

# **Bureaucrats and businessmen Limitations of “carbon finance” in CEE**

Renewable energy finance workshop

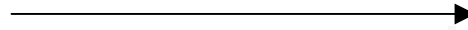
Budapest, 27<sup>th</sup> September 2004



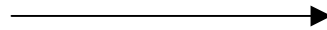
VERTIS  
ENVIRONMENTAL  
FINANCE



“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"

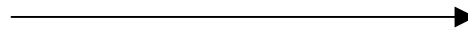
Expensive

Need to know how to bake



# From the business man's point of view

"Nice to have"

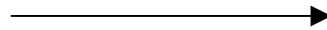


Lottery

No cashflows until 2009-2013

Risks outside business' control

"Need to have"



Up front payment

Transparent pricing

Viable allocation of risks



# Buyers of ERUs

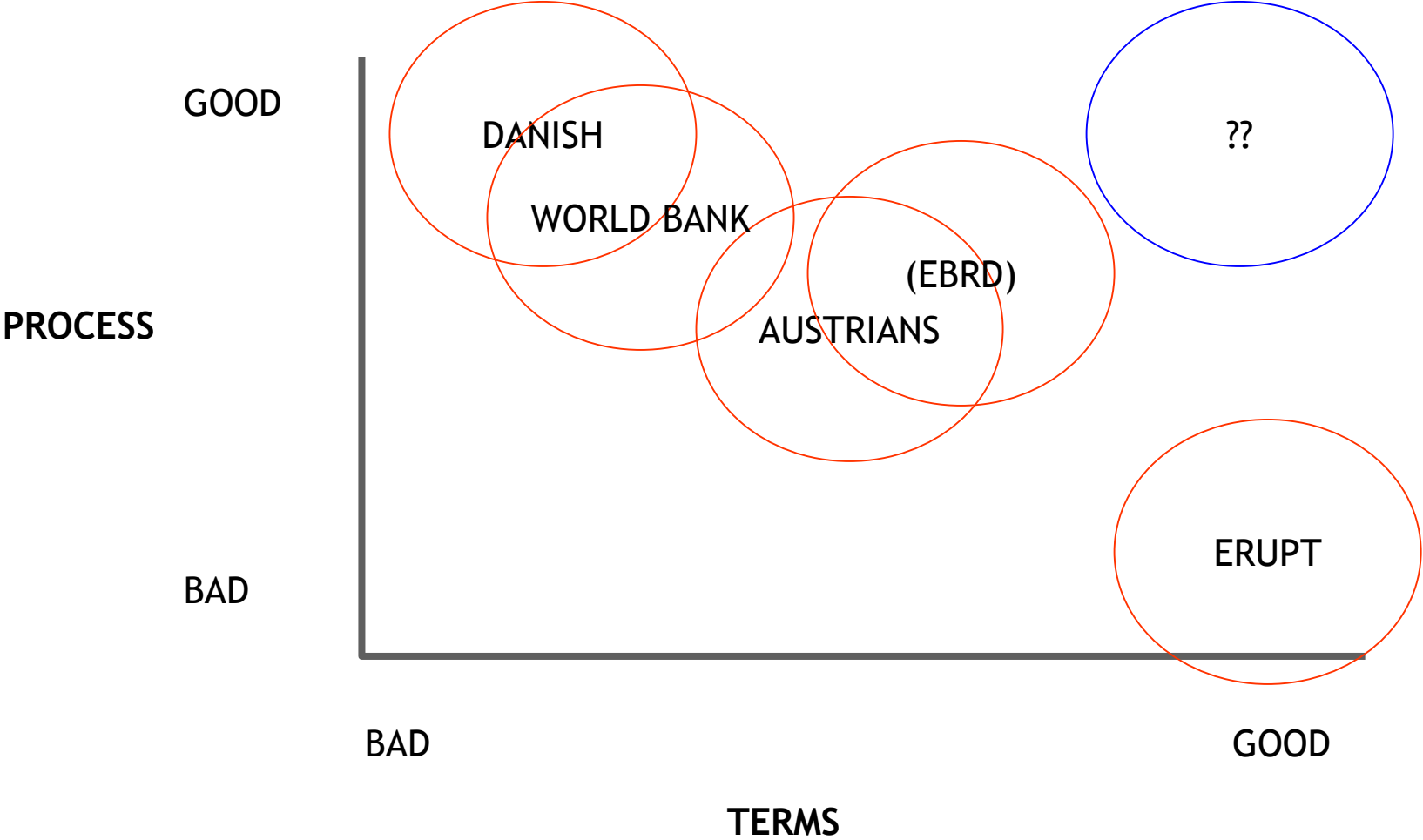
- Strange procurement processes
- Unappealing terms
- Questionable legitimacy

# 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](http://www.ibrd.org) "about us"

# Other buyers of ERUs





# Where are the commercial buyers?

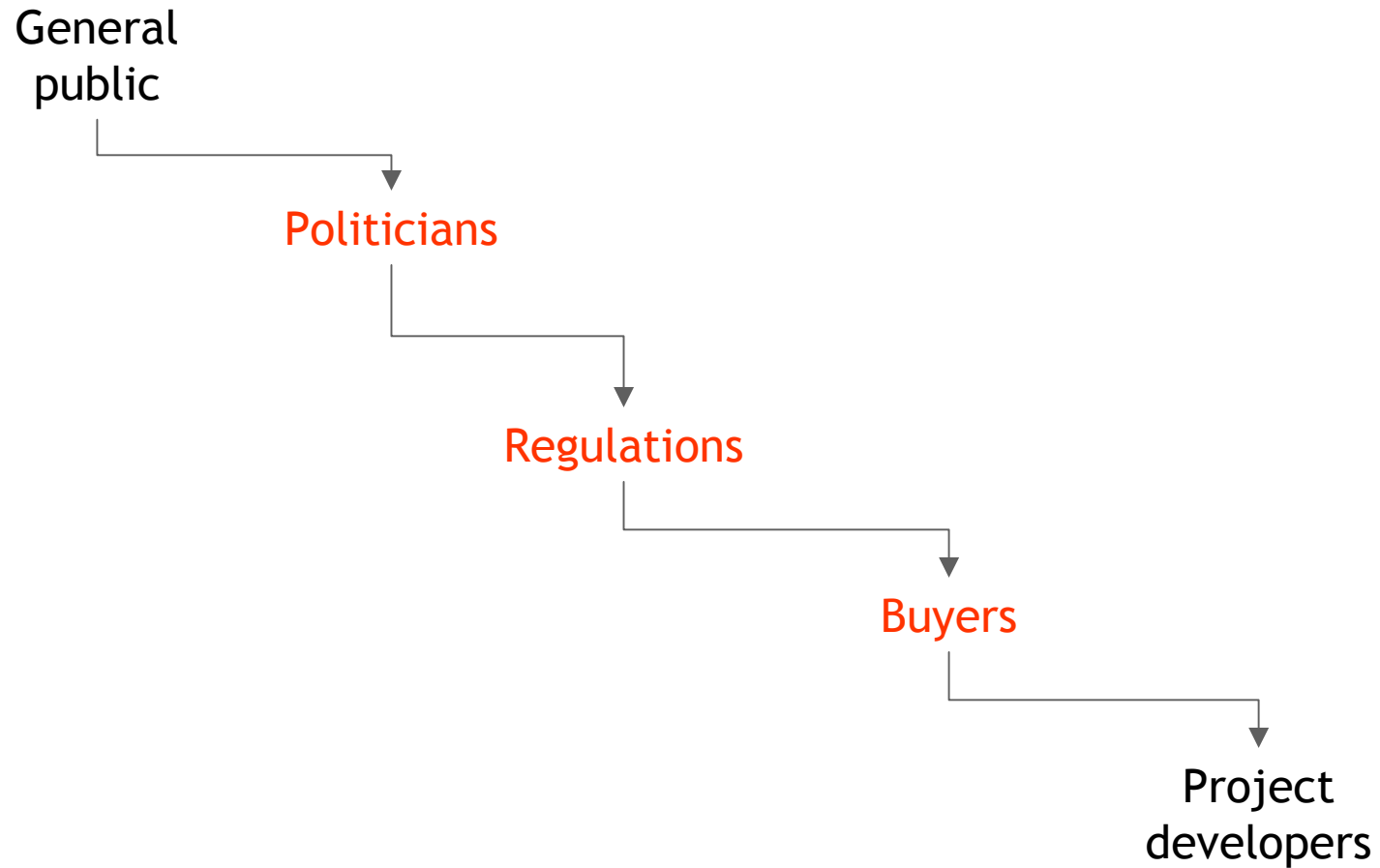


# Reasons why companies are not buying

- Kyoto risk
- JI Executive board risk
- Linking Directive

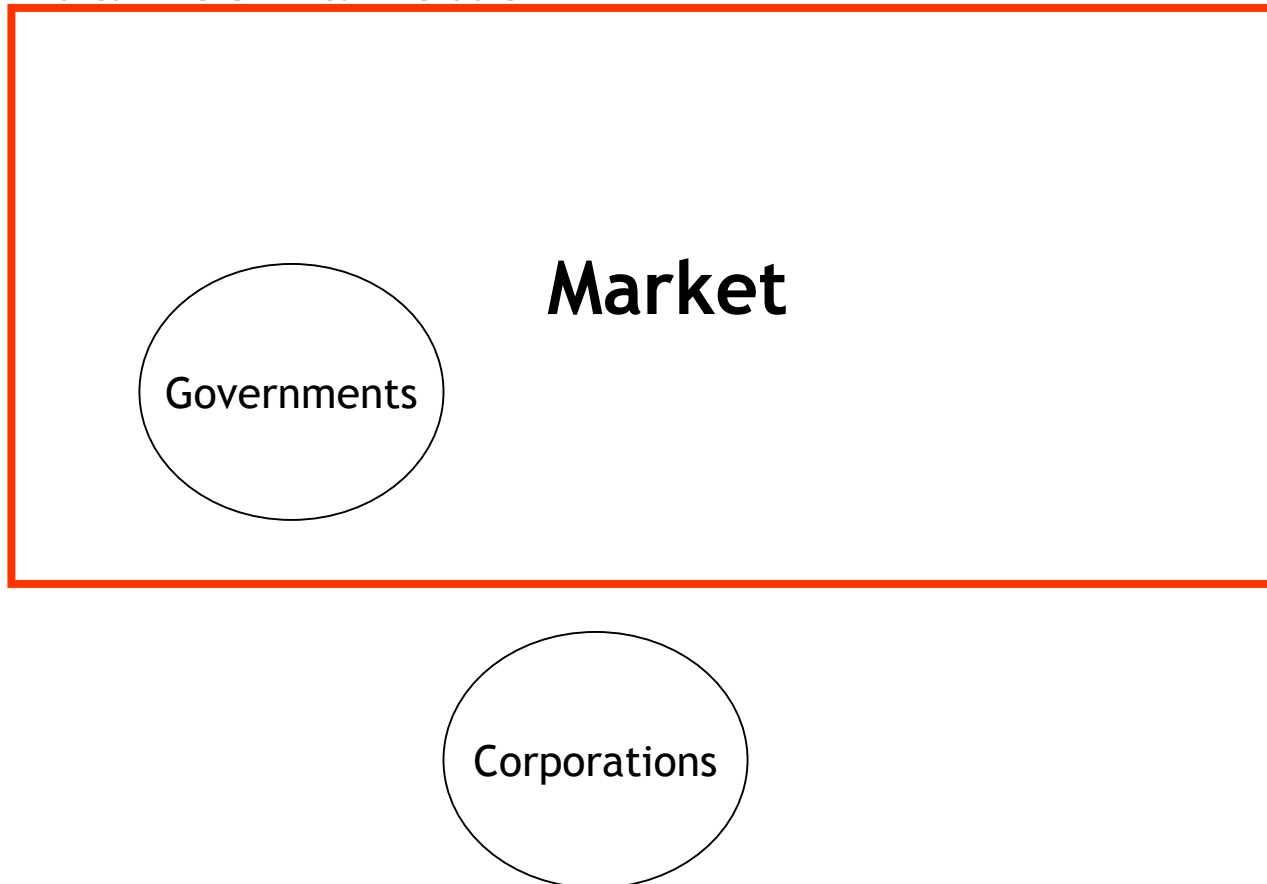
NOT: Sovereign risk, project risk, fuel supply risk etc.

# Cause and effect



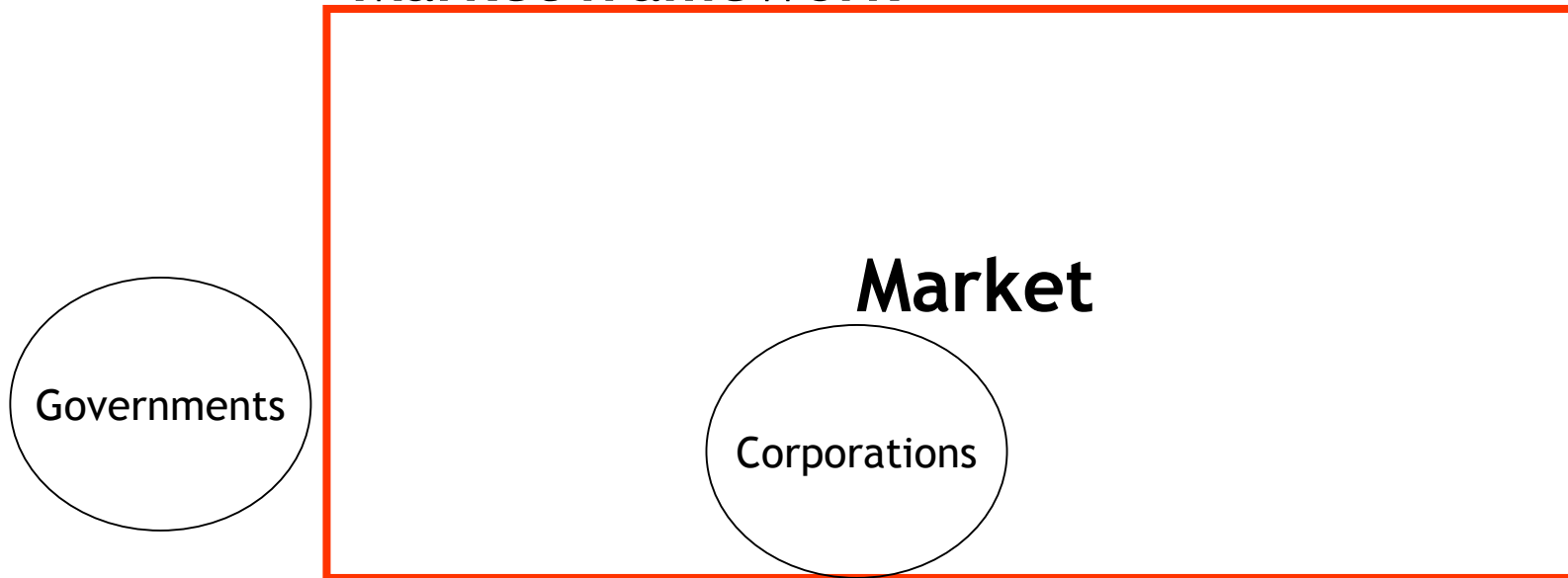
# Making JI and AAUs deals into a market

## 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