



IRIS KYOTO

Innovative Risk Coverage and Financing of Projects related to the implementation of the CDM focussing on India and Morocco



Project Newsletter No. 3 – January 2005

IRIS Kyoto's goal is to address project development and financing barriers to the successful implementation of the Kyoto Protocol's CDM. The project aims to build a practical methodology for implementing CDM project activities and investigate the issues of project risk analysis and spread. It takes into account risk perception and aversion of private players and their related requirements in terms of financial returns. A team of partners from France, Germany, India, Morocco and the UK is reviewing the risks related to the mobilisation of carbon finance.

Latest Kyoto News

Russia : Ratification of KP

The 30th September, Russia Federation decided to ratify the Kyoto protocol by February 2005 and made official its decision at UN. The ratification of the Protocol by the Russian Federation was of principal importance because it must be ratified by at least 55 countries responsible for over 55% of the combined emissions of greenhouse gases of the FCCC Annex I countries (emission levels of 1990) in order to enter into force. Consequently, the protocol will enter into force the February 16th 2005. Up to now, 132 countries have ratified the Protocol representing 61.6 % of the world CO₂ emissions.

the US and developing countries blocked efforts to start negotiations on future limits for emissions of the gases that cause climate change.

Moreover, scientists say the Kyoto cuts, which average 5.2% for those nations covered, only "scratch the surface". Effective action to constrain dangerous climate change will require a series of tougher targets and should include all major nations and stretch right through the 21st century and beyond.

Further information available on :
<http://cdm.unfccc.int/>



Convención sobre el Cambio Climático
Climate Change Convention
COP 10 Buenos Aires

Conference of the Parties 10 in Buenos Aires

COP 10 marked the 10th anniversary of the entry into force of the Framework Convention on Climate Change, which served as a central theme for the meeting. In addition to the accomplishments of the past ten years and future challenges, discussions at COP 10 highlighted a range of climate-related issues including, the impacts of climate change and adaptation measures, mitigation policies and their impacts, and technology.

January 2005 EU ETS launch

After more than two years of waiting since the European Council adopted the EU emissions trading Directive in December 2002, the EU emissions trading scheme (ETS) has now finally been officially launched. The date 1st January 2005 has an obvious symbolic value.

The KP is due to come into force on February, but the conclusion of the two-week meeting of governments in Buenos Aires has left nations stymied about what to do next. The meeting began with euphoria that recent Russian ratification will activate the protocol. But it ended with many delegates close to despair after both

From now on, emissions of CO₂ will have a direct impact on the bottom line for all the companies participating. Emissions must be monitored on a regular basis, and the emissions balance has an undisputable cost or value that all the included companies must take into account. As expert traders explain in this issue of Carbon Market Europe : "Every power deal we do will directly influence our emission portfolio".



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Meetings Held in Rabat, Morocco

The IRIS project is now entering its 19th month of existence. In October 2004, a two-day working session was held in Rabat, Morocco with all the IRIS Kyoto project partners.

The proceedings from these events are available, with further relevant links at the IRIS Kyoto project web site www.iris-kyoto.com.

Rabat events, October 2004

The first event was the IRIS Kyoto project consortium meeting held to debate the progress of the projects being analysed and their respective PIN, PDD and risk matrix development. The follow-up and assistance provided for each of the projects in our portfolio are shared between the consortium members. The portfolio of projects cover renewable energy, energy efficiency and the transport sectors – each with their own set of problematics, risks and difficulties. Experience has been shared to help every partner to overcome the problems encountered in the development and choice of methodology.

The second event, organized by CIEDE and IED, was an international workshop titled “Environmental financing for transportation projects – Applications to the CDM”. The meeting, held on the 13th October called together specialists, actors and institutions responsible for the sensitive questions surrounding the transport sector and the CDM. The first part of the meeting focused on the international political context and the measures concerning urban transport and

the CDM. The transport sector roughly represents one third of the world CO₂ emissions and no technical solution to mitigate them has been identified up to now. Their applicability for CDM projects is a key element to ensure an efficient GHG emissions mitigation. On the other hand, the applicability of the transport sector is problematic due to its highly decentralised and individualized nature. The CDM financing meets several problems with the transport sector including: difficulty to establish a baseline, difficulty to establish a monitoring methodology, numerous both private and public actors, etc. Up to now, only one transport project has been accepted by the Executive Board in Colombia. The workshop tried to identify areas in which CDM could make sense for transportation projects – although limited, the more simple substitution of fuel used can be easily accounted for and monitored.

The project consortium is now in discussion with three potential project developers to try and come up with a set of potentially viable CDMable transportation projects. Easiness and barriers of these potential projects have been raised and findings and next investigations suggested.

Given the level of participation and success of this event a further “Transport and the CDM” workshop is scheduled for the 24th and 25th March 2005 in Lyon, France. Watch this space as an agenda will soon be posted on the iris-kyoto website.

Upcoming Activities and Further Information

IRIS Kyoto will continue looking into risk mitigation instruments for CDM projects in Morocco and India well into May 2005. The project web site <http://www.iris-kyoto.com/> is being regularly updated with new information and links to other relevant media. The next set of deliverables to watch out for are a set of information brochures on (i) Large Scale Renewables and the CDM; (ii) Energy Efficiency Project and the CDM and (iii) Transportation and the CDM. These will stem from the experience gained with working with a project portfolio in India and Morocco. Please contact us should you require any further information.

Project Partners



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Morocco



Energy Economy &
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