



CLIMATE FOCUS

Legal Issues: JI transactions

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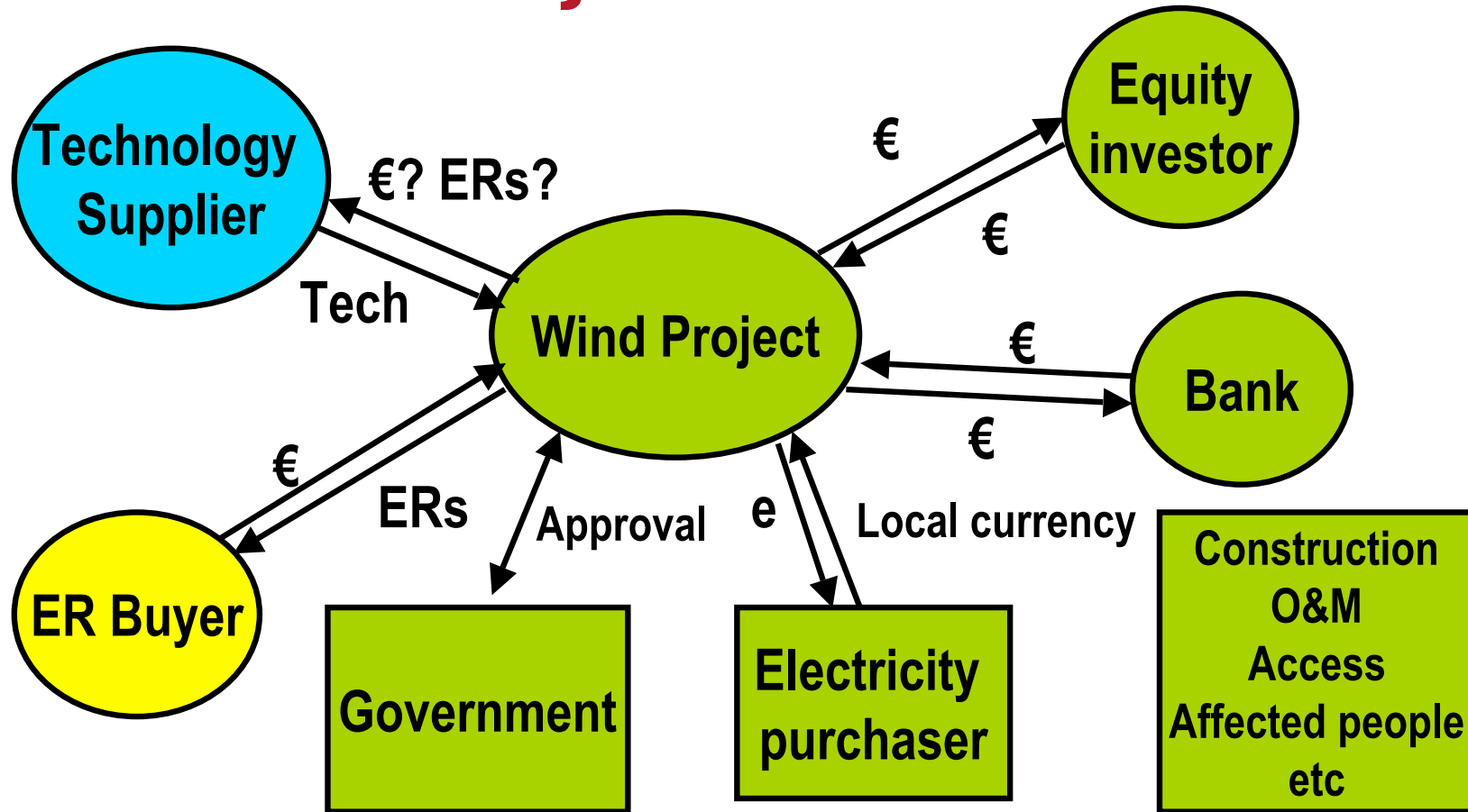
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Overview

- Overview of Project Structure
- Emission Reduction Purchase Agreements
 - Price
 - Volume and Delivery
 - Remedies
- Technology Supply



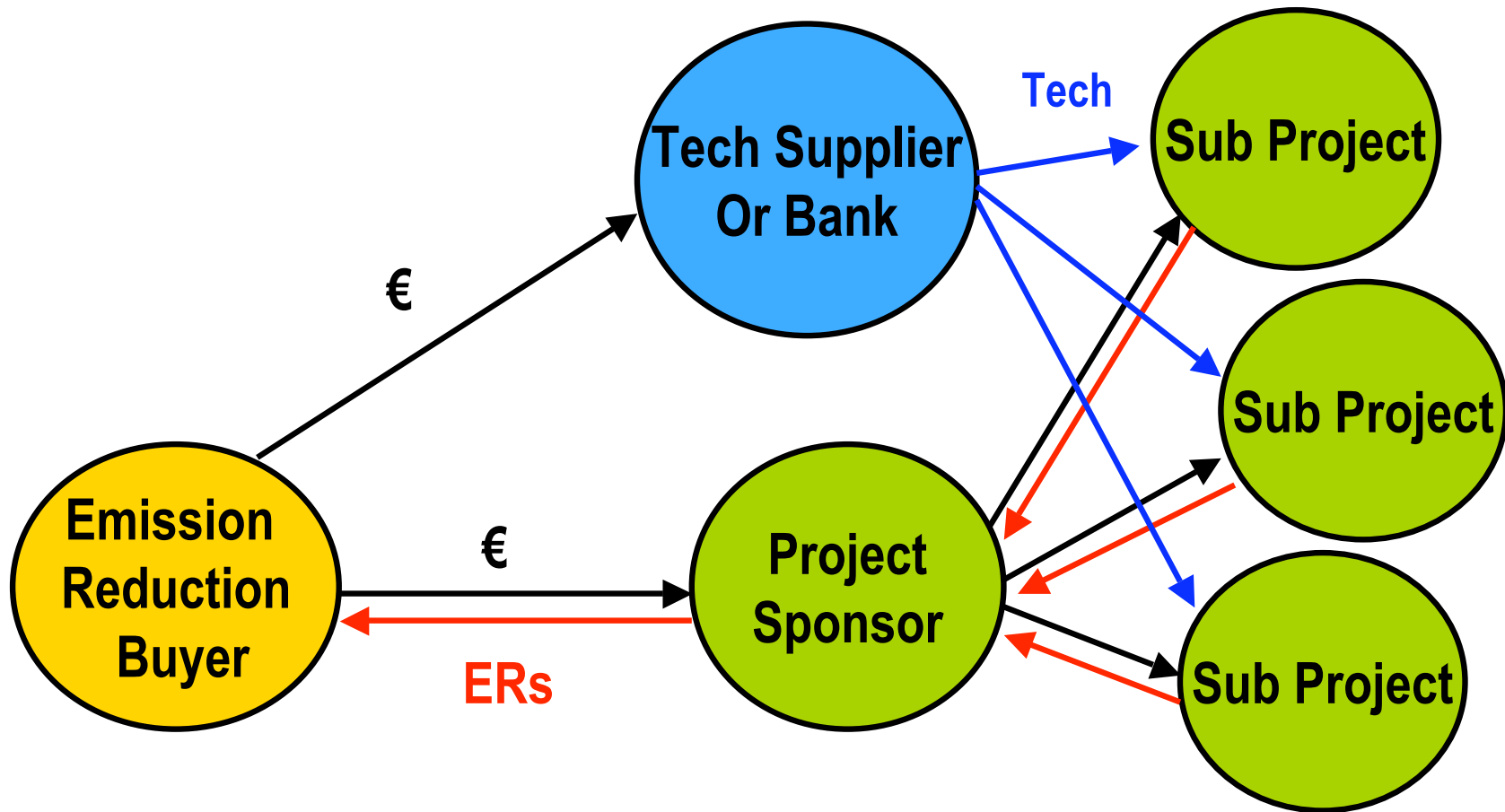
CDM/JI Project Structures





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Promoting Technology Transfer Through Carbon Finance



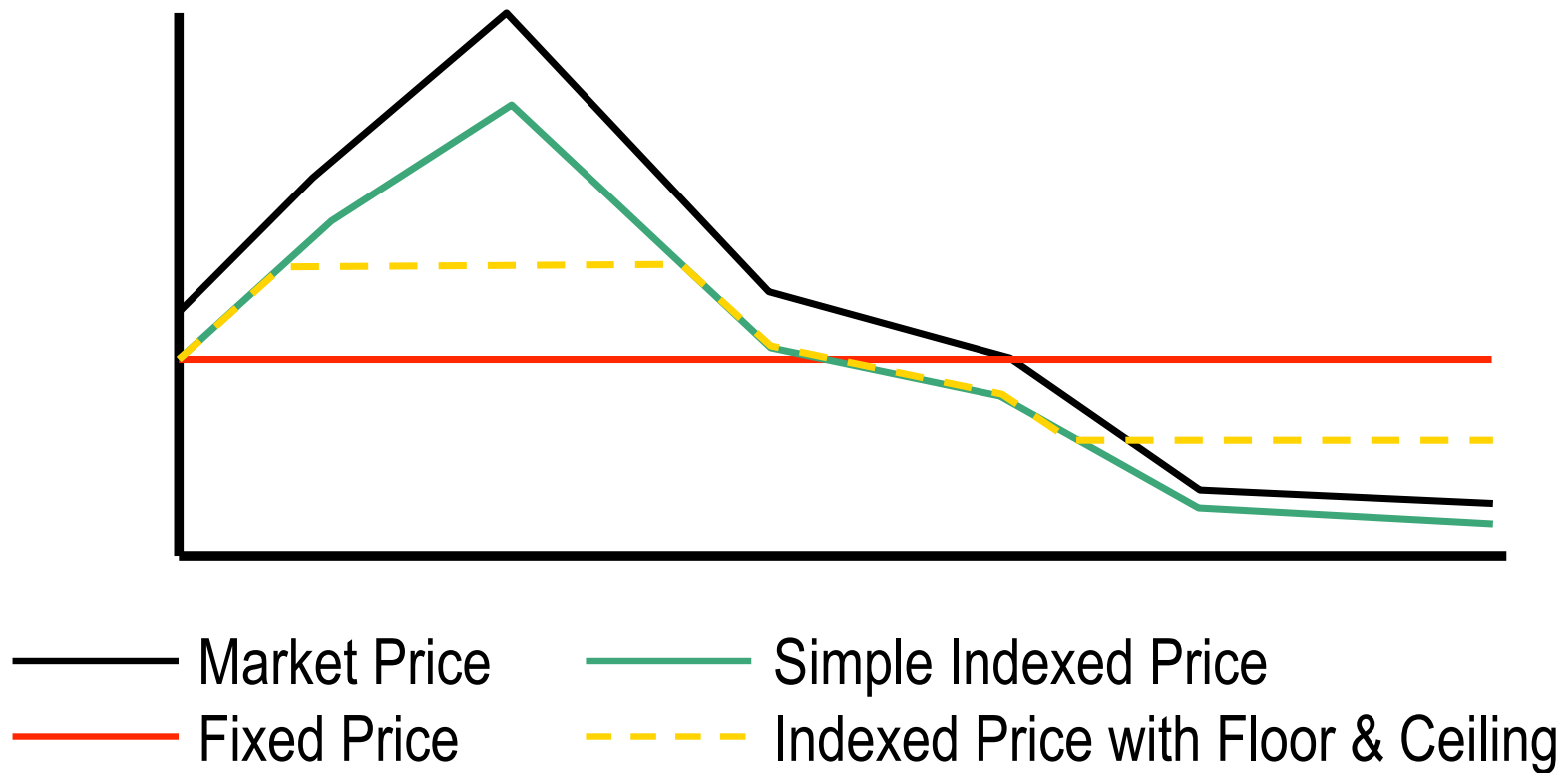


Transactional Issues: Overview

- To date Buyer/Seller relationship most common form of transferring Emission Reductions in CDM/JI projects
- Long term off-take agreement vs. spot contracts
- Different structures:
 - Prices
 - Volumens and delivery structures



Price: Different Approaches in Practice





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Pricing: Factors that Affect the Starting Price

- Bargaining
- Demand
- Timing of payments
- Timing of delivery
- Delivery “guarantees” / remedies for under delivery
- Who pays share of proceeds for EB admin expenses (\$0.10/0.20 per CER)
- Risks
 - Regulatory (baseline, additionality, registration)
 - Project (underlying project risks inc. technology, financing etc)
 - Host country (LoA)
 - Counter party (capitalization, experience)
 - Reputation (resettlement?)
- Who pays which taxes



Volume and Delivery

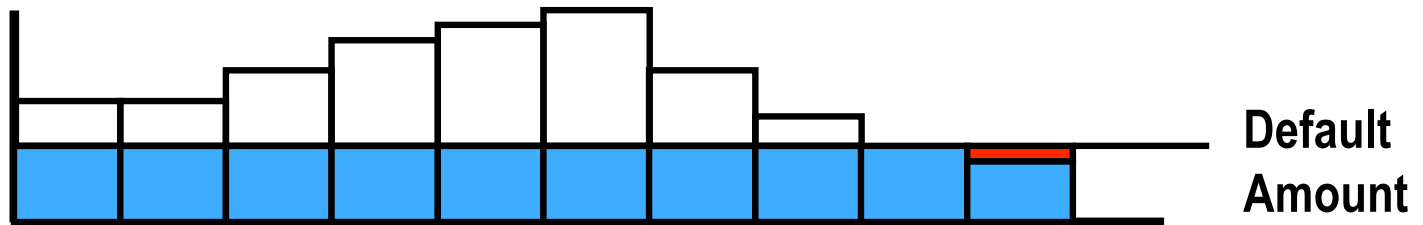
- When
- Where (to and from)
- How
 - primary transfer (Art. 6/12)
 - secondary transfer (Art.17)
 - Communication rights with the EB (CDM)
- How much
 - CDM: share of proceeds for adaptation (2%)
- Seniority



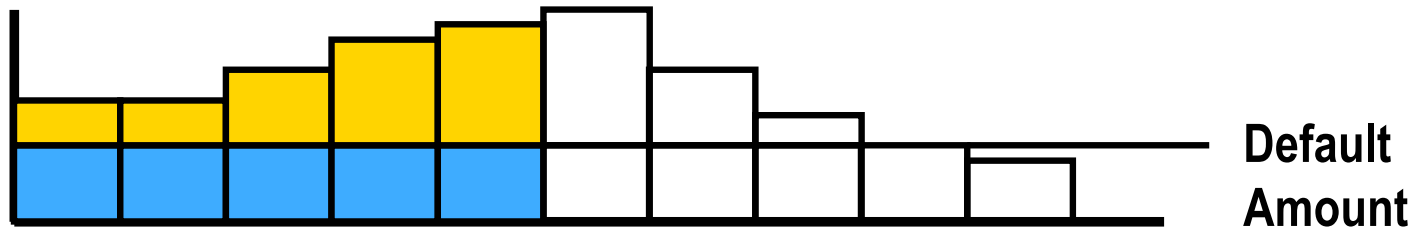
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Volume and Delivery: Fixed vs. %

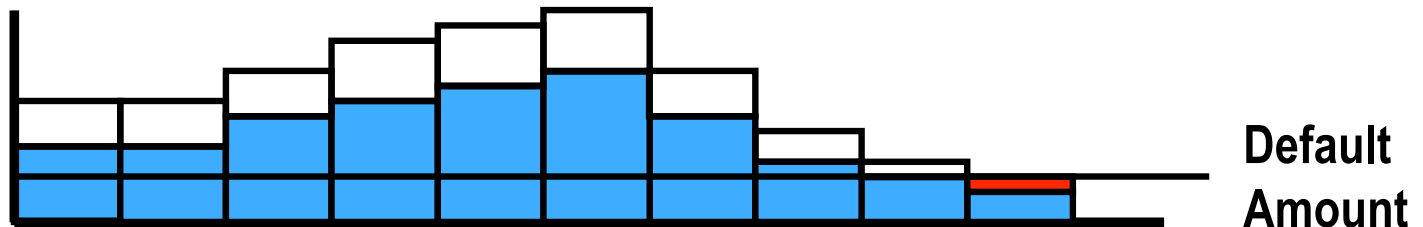
Fixed



Fixed with acceleration



% with Default Amount





Opportunities

- Hard currency payments from buyer used to (help) pay for technology
 - Timing of transfer of title to technology
 - Enables partnership between technology supplier and CER/ERU buyer
- Carbon finance can serve as collateral for a loan
- A-rated buyer helps extending local credit lines
- Buyer as partner in the development of the project



Conclusions

- There are lots of different structures
 - That contain a lot of issues
- BUT
- There are lots of different solutions
 - There are lots of people who can help!



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Questions?

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