



WB Carbon Finance Project Cycle and Role of Key Players

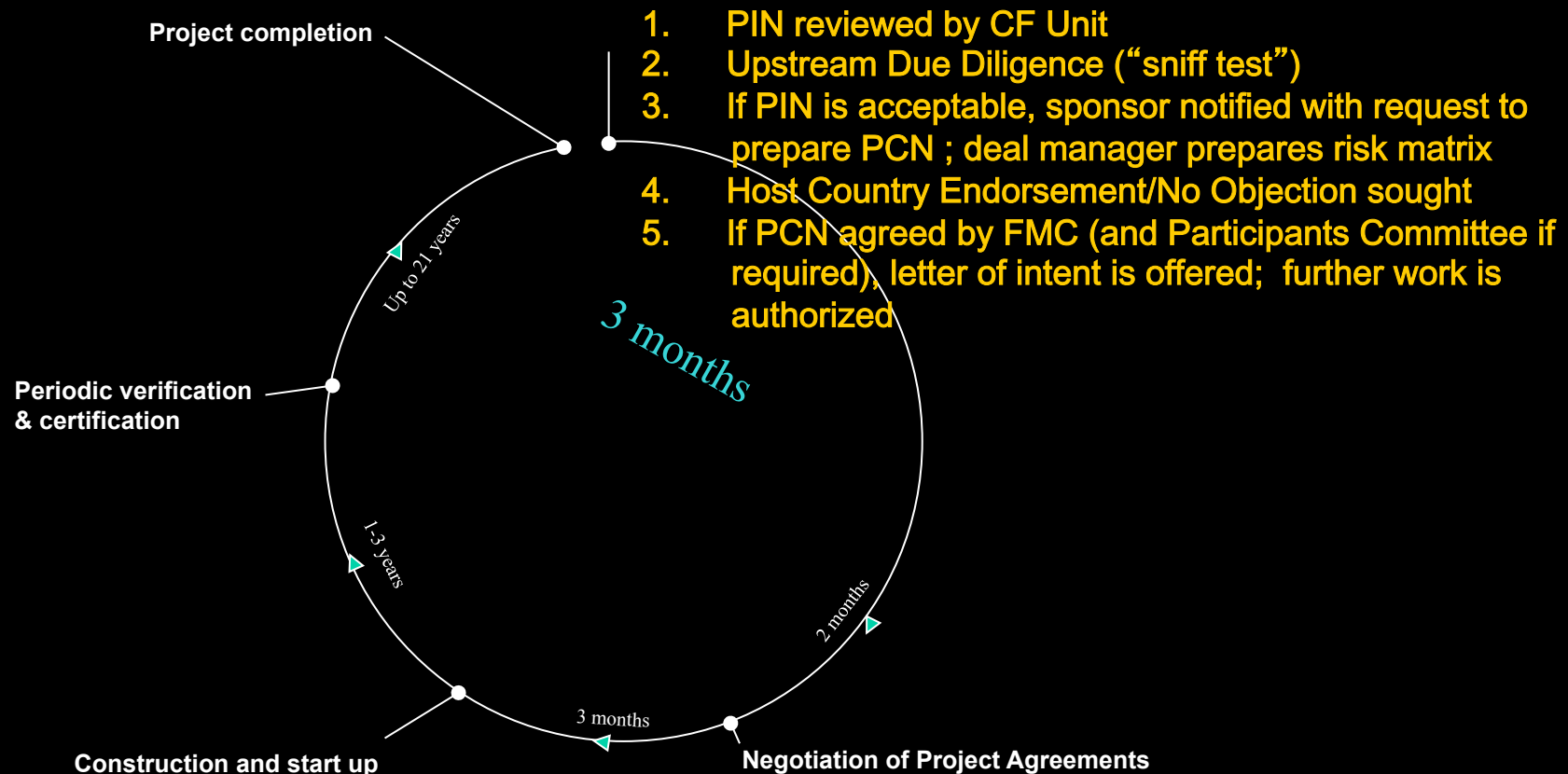
Introduction to Carbon Finance

March 10, 2004

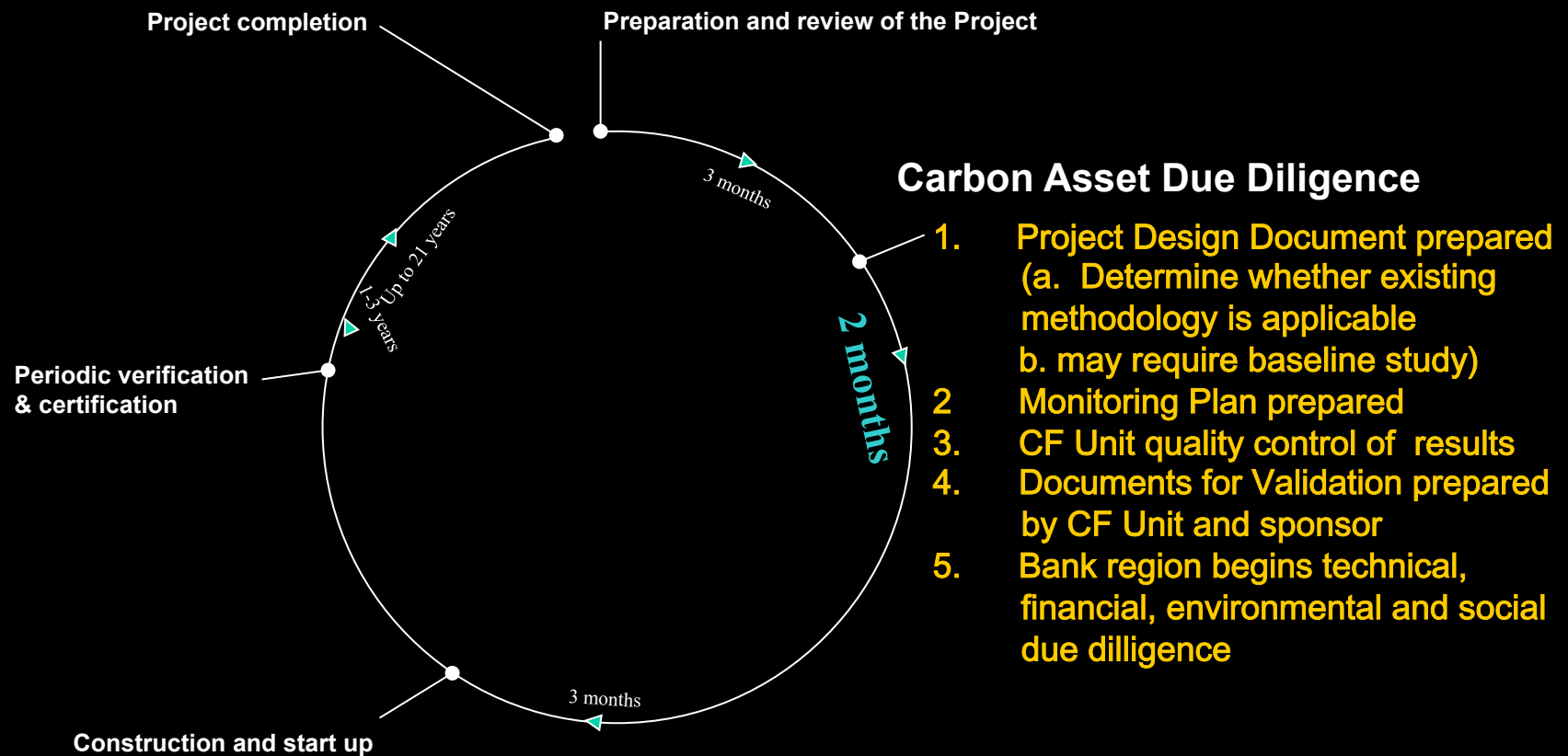
Project Proposal Review and Upstream Due Diligence



Proposal Review and Upstream Due Diligence

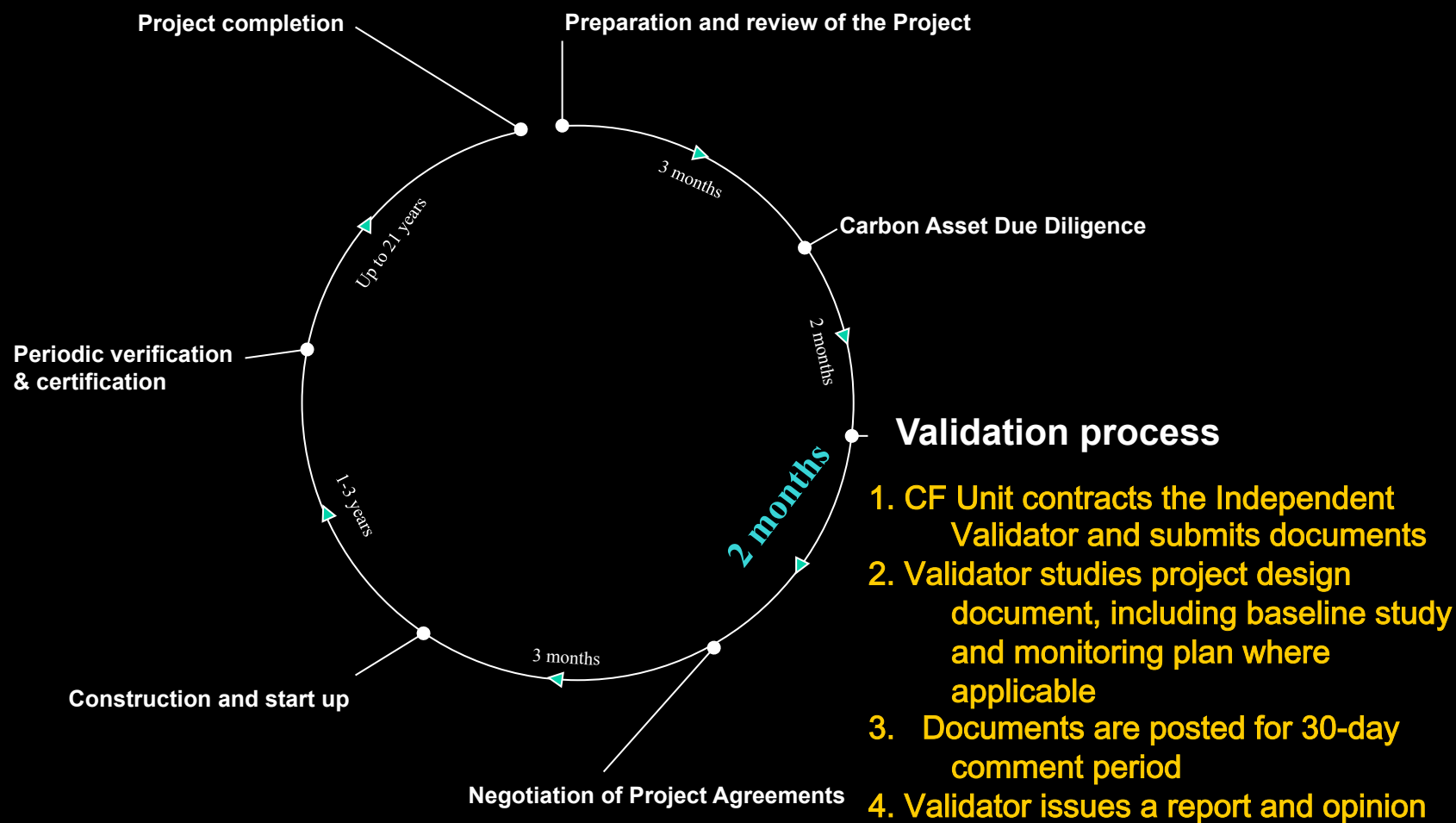


Carbon Asset Due Diligence

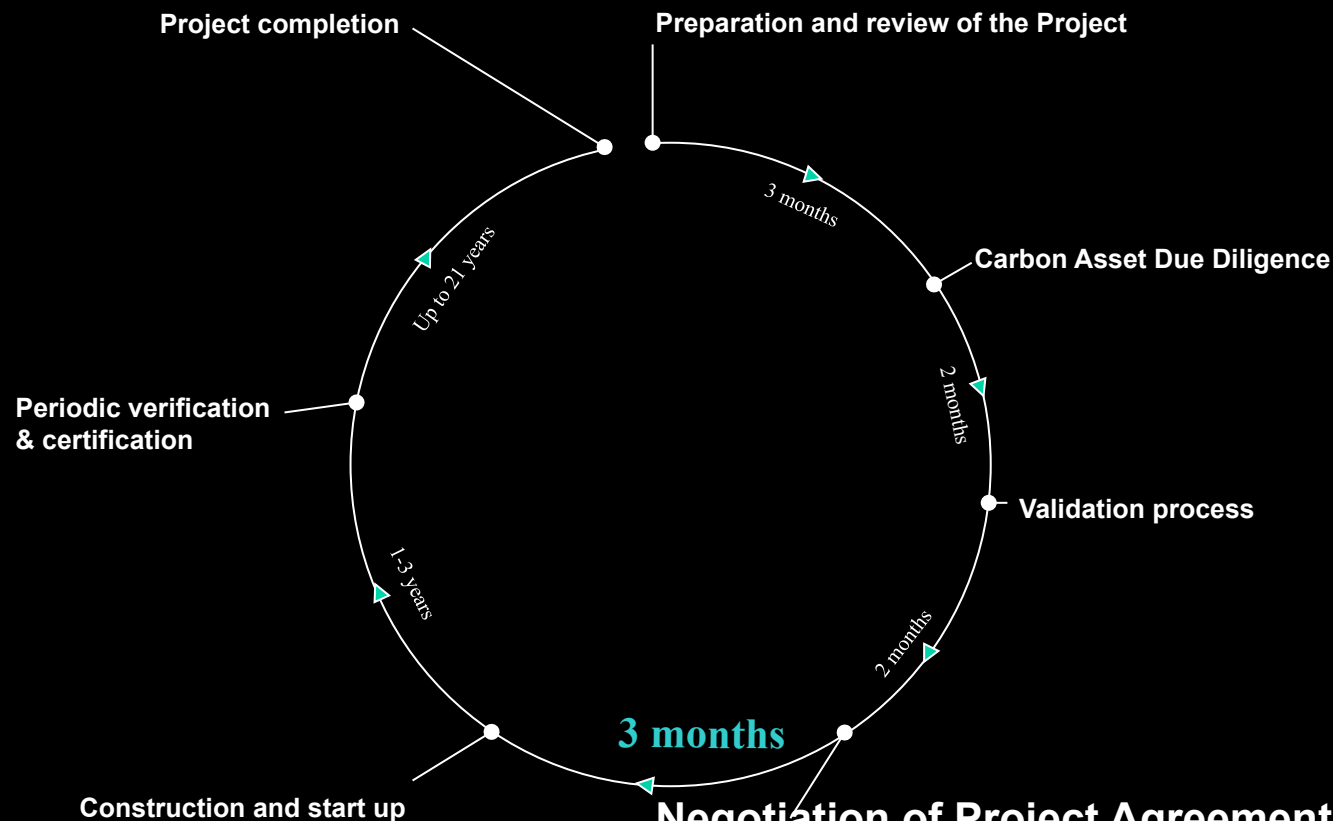




Validation Process



Negotiation of Project Agreements

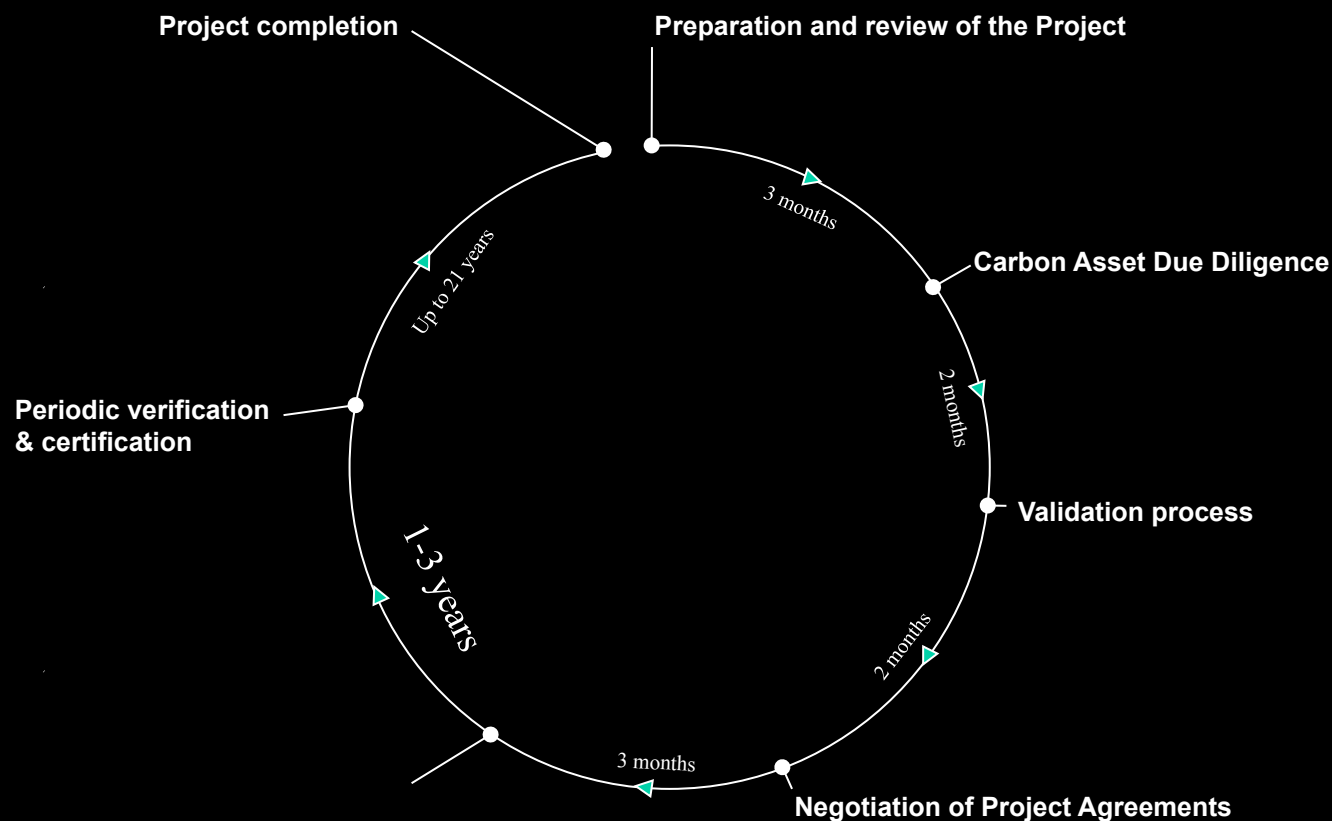


Negotiation of Project Agreements

1. CF Unit prepares term sheets and draft ERPA.
2. Negotiations completed and term sheet is initialed
3. Project Due Diligence is completed and World Bank internal approvals are secured.
4. Letter of Approval obtained from Host Country
5. ERPA is signed
6. ERPA becomes effective after financial closure is achieved



Start of Generation of ERs & Monitoring

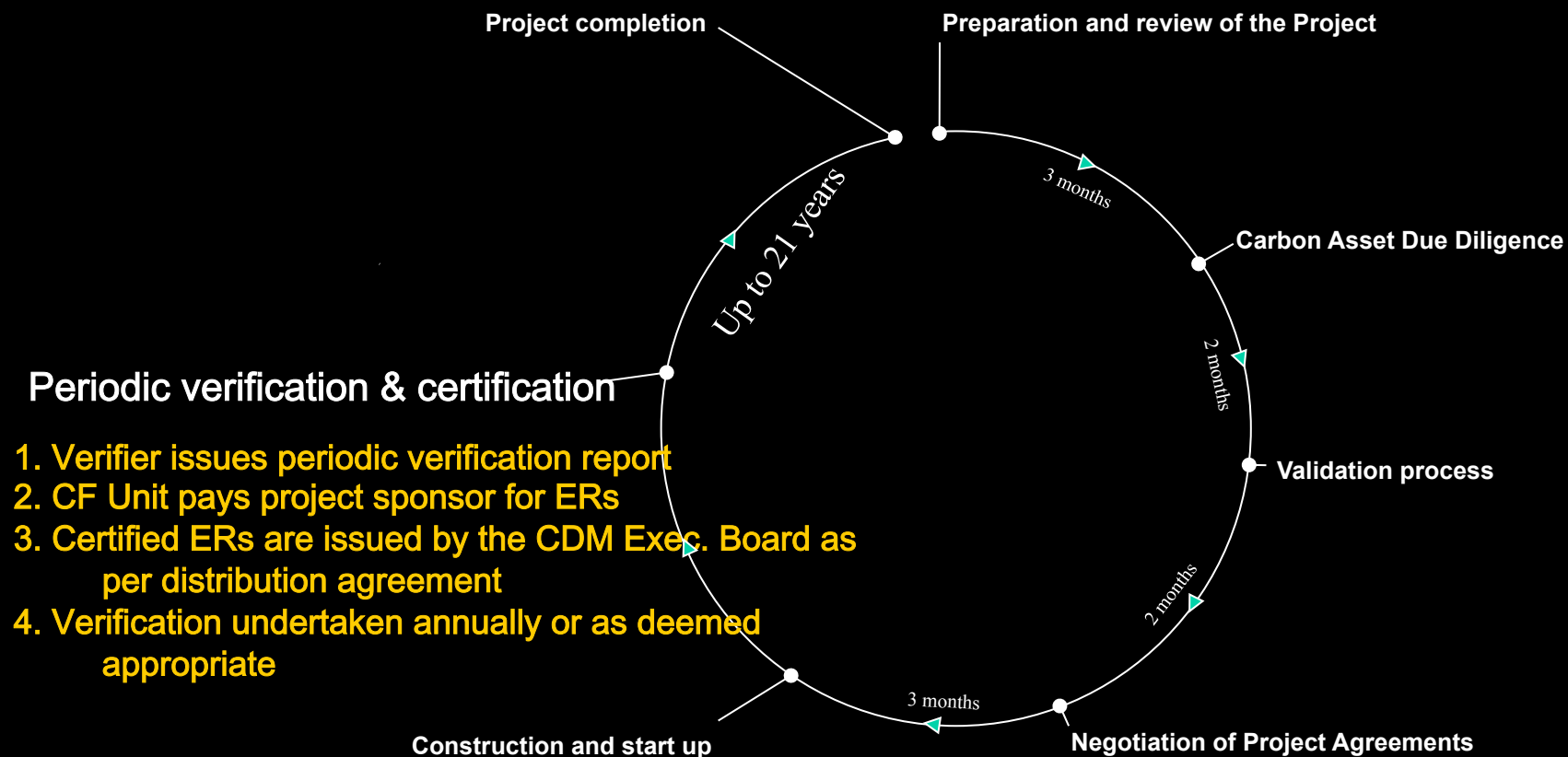


Construction and start up

1. At construction completion, CF Unit contracts Independent Verifier
2. Verifier checks that specifications of the monitoring plan are met ("Initial Verification")
3. Project implementation starts
4. Project entity monitors in accordance to the monitoring plan



Verification and Certification



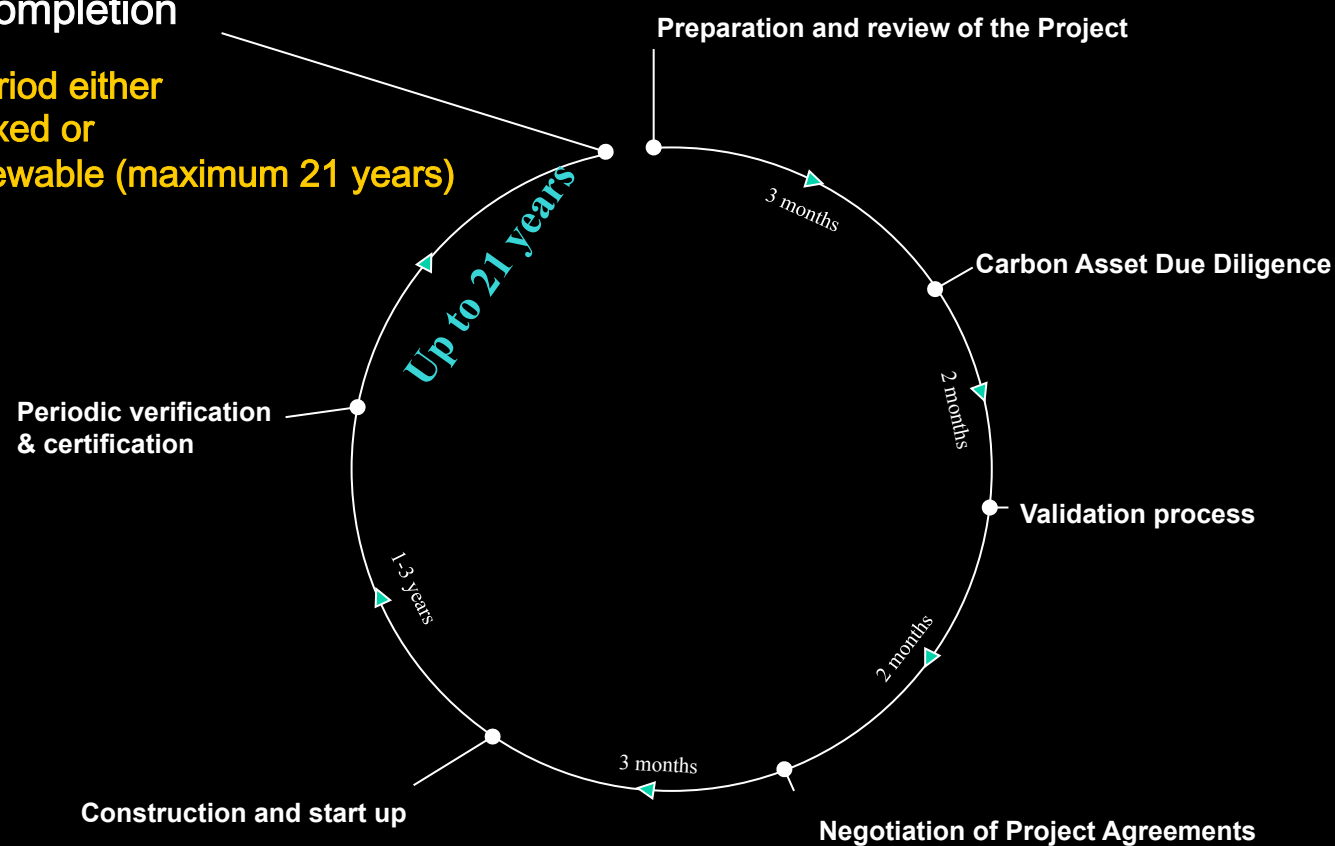


Project Completion

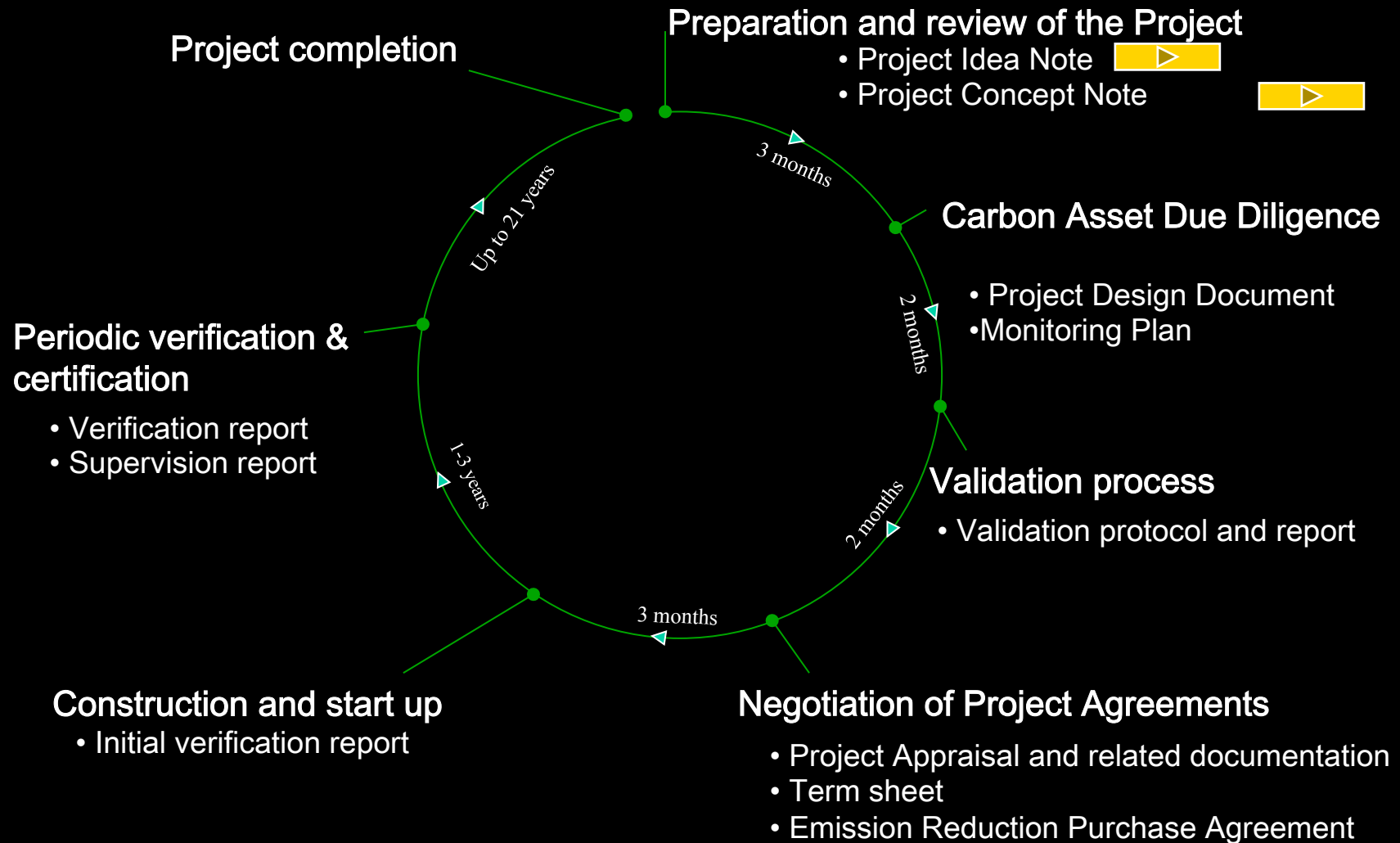
Project completion

Crediting period either

- 10 years fixed or
- 7 year renewable (maximum 21 years)



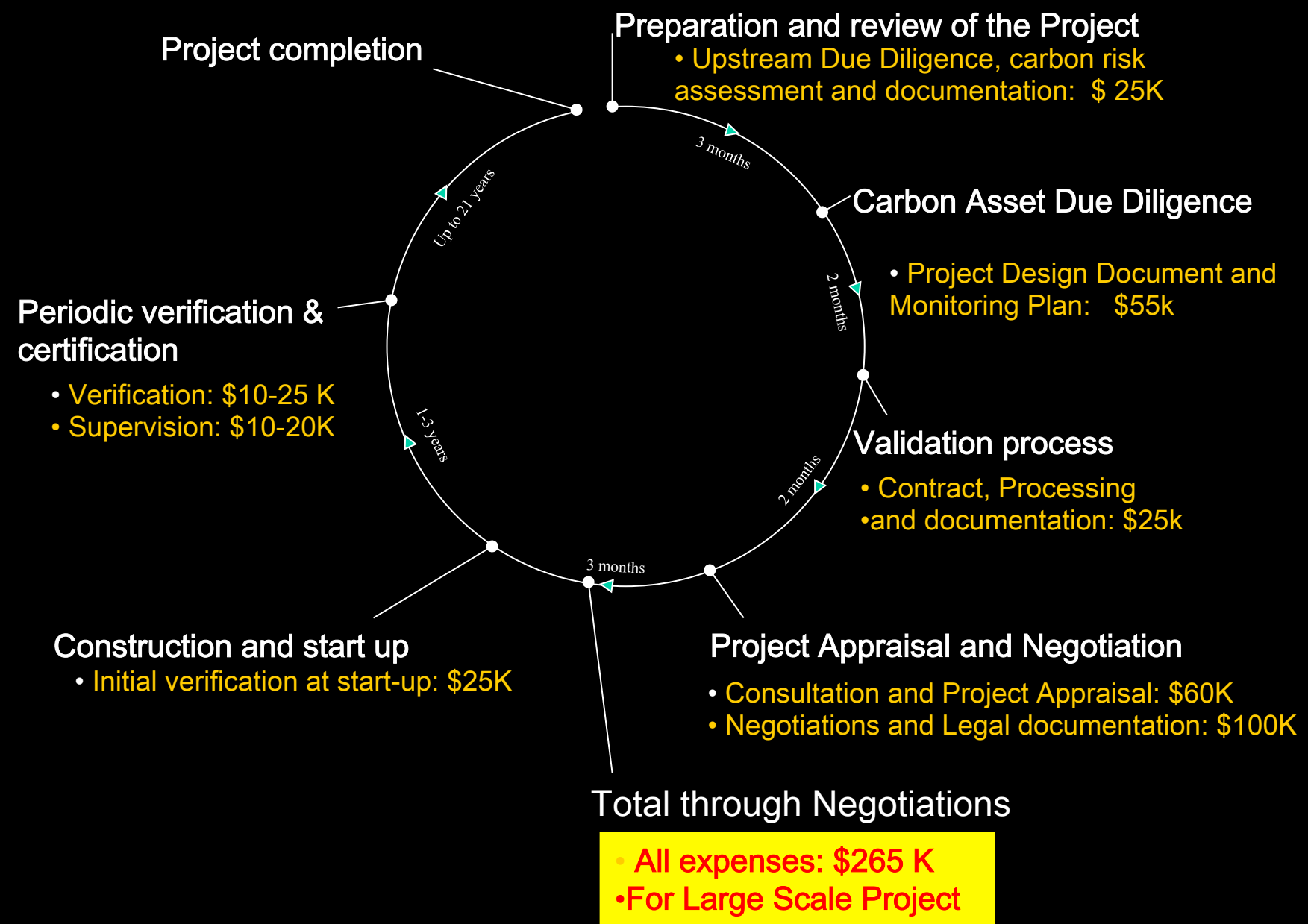
PCF/CDM Project Cycle – The documentation





Carbon Asset Creation and Maintenance

Manuf. Process and Costs based on Bank experience

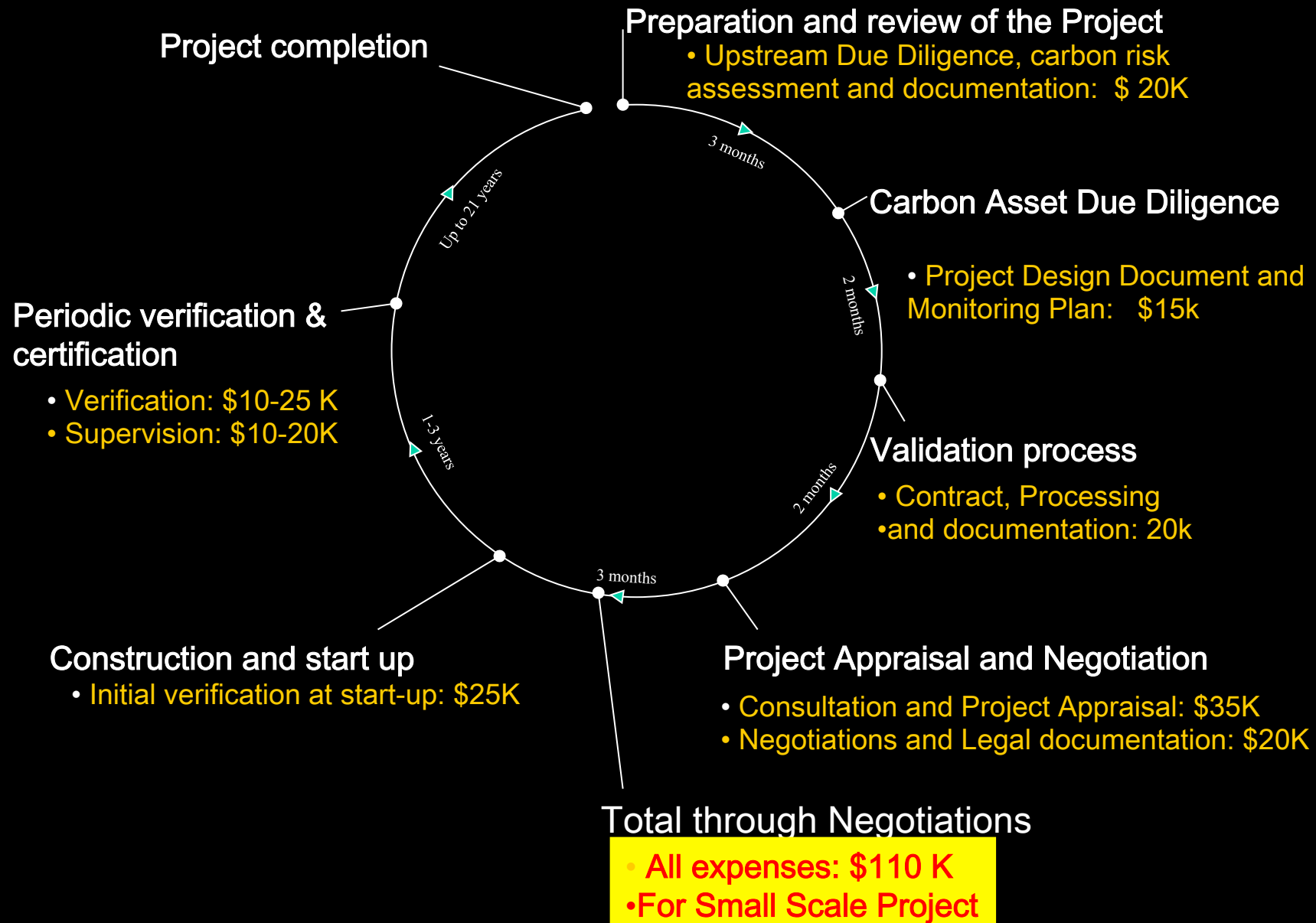


CFB Cost Indices Per Project Cycle Step

Project Cycle Step	Responsibility	Total Cost per Project Cycle Step	Regional Allocation*	CFB Allocation
PREPARATION				
PIN/PCN preparation	Client and/or PCF/NCDF FMU and/or Regional Task Team	\$30,000	\$10,000	\$20,000
Project Design Document	Client and/or FMU and/or Regional Task Team	\$20,000	\$5,000	\$15,000
MP	External consultants	\$20,000	\$5,000	\$15,000
Carbon Risk Assessment	External consultants	\$10,000	\$0	\$10,000
PCN + PAD (including env./soc./fin. due diligence)	Regional Task Team	\$85,000	\$75,000	\$10,000
Carbon Asset Due Diligence	FMU	\$20,000	\$0	\$20,000
Validation	External consultants	\$30,000	\$0	\$30,000
Appraisal/ Term Sheets for Project and HCA/ Pre-Negotiations/ Consultations/ Negotiations	Regional Task Team/ FMU/ Legal Team	\$25,000	\$15,000	\$10,000
Legal Documents, including ERPAs	Legal Team	\$25,000	\$5,000	\$20,000
TOTAL PREPARATION *		\$265,000	\$115,000	\$150,000

Carbon Asset Creation and Maintenance

Manuf. Process and Costs based on Bank experience





Disclosure requirements

- **No less than sixty (60) days before signature of the PCF/ CFB's Emission Reductions Purchase Agreement by the Country Director, the environmental assessment report, indigenous people action plan, resettlement plan, or other action or management plans or material produced in application of Bank Group safeguard policies, will be made publicly available in a manner fully consistent with the safeguard policies both at the Bank Information Shop and in a publicly accessible location in the PCF project country.**



The first step is to submit a PIN

(template on www.carbonfinance.org)

- **Description of Project Proponent**
- **Type of Project**
- **Location of Project**
- **Expected Schedule**
- **Financing Sought**
- **Technical Summary of Project**
- **Expected Environmental Benefits**





What is involved in PCN preparation?

- Field visits for identification and preparation
- Due diligence on:
 - environmental and social issues,
 - carbon asset,
 - status of project financing,
 - quality and experience of project sponsors and any financial intermediaries
- Consultations with Government on the proposed carbon financed project (including relevant discussions needed to obtain a letter of approval), and related legal services review and support

