Carbon Presentation to the African Bankers’ Carbon Finance and Investment Forum
What CDM opportunities exist?

Carbon project activities may be divided into three groups:

- **Renewable energy**:
  - Hydro
  - Wind
  - Solar
  - Biomass
  - Waste (including bio-gas)

- **Energy efficiency**:
  - Co-generation/tri-generation etc.
  - Low-energy technologies

- **Capture and storage**:
  - Current opportunities mainly agricultural and forestry
Does “Carbon Finance” fit the core activities of the organisation?

Financiers are automatically exposed to carbon opportunities, whether by design, or by default through the normal business activities of clients:

• All business activities have some inefficiencies
• All business activities give rise to direct or indirect GHG emissions
• Any business efficiency has the potential to reduce emissions (and operating costs)
• New business proposal may adopt ‘new’ and environmentally friendly solutions

The question for financiers therefore is whether to:

i) avoid financial exposure to them, or
ii) embrace carbon opportunities and build new income streams

“wide differences remain between leaders and laggards in many sectors and countries, creating opportunities for those companies moving early to address the challenges and opportunities created to establish competitive Advantage”

Change is Coming: A Framework for Climate Change - a Defining Issue of the 21st Century Published by the UN Global Compact Office May 2009

(http://www.unglobalcompact.org/docs/issues_doc/Environment/Change_is_Coming_Framework_for_Climate_Change.pdf)
Organisational commitment to carbon project activities requires the support of (if not directive from) senior management.

Considerations to obtaining that support include:
- CDM concept and process awareness
- CER market awareness
- Product approval requirements
- EXCON restrictions and approval requirements
- Risk
  - physical project risks,
  - project validation and registration,
  - monitoring and verification,
  - CER market risks
- Operational support (systems and people)
External stakeholders, project participants and counterparts

Building a support network – develop working relationships with:

• CDM project developers (technical PDD authors)
• Designated National Authority
• DOE’s
• Funding partners (financiers, development and aid agencies etc.)
• Carbon brokers
• (Compliance) buyers

Promote awareness of CDM and carbon finance participation through:

• Client briefings (including corporate relationship managers)
• Participation in carbon seminars and forums
Internal stakeholders - Transaction engagement:

Define a robust transaction process, and stick to it...

At Nedbank this process includes:

• Project assessment
  o are financial and carbon assessments and project participants credible?

• Investment Committee
  o is the carbon exposure for this transaction acceptable?

• Risk
  o are technology, project, owner and sovereign risks acceptable?

• Credit
  o are all project risks adequately priced?
  o are financial models robust?

• Go/no-go decision
  o Does the project meet investment hurdles (risk-weighted return)?
Proceed with caution!

Carbon project activities should be evaluated by the project participants in the same way as any investment decision.

The decision to proceed with registering a potential CDM project should be taken in isolation from the underlying project investment decision.

In the event the carbon project does not provide an adequate return on costs, DO NOT PURSUE REGISTRATION!
Thank You