



## Minutes of meeting

### ***Risques et financements projets MDP Inde et Maroc 27 janvier 2004 – FIAP – métro Glacière (ligne 6 Nation / CDG Étoile)***

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#### **Moroccan setting for CDM :**

The participants questioned the usefulness of Memorandum of Understanding (MoU). For example, Morocco has signed one with France. Will this improve the implementation of a CDM project ?

#### **Projects in Morocco:**

- The HOLCIM project involving the burning of tyres for cement factories has been questioned in terms of sustainability ? Could this project be registered under a CDM project ?
  - The TanTan wind farm project for dessalination was questioned for its baseline : shouldn't the baseline be calculated from the displacement of a diesel plant and not the grid ? A back up will still be necessary for keeping a constant pressure when wind is not blowing.
- Policies in Morocco favours dessalination for potable water.

#### **Projects in India : Biomass Energy for Rural India :**

The cost of the biomass plants estimated at 24 Lakh Rs. / 100 kW was questioned. Is this an incremental cost ? Which technology is it exactly ?

#### **Projekt Consult GmbH presentation : German climate change related activities**

- The Henssen Tender involving the energy intensive industries of the region showed an average cost of a tonne of CO<sub>2</sub> reduced at 5,8 EUR with 160,000 tCO<sub>2</sub> exchanged).
- GTZ and KfW want to cancel their impact in CO<sub>2</sub> emissions through buying CERs (around 12,000 tonnes / year are emitted)
- The KfW carbon fund plans to buy CERs in the range 3-6 EUR/tCO<sub>2</sub>. The fund management costs would be around 1-2%.
  - The Dresdner Bank activity in sustainable development and CDM has been externalised so as to provide their customers (mainly SMEs) a package of expertise in climate change. These services would first be directed towards Germany with a future expansion in the UK and EU.

### **DREE speech : The potential for public institution involvement**

The French position is still to meet its emissions reductions via domestic measures but includes now the opportunities of the CDM. The question is what would be the contribution of the public institutions with regards to CDM ? :

- With regards to the uncertainties of the Kyoto Protocol :
  - To acknowledge the existence of multilateral agreements and procedures (NAP/ EU ETS)
- Validation procedure for projects
  - MoUs are signal for the developer

***The main uncertainty is the post 2012***

### **CDC IXIS speech : Initiation of a carbon fund**

A carbon fund is being designed by CDC IXIS. This fund will not be a public fund and do not have the support of the French government.

The fund would gather around 50 mEUR of which half from Germany. Most participants are financial institutions. The managing structure will not be in France.

As it is a private initiative, the return rate is one of the main selection criteria, which is a pity. CDM projects yields are by nature not very high (additionality criteria). The investor want a IRR of min. 8%.

To minimise the transaction costs, procedures will be simplified by strict eligibility criteria.

Risks on the quantity of CERs delivered is manageable. The main risk is the market price risk.

The fund would not finance the project, it only buys CERs.

Upfront payments will not be higher than 15-20% of the expected CERs. A guarantee is needed in this case which increases further the transaction costs.

### **COFACE speech :**

A remark from the projects presented during the day : the main problem seems to find good opportunities and not so much so the financing...

In England for example, the Export Credit Agency provided a guarantee for CDM projects which was not used at all in 2003...

COFACE can cover expropriation risks, political risks. It will cover only the French part of a project.

### **ADEME speech : New financial instruments in favour of investments in the environment and energy field**

The main issues in financing environmental and energy projects are : lack of equity capital, overcosts and high payoff periods. There is a gap specifically in insuring quasi-equity funds. The FIDEME (Environment and Energy Efficiency Fund) is answering this need : it is a Mutual Risk Fund which is provided with up to 1/3 in shares A "juniors" by ADEME, and with up to 2/3 in shares B "seniors" by financial establishments, and this through the technic of bond loans with possible opening in convertible bond or bond with subscription warrant. The exposition in first line of risk of the ADEME's funds make it possible for companies to take advantage of long term bond loans at more interesting rates than the market rates.

This type of initiatives could be used for CDM projects.