

Experiences as a ER buyer and a general outlook

Olle Björk

Swedish Ministry of
Sustainable Development

Washington 2005-02-16

Swedish CDM & JI activities

- Swedish International Climate Investment Programme (SICLIP)
 - Implemented by the Swedish Energy Agency
 - Budget ~ USD 25M
- TGF- A Nordic JI fund
 - Implemented by NEFCO
 - TGF – is a "testing ground" for JI in the Baltic Sea Region including NW Russia
 - Budget of 15 M Euro for JI projects
- Prototype Carbon Fund
 - USD 10M Swedish investment

Aim of Swedish CDM & JI activities

To gain experience in using the flexible mechanisms

Contribute to the development of the mechanisms both nationally and internationally

To acquire cost-efficient GHG emission reductions from high quality projects

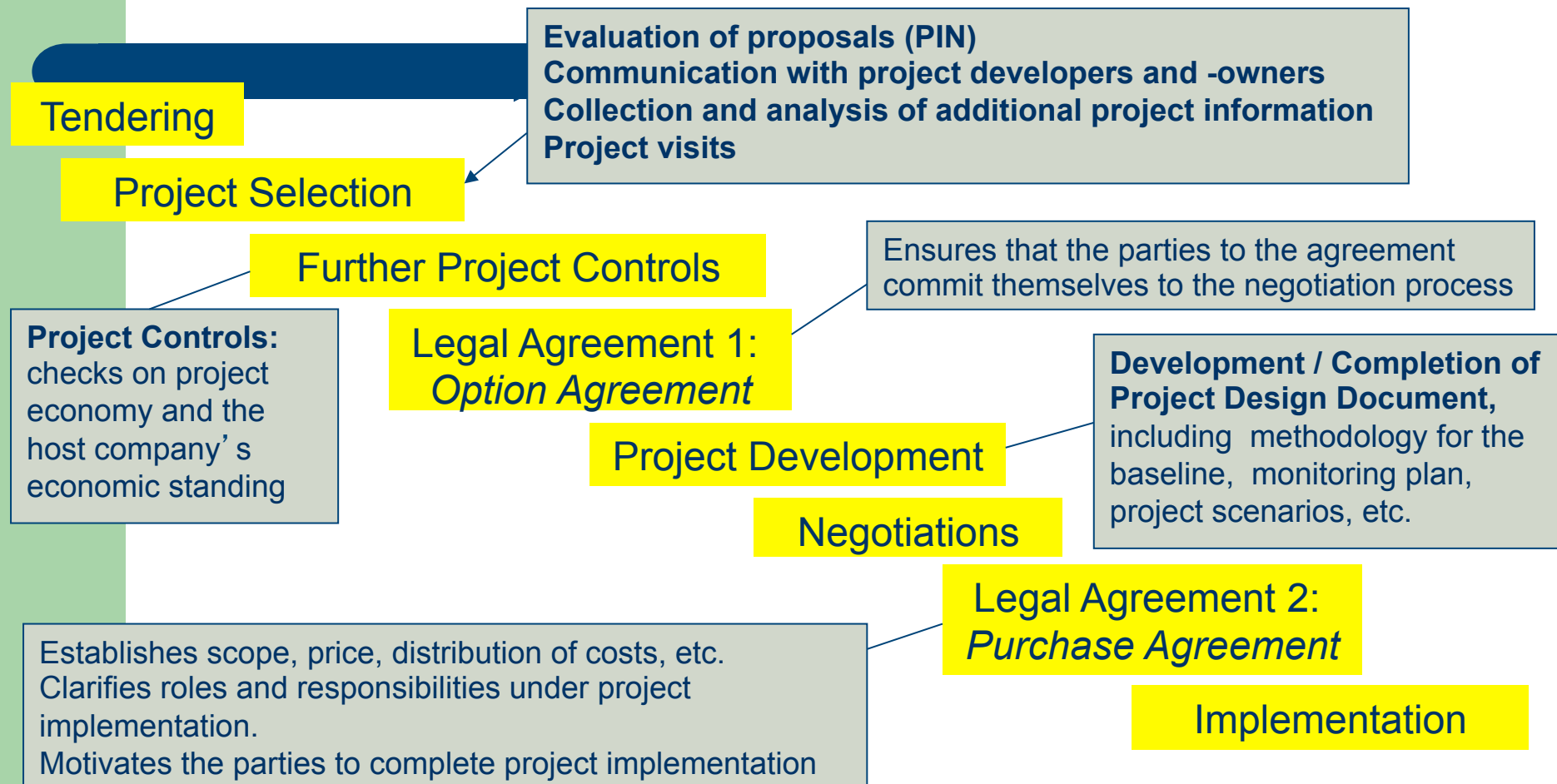
SICLIP- CDM

- Programme activities commenced in 2002 with call for CDM project proposals
- 46 proposals received, emission reduction purchase agreements (ERPA) signed with four projects
 - One biomass power project, Tamil Nadu (18MW)
 - Three bagasse co-generation projects in sugar industries in São Paulo region
- Expected delivery: approx. 1.5 M CERs

SICLIP- JI

- A call for proposals was announced in July 2003.
- Fifteen project proposals were received by the close of the call in October 2003
- Three renewable energy and energy efficiency projects in Estonia and Romania are being developed further
- Expected delivery close to one million ERU/AAU

SICLIP project cycle



Lessons learned (1)

- JI/CDM offers a cost effective way of achieving emission reductions
- Time consuming process, less so in the future.
 - contracts are being standardized
 - approved methodologies can be used
 - bilateral agreements in place for JI
 - Improved and harmonized host country procedures-->Shorter lead time and lower transaction costs
- Communication through project developers (consultants) instead of directly with project owners can lead to problems

Lessons learned (2)

- Finding project financing is a critical element of project development, access to capital is a major barrier in many countries.
- Partial up-front payment necessary for most JI-projects, since there is no cash flow from ERU/AAU until 2008. Up-front payments can save money for the buyer.
- Lack of understanding of concepts and communication severe barrier

Lessons learned (3)

- Clear processes and guidelines in the tender procedure will render more project proposals.
 - Partial funding of project documentation often necessary
 - Payment after validation reduces risk for the buyer
- There are more well developed CDM projects compared to JI.
 - SC not yet in place
 - Russian potential untapped due to institutional risks

Future for Swedish CDM & JI activities

- Transposition of Linking Directive
- CDM:
 - Several small-scale projects in China are currently being evaluated.
 - Option to invest in a least developed country
- JI:
 - Russian market will be important in the future.
 - TGF: The fund will be opened for industry subscription soon, aim is to increase the budget from 15 -> 30M Euro
 - Track-1 procedure will increase private sector participation

Development of the carbon market

The Kyoto Protocol enters into force today!

- Prospects changing but still political uncertainty
- Binding targets
- JI supervisory committee will be established

Linking directive opens door to JI/CDM for European industry

- Lower abatement cost
- Increased demand for JI and CDM

Caveat: The Linking Directive provides for ceiling for JI/CDM in EU member states

Post 2012 scenarios

- Recent EU-Commission communication stresses broad participation and flexible mechanisms: change of strategy within the EU?
- Sector based CDM