

Facilitation Workshop under the T@W project

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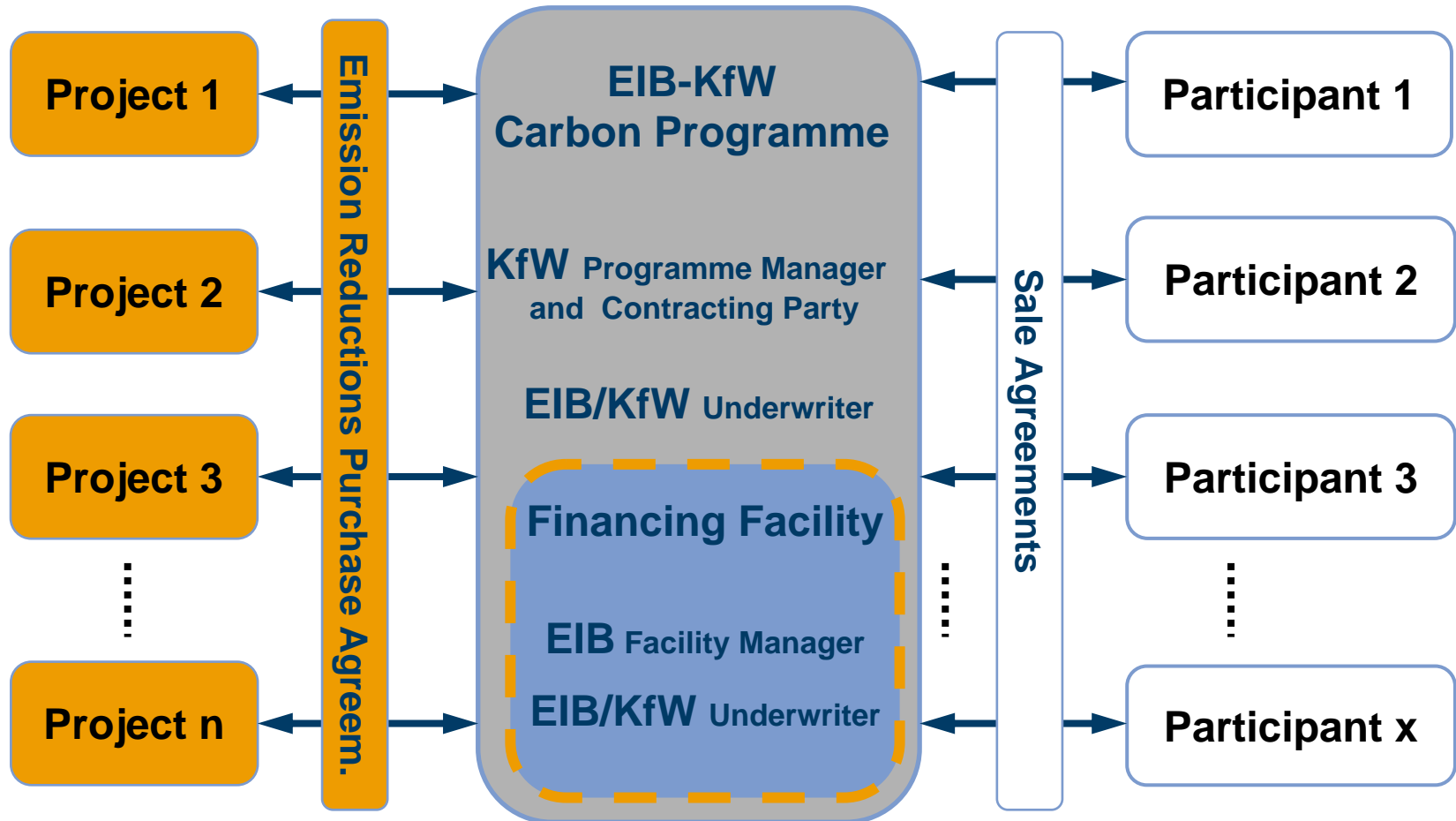
<http://www.kfwindia.com>

- **Background**
 - Kyoto Protocol, project-based mechanisms
 - European Emissions Trading System (ETS), Linking Directive
 - National Allocation Plans

- **Long-term off-take contracts (ERPA) with suppliers of project-based certificates (CERS, ERUs, project-based EU-Allowances)**
 - Payment on Delivery
 - Up to 2012 with an option to extend
 - Purchase of post-2012 credits (EIB Post 2012 Fund, on own risk)
 - Fixed or variable pricing

- **Provide a service instrument for German and European enterprises wanting to use project-based certificates for compliance purposes**

Contractual Structure



KfW Purchase Programmes

- **KfW Carbon Fund**
 - First tranche of EUR 84 million (closed); Participants from Germany, Austria, Luxemburg and France
 - Equivalent CER volume completely contracted
- **EIB-KfW Carbon Programme**
 - EUR 100 million (open for Participants)
 - For smaller European Compliance Buyers
- **Separate Purchase Programme for Belgian Government**
 - EUR 25 million
- **EIB Post 2012 Carbon Fund**
 - EUR 100 million
 - Co-operation with EIB, ICO and NIB

Preferred Project Types and Criteria

- **Minimum of 30,000 CERs p.a.** (bundling of smaller projects)
- **Project Types:**
 - Renewable Energy (Wind Power, Biomass, Hydro Power, Solar, Geothermal)
 - Energy Efficiency (demand and supply side)
 - Methane avoidance (e.g. Landfills or Coal Mines in combination with electricity production)
- **Not eligible** are Nuclear Power, LULUCF projects and Large Hydro Power Plants ***if not in line*** with World Commission on Dams requirements

Financing Facilities and Consulting Support under KfW Carbon Funds



- **Prefinancing for CDM / JI Project Preparation**
 - PDD, Validation Report, WCD Audit Report etc.
 - Participation of up to EUR 50,000.-- per project
- **Advance Payment Facility for Carbon Credits until 2012**
 - Subject to risk structure of project
 - Depending on creditworthiness of project
- **Consulting Support for Project Company** (e.g. for development of Programmatic CDM projects)

Financing Support for CDM /JI Project Preparation



- **Financing of preparatory measures:**

- Design of PDDs, Validation Reports, WCD Audit Report and other documents such as Environmental Impact Assessment Reports etc.
- Financial support shall not exceed 50% of the contract value for the preparation of the respective documents (but can cover in exceptional cases up to 100%)
- Maximum amount of KfW financing: EUR 50,000.--
- Repayment by deduction from the first payment of KfW for CERs delivered due upon the first delivery of Certificates
- Conclusion of a contract with the Seller of the Certificates

Advance Payment Facility for Carbon Credits



- **Project Types subject to risk structure:**

- Projects financed on the company's balance sheet or with a full corporate or bank guarantee ("Corporate Projects")
- Projects without a bankable balance sheet or a full corporate resp. bank guarantee and whose main financing risks are inherent to the project and mainly driven by the cash flow robustness of the project ("Cashflow-based Projects")

Corporate Projects (Detailed Requirements)

- Advance Payment from EUR 700,000 – EUR 10 million
- seller: reputable organisation with sufficient development and operation experience
- Long term foreign currency credit rating of the seller or its guarantor: B+ (S&P or Fitch) / B1 (Moody's) or better
- Acceptable country risk
- Debt / Equity ratio of at least 70% / 30%
- No adverse environmental or social impact

Cashflow-Based Projects (Detailed Requirements)



Additional to the requirements of Corporate Risk Projects:

- Advance Payment from EUR 700,000 – EUR 10 million, but not more than 50% of the value of the certificates purchased by KfW
- Evidence of physical completion or ability of the project for effective delivery of the certificates
- Financial, commercial, technical and legal feasibility proven by an independent feasibility study
- Debt / equity ratio not less than 70 / 30; sufficient minimum average DSCR
- Strong sponsor (reputable organisation with necessary legal power and sufficient financial resources)
- Proven technology
- Registration of Project with EB as prerequisite for disbursement of Advance Payment
- Key Contracts (e.g. PPA) adequate to meet financial project performance

Further Project Financing by KfW IPEX-Bank and DEG



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Thank you very much for your attention!

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