

# **Current Limitations of the Carbon Market and Innovative Ways Forward Beyond 2012**

# Objectives

- Identify the main factors limiting the impact of the carbon market in facilitating the development of Clean Energy projects
- Present basic schemes and structures to manage and surpass such limitations

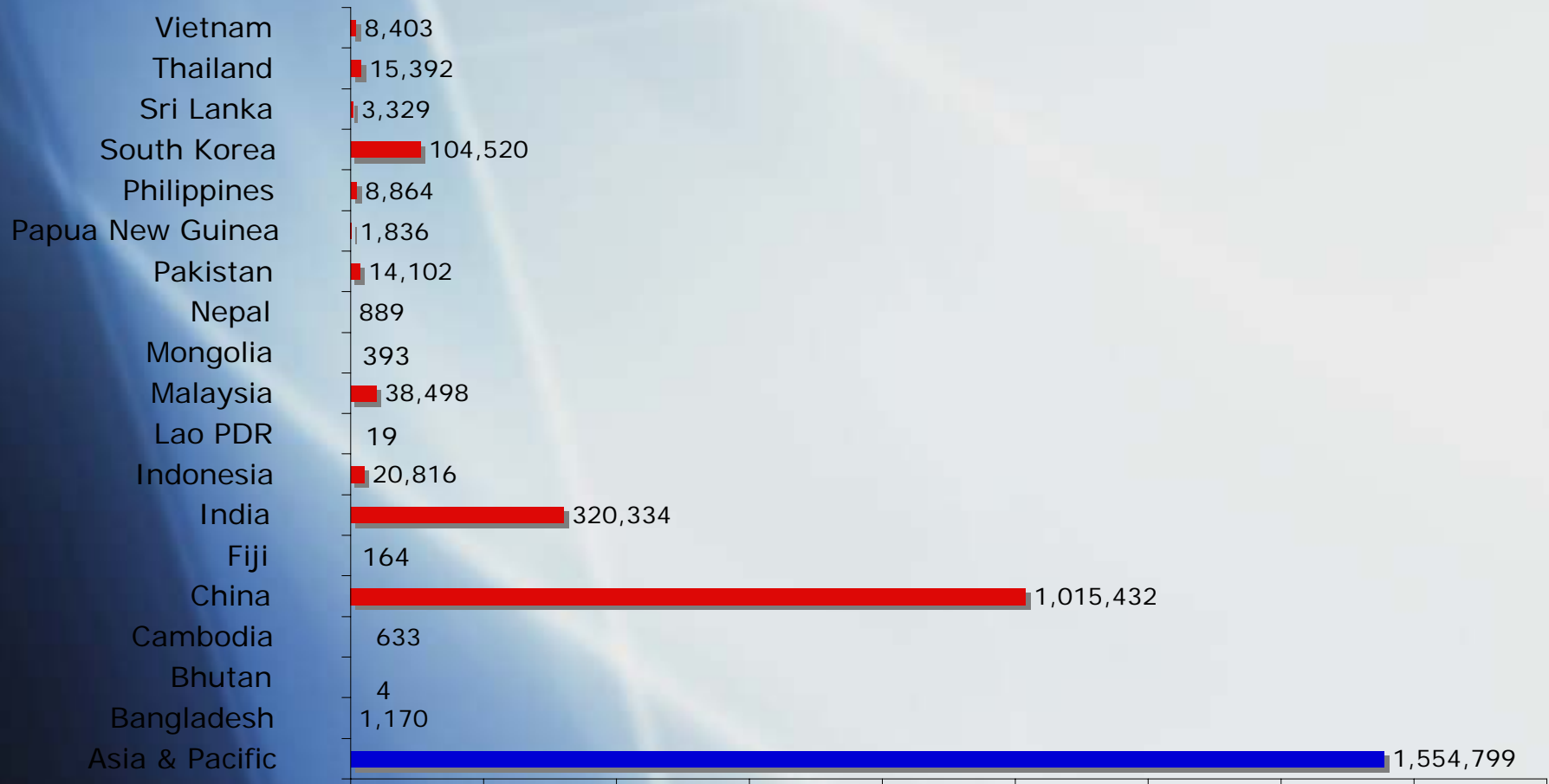
# Outline of Presentation

- 2 snapshots of the CDM carbon market
- 2 limiting factors of the carbon market affecting Clean Energy projects development
- 2 basic schemes and structures to manage these barriers
- 1 bottom-up approach forward and beyond 2012
  - *Creating a Developing Country Fund for Small Scale CDM Clean Energy Projects*



## **2 Snapshots of the Carbon Market**

# Asia Pacific Market - # of CERs



**Investors naturally prefer big scale projects**

Thousands

Source: <http://cdmpipeline.org/publications/CDMpipeline.xls>



# **2 Limiting Factors of the Carbon Market Affecting Clean Energy Projects Development**

# Limitation #1

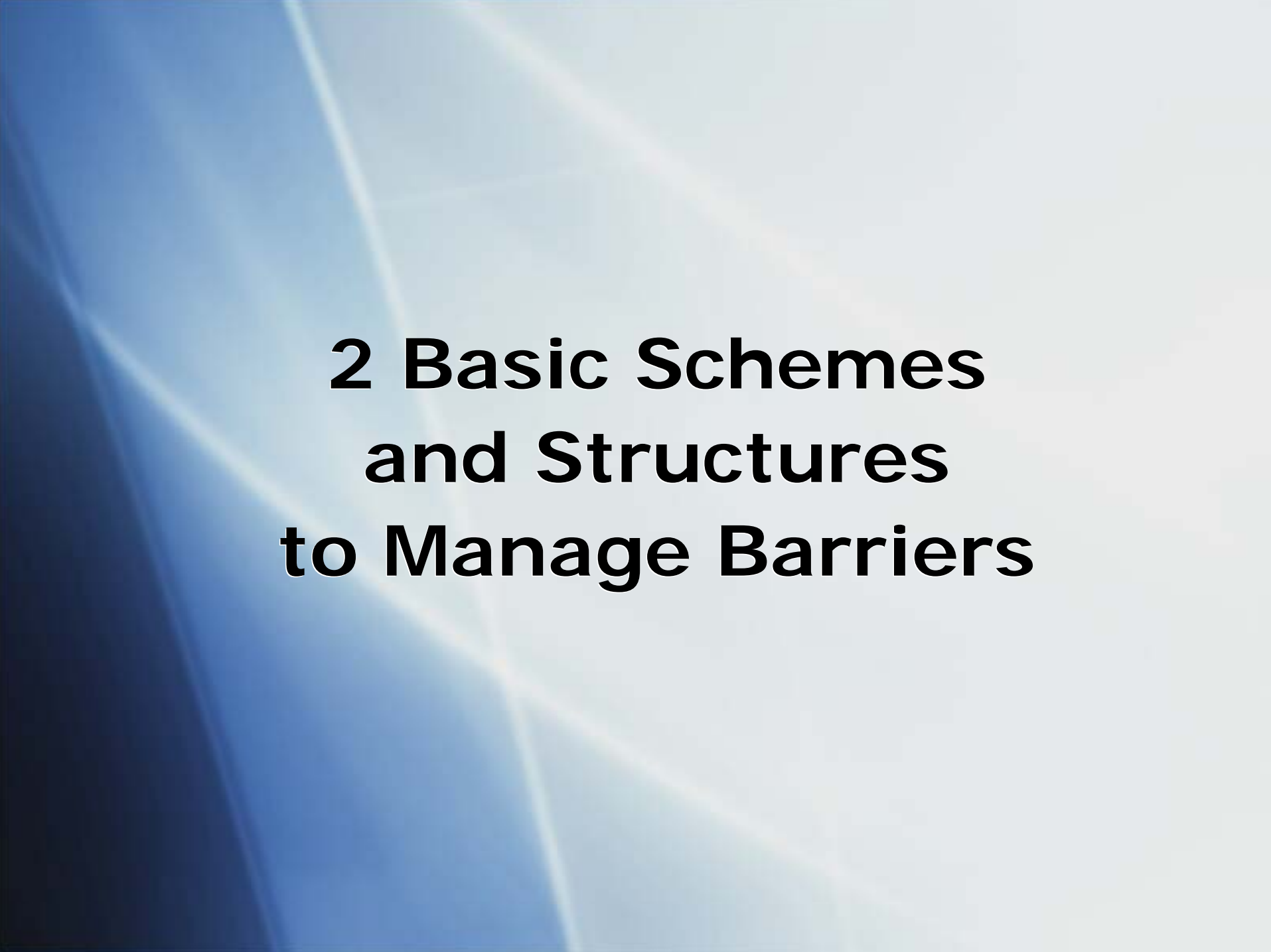
## Access to Funding\*

- Timely
  - *can be reasonably processed and approved to prevent project delays*
- Affordable
  - *does not squeeze project proponent*
- Appropriate
  - *able to match Long term funds for Long term projects*
- Available
  - *funds already allocated / programmed / budgeted*
- Sustainable
  - *replenish-able; won't dry up soon*

# Limitation #2

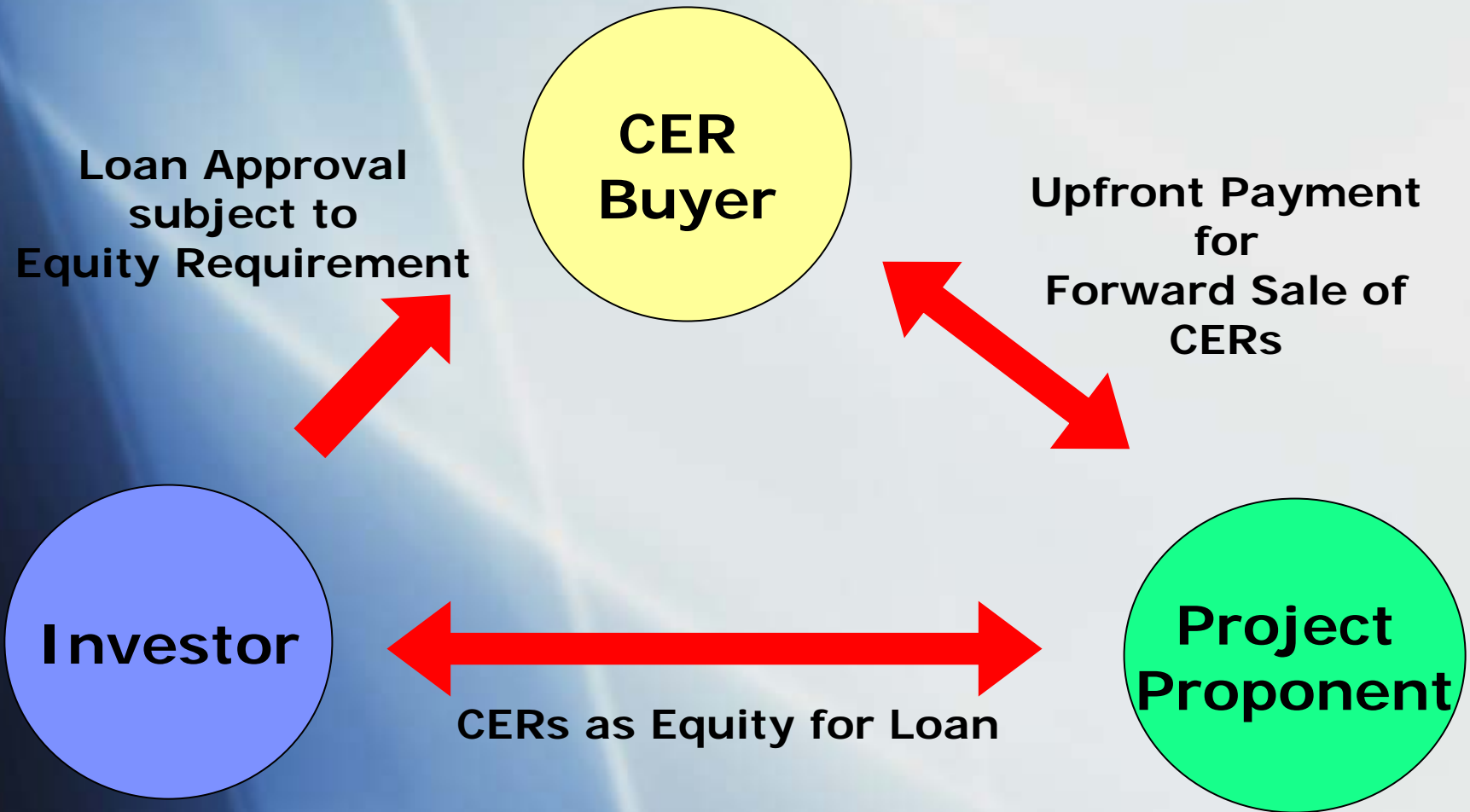
## Limited application of carbon revenues to enhance viability of Clean Energy investments

- Carbon revenues usually used as yield enhancer
  - *CO<sub>2</sub> revenue impact is minimal for C/E investments*
- Carbon revenues can also be used to enhance safety and liquidity aspects of the investment

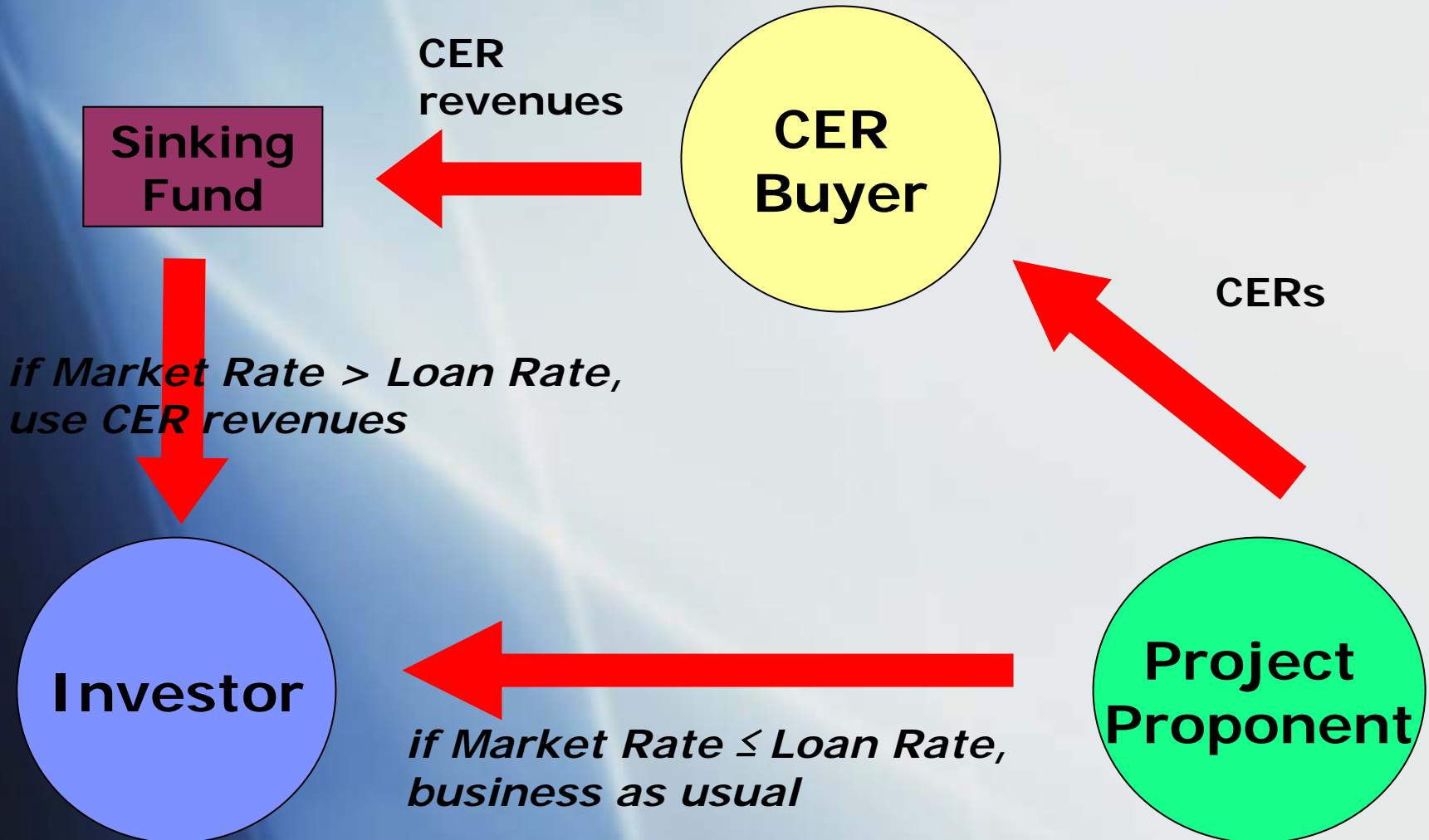


# **2 Basic Schemes and Structures to Manage Barriers**

# CERs as a source of Equity Requirement



# Hedging Interest Rate Risk via CERs

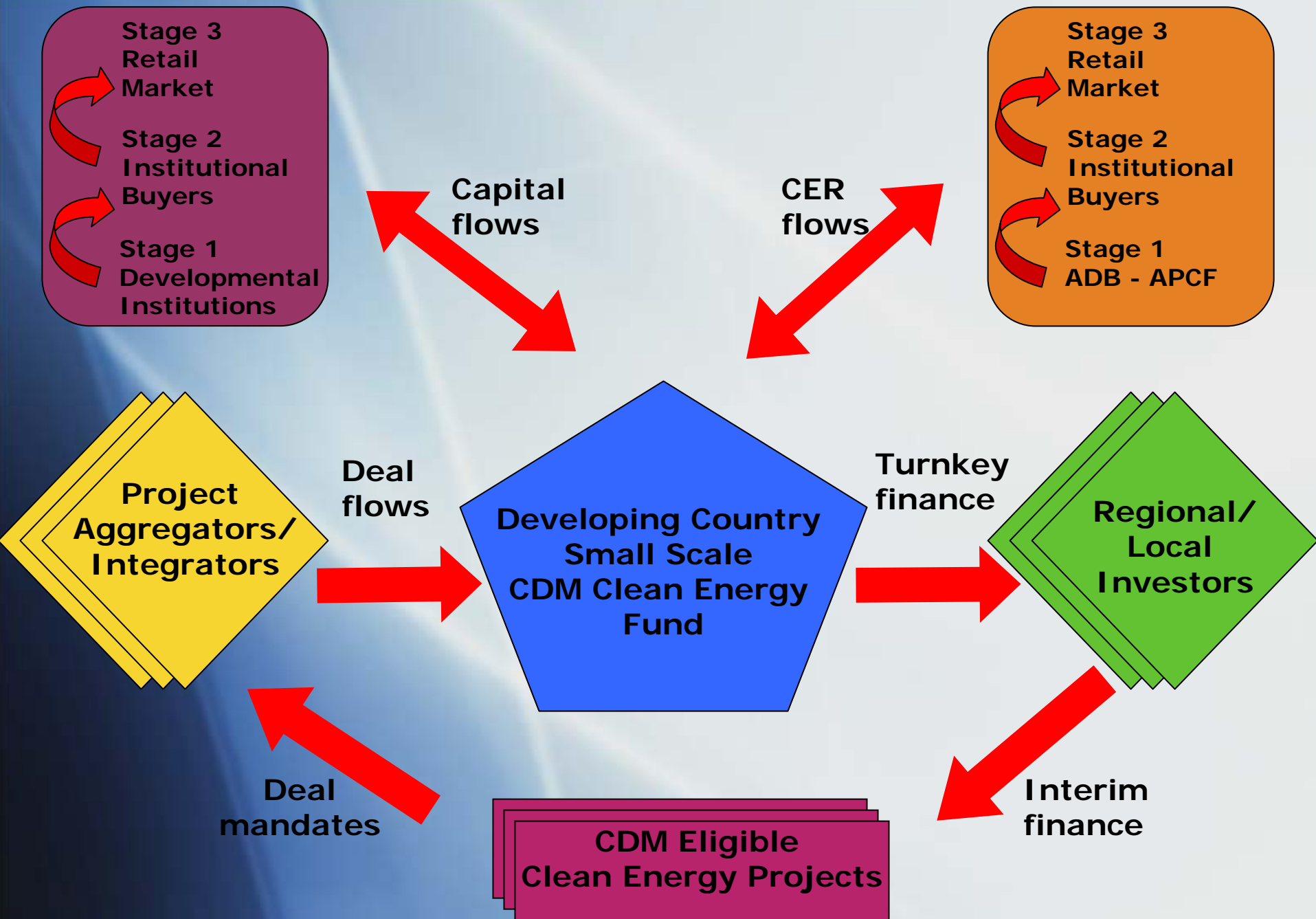


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# **1 Bottom-Up Approach Forward and Beyond 2012**

# **Developing Country Fund for Small Scale CDM Clean Energy Projects:**

*A Medium for Carbon Credits  
Securitization via Strategic Aggregation  
of Small Scale CDM Clean Energy Project*



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