Bureaucrats and businessmen
Limitations of “carbon finance” in CEE

Renewable energy finance workshop
Budapest, 27th September 2004
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

- DANISH
- WORLD BANK
- AUSTRIANS
- (EBRD)
- ??
- ERUPT

TERMS: GOOD, BAD

PROCESS: GOOD, BAD
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

General public

Politicians

Regulations

Buyers

Project developers
Making JI and AAUs deals into a market

Market framework

Market

Governments

Corporations
Making JI and AAUs deals into a market

Market framework

Market

Governments

Corporations
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