project developers and the government of host countries.

<Outline of workshop>

1) Date: 27-28 June 2005

2) Venue: Crowne Plaza Hotel JAKARTA

<http://www.ichotelsgroup.com/h/d/cp/1/en/hd/jktep>

JALAN GATOT SUBROTO KAV 2-3, JAKARTA, 12930, INDONESIA

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3) Tentative agenda (Speakers and/or Presenter are to be decided): Please see Attachment 1

4) Expected participants:

- Commercial Bankers (Foreign & Domestic banks),
- MFIs (WB, ADB) and Bilateral Donor (JBIC)
- Project developers (Local developers or consultants)
- Government officials (Indonesia, The Philippines, Vietnam, Cambodia, India)
- KADIN(Indonesian Chamber of commerce)

5) Hosted by:

Institute for Global Environmental Strategy (IGES),

UNEP RISØ Centre on Energy, Climate, and Sustainable Development (URC),

United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP),

Japan Bank for International Cooperation (JBIC)

<Expected output>

- Identify the financial barrier on CDM project and find out possible solution.

Agenda (Tentative)

Day One (27 June, 2005)

9:00 Registration

9:30 Opening Remarks by Organiser

- **Mr. Sudariyono**, Deputy for Environmental Conservation, Ministry of Environment, Indonesia
- **Dr. Tae Yong JUNG**, Project Leader, Climate Policy Project, IGES
- **Mr. Rae Kwon CHUNG**, Director, Environment and Sustainable Development Division, UNESCAP
- **Dr. Myung-Kyoon LEE**, Climate Coordinator, Senior Economist, UNEP RISØ Centre on Energy, Climate, and Sustainable Development (URC)
- **TBD**, Japan Bank for International Cooperation (JBIC)

10:00 – 12:00 Session I: Introduction of workshop

(Three 30 minutes Presentations and 30 minutes Discussions)

Chair: Dr. Tae Yong Jung, Project Leader, Climate Policy Project, IGES

Presentations will be made by

- **Mr. Rae Kwon CHUNG**, Director, Environment and Sustainable Development Division, UNESCAP
- **Dr. Myung-Kyoon LEE**, Climate Coordinator, Senior Economist, UNEP-RISØ Centre
- **Mr. Tomonori SUDO**, Senior Policy Researcher, Climate Policy Project, IGES and **Ms. Yukimi SHIMURA**, Country Officer, CDM Programme, IGES

12:00 – 13:00 Lunch Break

13:00 – 15:00 Session II: Introduction of candidate/potential CDM project

(Five 15 minutes Presentations and 45 minutes Discussions)

Chair: Dr. Myung-Kyoon LEE, Climate Coordinator, Senior Economist, UNEP-RISØ

Presentations will be made by

- **Mr. Tony LIWANG**, Vice President, SMART Research Institute and **Mr. Jun ICHIHARA**, Country Officer, CDM Programme, IGES
- **Mr. Ouk NAVANN**, Staff of Climate Change Office, Ministry of Environment,

Cambodia

- **Mr. Pascual Beltran**, Business Manager, Philippine Biosciences, Inc.
- **Mr. Hoang Manh Hoa**, Senior officer, International Cooperation Department, Ministry of Natural Resources and Environment of Vietnam
- **Mr. Chintan SHAH**, General Manager, SenergyGlobal, India

15:00 – 15:30 Break

15:30 – 18:00 Session III: Donor's perspectives on Financing CDM

(Three 20 minutes Presentations and 40 minutes Discussions)

Chair: Mr. Rae Kwon CHUNG, Director, Environment and Sustainable Development Division, UNESCAP

- **Ms. Farida Zaituni**, Operation Analyst, World Bank, Jakarta, Indonesia
- **Mr. Toru KUBO**, CDM Specialist, Asian Development Bank
- **Mr. Toshiro NISHIZAWA**, Deputy Director General, International Finance Department I, Japan Bank for International Cooperation (JBIC)
- **Mr. Yoichiro MATSUSHITA**, Deal Manager, Japan Carbon Finance Ltd.

17:30 – 18:00 Open Discussion for Day 1

18:30 – Reception

Day Two (28 June, 2005)

9:30 - 12:00 Session IV: Commercial Banks perspectives on Financing CDM

(Four 20 minutes Presentations and 40 minutes Discussions with 10 minutes break)

Chair: Mr. Tomonori SUDO, Senior Policy Researcher, Climate Policy Project, IGES

- **Mr. Rey Guarin**, The Development Bank of Philippines
- **Mr. Brian Little**, Executive Director, Regional Project Finance & Structured Debt, Integrated Energy and Natural Resource Asia, ABN-AMRO
- **Mr. Masahiko Umezono**, General Manager, Structured Finance Division, Bank of Tokyo-Mitsubishi, Tokyo, Japan
- **Mr. Monjit Singh**, Vice President, Infrastructure-Advisory&Finance, Yes Bank, India

12:00 – 13:00 Lunch Break

13:00 - 13:50 Session V: Host countries' policy on CDM implementation

(Five 10 minutes Presentations by each country representative)

Chair: Mr. Shinichi IIOKA, Programme Manager, CDM Programme, IGES

- Indonesia
- The Philippines
- Cambodia
- Vietnam

14:00 – 16:00 Session IV: Panel Discussion: Policy measures to be taken by Non-Annex-I countries' government to mitigate and share the risks on CDM project financing by commercial lenders and investors.

Chair: Prof. Akio MORISHIMA, President, Chair of the Board of Directors, IGES

<Panellist>

Ms. Liana Bratasida, Assistant Minister for Global Environmental Affairs, MOE Indonesia, and Member of CDM Executive Board

Mr. Komara Djaja, Deputy Minister, Coordinating Ministry of Economic Affairs, Indonesia

Mr. Rae Kwon CHUNG, Director, Environment and Sustainable Development Division, UNESCAP

Dr. Myung-Kyoon LEE, Climate Coordinator, Senior Economist, UNEP-RISØ Centre

Dr. Tae Yong JUNG, Project Leader, Climate Policy Project, IGES

Dr. ANCHA Srinivasan, Project Manager, Climate Policy Project, IGES

TBD, Japan Bank for International Cooperation (JBIC)

16:00 Closing Remarks by Organiser