

IRIS KYOTO



**Workshop programme, Marrakech, Morocco
21st October 2003**

Introduction

The goal of the project IRIS KYOTO “**Innovative Risk Coverage and Financing of Projects related to the implementation of the CDM focussing on India and Morocco**” is to address important project development and financing barriers to the successful implementation of the Clean Development Mechanism (CDM) of the Kyoto Protocol, building a practical methodology for implementing real CDM projects.

The whole approach of the CDM must be understood in the context of the project development and infrastructure investment paradigm which has drastically evolved over the past few years, calling for the much stronger involvement of private players (be it as service providers, managers, investors, financiers, developers, etc.) in infrastructure in general and clean technology projects in particular. There is also, due particularly but not exclusively to technology development, a trend towards smaller scale distributed investments, particularly in the clean energy sector (Renewables - RE, and Energy Efficiency - EE). The IRIS KYOTO project will also study mass urban transit projects facing major barriers to development, which can only be tackled in a specific paradigm of private-public sector partnership.

In developing such CDM projects, risk analysis and spread, taking into account risk perception and aversion of private players and their related requirements in terms of returns must be revisited, looking not only at the classical project risks but also those related to the mobilisation of carbon finance.

Morocco Workshop

In response to these limitations/bottlenecks this first workshop in Morocco proposes to identify tools and opportunities, through real projects in the pipeline, to work out appropriate risk allocation and mitigation instrument and therefore facilitate the financing of CDM projects in the following sectors:

- Renewable energy schemes (large power electricity projects / Biomass energy projects)
- Energy efficiency in industry and agriculture
- Mass Urban Transport

The main objectives of this workshop are as follows :

- To compile a set of propositions from the audience regarding innovative risk management instruments for RE, EE and mass urban transport projects from the Moroccan project portfolio,
- To suggest ways for managing the risks through:
 - the identification of the need for such instruments based on the previous analysis and on the specific policies and actions,
 - the development of instruments that could be initiated by operators in order to reduce uncertainties and risks,
- Identification of means to encourage the financing of clean technologies,
- Capacity building and exchange of information,
- To provide information on current trends in carbon finance including the emerging relationship between the CDM and the European Emissions Trading Scheme

This workshop targets: Investors and project developers in Morocco, Investors in Europe, Policy makers, European Union representatives, Banks and insurance companies. CDM related fund representatives are as well most welcomed.

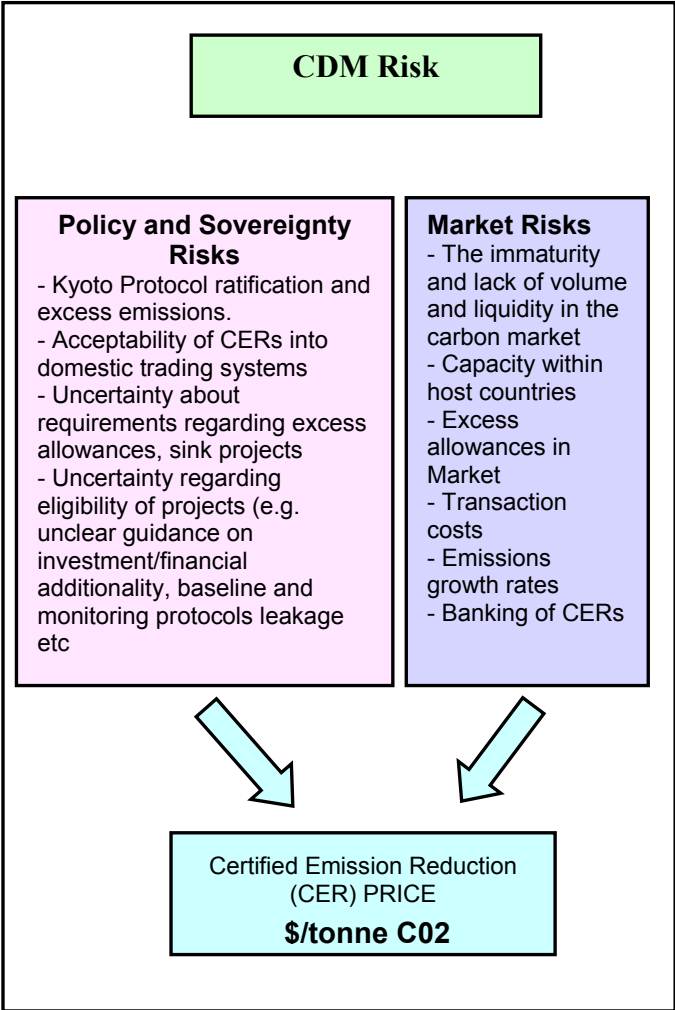
The dialogue between the project partners and the workshop participants can continue through the project duration, which is summer 2005.

Conventional Project Risk

- Political (e.g. unstable regime)
- Country Commercial (e.g. currency exchange rate fluctuations)
- Legal (e.g. change to national legislation)
- Development risks (e.g. not getting approval for projects)
- Construction (e.g. delays in construction completion)
- Operating (e.g. insecure fuel supply)

When dealing with any project there are a number of conventional project risks inherent. Clean technologies are not considered as conventional technologies and as such are considered more risky. In addition the energy source for clean projects can be insecure, the regulations are less favourable to investment and import, energy and conventional pricing is uncertain energy prices are low.

In addition to normal project development risks, CDM projects face further risks, ultimately reflected in the prices offered by investors for CERs. The current value for a CER ranges from 1 EUR to 5 EUR. To successfully develop a CDM project and secure the best price for CERs, it is important for project developers to understand the risks that investors are likely to associate with a CDM project and how such risks differ to conventional project risks.



AGENDA

8:30- 9:00 Registration

Distribution of the documentation package, list of Moroccan projects, ...

Introductory Session

9:00 – 9:30 Opening session (EST, SEE, CDER, CIEDE, PME/PMI)

9:30 – 9:50 Project Presentation and Workshop objectives
Anjali Shanker, IED, project Director

9:50 – 10:10 Morocco setting:
Institutional setting, Samira Elkhamlichi (UCC/SEE)
Status of pipeline, lessons from the past and challenges ahead, Anvimar project
OJ.Cherkaoui, CIEDE/CDER

10:10 – 10:30 Overview of existing funds and procedures ; The European scheme
Overview of main existing funds and EB procedures; specific focus on the potential of the ETS
Jeremy Doyle, ESD

10:45 – 11:00 *Coffee Break*

Note: The suggested organisation of the 3 thematic sessions is as follows:

- One / two “key” address by a project developer (15 to 20 minutes) who will be requested to go over a checklist of points that we would have provided: (1) project description (technical, organisational, institutional); (2) why interest for CDM & status: PIN? Baseline? Financial Packaging?; (3) What are the risks, difficulties, ... perceived to reach closure?
- Panel discussion: we would have 3 to 6 participants on the panel relevant for the theme who would get a couple of minutes from their seats;
- Discussion moderated by a moderator
- Open debate with workshop participants – see end of document for suggestions on the orientation of debates and discussions

11:00 – 12:45 THEMATIC SESSION 1: RENEWABLE ENERGY PROJECTS

- **Key note presentation: Essaouira wind park**
Speaker : Mr Khatami, ONE
- **Key note presentation: Fes landfill gas energy project**
Speaker : Mme Cherkani Zhor, Municipality of Fes
- **Panel:**
 1. Tan Tan wind park desalination : Mr Enzili, CDER
 2. Lafarge wind farm, Mr Rachid Amor
 3. BMCE/AMISOLE, Mr Said Mouline
 4. Solar Thermal area (Promasol...) M. Ababou, CDER

President : Said MOULINE, President AMISOLE

Moderator : Isabelle Michel, IED

12:45 – 14:00 *LUNCH*

14:00 – 15:30 THEMATIC SESSION 2: ENERGY EFFICIENCY PROJECTS

- **Key note presentation: IZDIHAR – Sidi Bernoussi Industrial Park**

Speaker : Mrs Asmaa Tazi

• **Panel:**

1. CDER : Mr Berdai/Mekaoui, Hammam Project
2. Status of CDM portfolio project, Mr Lahbabi, ADS-Maroc
3. Example of Energy efficiency in the agriculture sector in India, Mrs A. Shanker, IED

President : Mr Mohamed Berdai

Moderator: Mr Cherkaoui, CDER

15:30 – 15:45 Coffee Break

15:45 – 16:45 THEMATIC SESSION 3: MASS URBAN TRANSPORT

• **Key note presentation: Developing public transportation in Casablanca**

Speaker : Mr Youssef Belabbes, Wilaya of Casablanca

• **Panel:**

1. STCR, Mr. Jamal Farid Chenas, General Director of STCR
2. RATF/Fès, Mr Azouz Sedira
3. SEE/ Mr Zyadi

Moderator: ADEME: Michel Hamelin

16:45 – 18:00 CONCLUSIONS

16:45 – 17:30 Synthesis of Discussions, presentation of IRIS-web site and next steps
Abdelali Dakkina, CIEDE/CDER, Isabelle Michel, IED, Jeremy Doyle, ESD

17:30 – 18:00 Closing
Abdelali Dakkina, CIEDE/ CDER

Suggestions for the orientation of debates and discussions:

- Transactions and transaction related costs, risk mitigation through insurance mechanisms, risks related to the price of CERs
- Role of export credit agencies,
- Potential contributions international cooperation and financial agencies could make efficiently
 - o Is capacity building still a problem? How can it be improved?
 - o Project preparation?
 - o Comparison of dedicated funds (multilateral – eg PCF - and bilateral –eg CERUPT) vz the upcoming market
 - o The potential of the European ETS
- Comparison of direct financing by end users of the CERs credits / Internal financing by the host of the project / and the financing of the project (Margins, control, minimization of money expenses by the reallocation of resources)
- Institutional arrangements reducing risks for low solvency of customers
- Integrating criteria other than emissions : development issues: crucial for the transportation sector; avenues opened by approaches such as the Community Development Fund?