

Multilateral Carbon Credit Fund

A joint EBRD and EIB climate change initiative



The European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB) established the Multilateral Carbon Credit Fund (MCCF) as a key instrument in their strategy for combating climate change. Fully subscribed, with €190 million in commitments, the MCCF is one of the few carbon funds dedicated specifically to countries from Central Europe to Central Asia.

Purpose

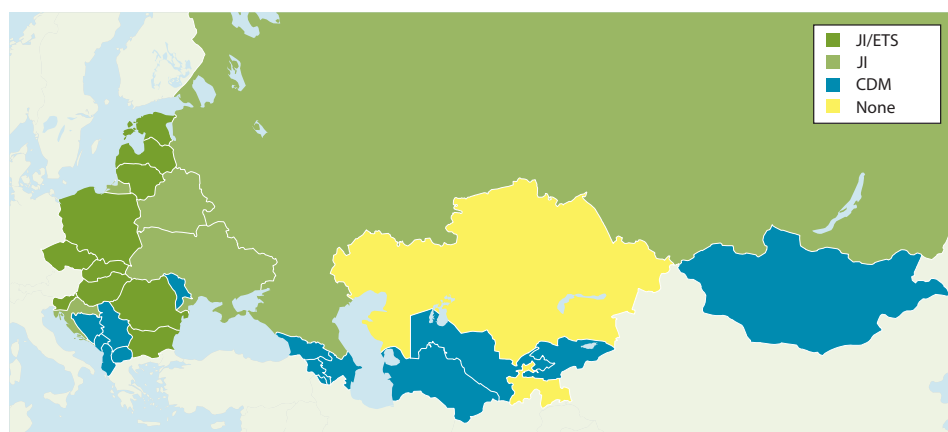
By joining the MCCF, private and public companies as well as EBRD and EIB shareholder countries can purchase carbon credits from emission reduction projects financed by EIB or EBRD to meet their mandatory or voluntary greenhouse gas (GHG) emission reduction targets.

In addition to the project credits, countries can also participate via the MCCF in green investment schemes. This is an innovative way to facilitate government-to-government trade in carbon credits, whereby the selling country uses the revenue from the sale of carbon credits to support investments in climate-friendly projects.

By selling carbon credits to carbon funds, such as the MCCF, the investor increases the financial return on a project. For example, renewable energy projects (e.g. wind, hydro and biomass) are able to boost their internal rate of returns by 1-7 per cent. There are also projects such as landfill gas collection and flaring projects at large waste management sites that can be financed almost completely from the sales of carbon credits.



Eligible countries and trading regimes



Key MCCF benefits for carbon projects

Sellers of carbon credits should appreciate the following strengths of the MCCF:



MCCF offers a fair deal to the project owner:

- Fair prices for carbon credits reflecting market and project risks;
- Up to 50 per cent of carbon finance upfront, if there is an objective need;
- Hard currency payment (EUR);
- Trustworthy counterparties – participants are investment grade;
- In certain cases, an option to acquire post 2012 carbon credits.

Carbon manager's services minimises the workload of the project owner:

- MCCF carbon managers assist project owners in the full carbon credit cycle;
- Flexible negotiation timeframes to submit PINs, PDDs and negotiate ERPA's.

EBRD – EIB's MCCF is an ideal counterparty for the project owner adding value and contributing to project quality:

- Unlike the majority of carbon funds which offer only carbon finance, EBRD and EIB provide traditional finance to projects in line with high standards for project viability and sustainability, integrity and corporate governance ;
- Combination of carbon finance expertise with expertise in project appraisal and risk mitigation of the two major international financial institutions.

Project types

Carbon credits can be generated from a large variety of project types, all of which reduce or avoid GHG emissions and are of interest to the MCCF:

- Energy efficiency in industry (co-generation) and larger projects in the residential sector (double glazing, insulation).
- Renewable energy such as wind, hydro, biogas (from landfills/waste water) and biomass.
- Avoided venting/flaring from gas exploration, transport and distribution and petro-chemical plants.
- Fuel-switching from carbon intensive (coal, mazut, oil shale) to lesser carbon intensive fuels such as natural gas.
- Sequestration of greenhouse gases (forestry).



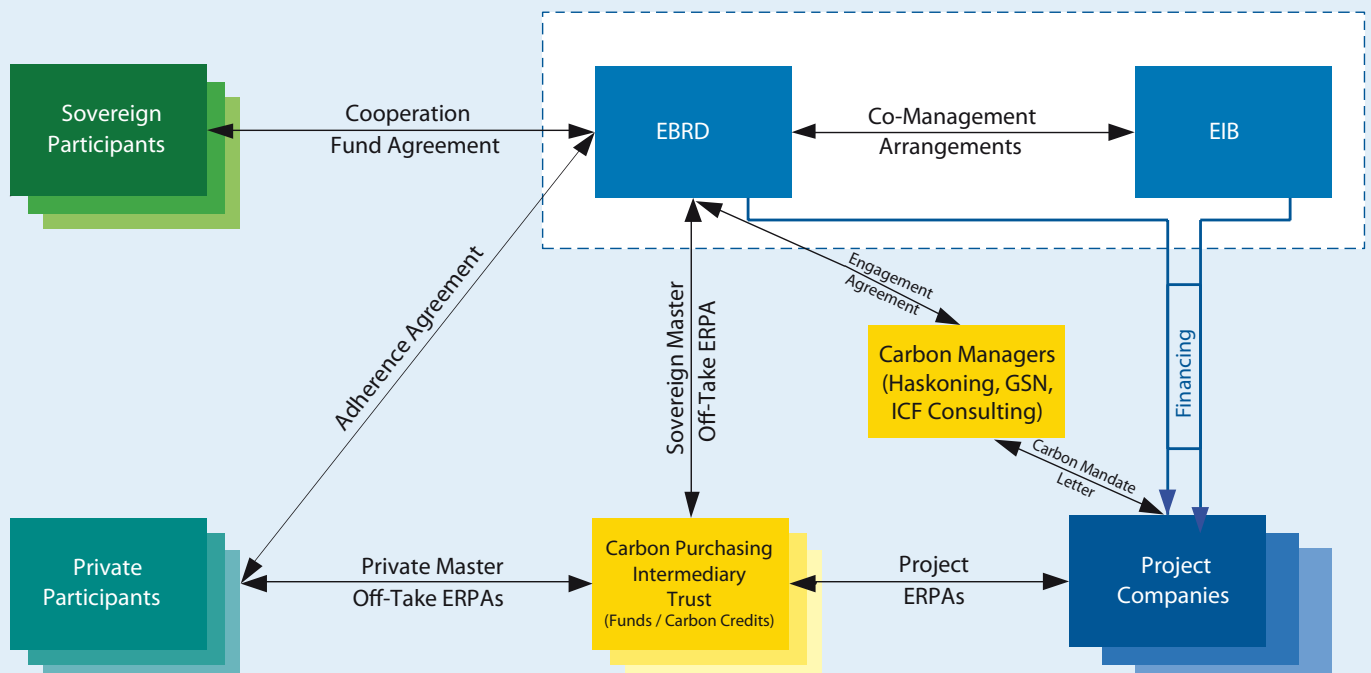
Carbon credit potential of countries in transition

The region covered by the MCCF currently contributes around 13 per cent of global carbon emissions, yet it generates just 3 per cent of global carbon credits. The countries in transition have a high potential for generating carbon credits because high carbon and energy intensity industries create significant opportunities for low-cost emission reductions. The marginal cost of achieving an emission reduction unit in such countries is low relative to western countries whose economies are much more energy efficient and generally less carbon intensive.

In addition, certain countries will be below their Kyoto targets as economic contraction has resulted in a sharp drop in emissions since the Kyoto Protocol's base year (e.g. 1990 for the Russian Federation and Ukraine). These countries are therefore likely to be sellers of AAUs through Green Investment Schemes.



MCCF: Outline of Contractual Framework



Carbon credits from projects in the following countries may be purchased by the MCCF:

Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Georgia, Hungary, Russia, Kazakhstan, Serbia, Kyrgyz Republic, Latvia, Lithuania, FYR Macedonia, Moldova, Mongolia, Montenegro, Poland, Romania, Slovak Republic, Slovenia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.

Various types of carbon credits that the MCCF can purchase

Participants' eligibility	Emissions trading regime	Type of carbon credit
'Project-based' carbon credits		
Sovereign and Private	Joint Implementation (JI)	Emissions Reduction Units (ERUs)
	Clean Development Mechanism (CDM)	Certified Emissions Reductions (CERs)
	EU Emissions Trading Scheme (ETS)	EU Allowances (EUAs)
Green investment schemes		
Sovereign	International Emissions Trading (IET)	Assigned Amount Units (AAUs)

Participants

The MCCF includes both private and public sector participants through two distinct windows:

- The sovereign window, being sovereign shareholders in the EBRD or EIB;
- The private window, which is open to private and public companies that require carbon credits for compliance reasons or that participate in voluntary schemes.

Six countries and six companies have provided initial commitments totalling €190 million:

- Sovereign participants: Finland, Belgium (Flanders), Ireland, Luxembourg, Spain and Sweden.
- Private participants: Zeroemissions (Spain), CEZ (Czech Republic), Endesa (Spain), Gas Natural (Spain), PPC (Greece) and Union Fenosa (Spain).

How the MCCF works

The MCCF combines the strengths of the private sector, in particular its technical know-how and commercial drive, with those of the two major international financial institutions, which bring expertise in investment appraisal and risk mitigation.

For project-based carbon credits the MCCF has engaged three carbon managers, each covering a specific region to develop, negotiate, sign and monitor carbon credit transactions. The carbon managers work under the supervision of the MCCF Secretariat, a team of dedicated staff from the EBRD and EIB. Carbon credits purchased from projects by the carbon managers will be acquired by private participants directly and by the EBRD acting for the account of sovereign participants. Participants will have the opportunity to approve, and decide whether to participate in each carbon credit transaction submitted to them by the MCCF Secretariat. Project-based carbon credits will then be allocated amongst participants pro rata to their contributions.



MCCF carbon managers

West Zone

Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovak Republic, Slovenia;

Carbon manager:
Haskoning, cmwest@ebrd.com

North-East Zone

Russia, Ukraine, Belarus, Kazakhstan;

Carbon manager:
Greenstream Network,
cmnortheast@ebrd.com

South-East Zone

Albania, Armenia, Azerbaijan, Bosnia Herzegovina, FYR Macedonia, Georgia, Kyrgyz Republic, Moldova, Mongolia, Montenegro, Serbia, Tajikistan, Turkmenistan, Uzbekistan.

Carbon manager:
ICF International,
cmsoutheast@ebrd.com

Green Investment Schemes

The MCCF is in a unique position to help facilitate and structure the government-to-government trade in Assigned Amount Units (AAUs) under Article 17 of the Kyoto Protocol. Under such Green Investment Schemes (“GIS”), the selling country uses the revenue from the sale of AAUs to support investments in climate-friendly projects. The Green Fund of the MCCF has received €40 million in commitments from Sovereign participants (so far Ireland and Spain).

In respect of GIS the MCCF Secretariat fulfils a facilitating role in both bringing together selling and buying countries, and in defining the greening programme, herein also co-operating with the EBRD and EIB banking departments. The MCCF Secretariat staff members are EBRD and EIB employees.

MCCF Secretariat contacts

Developers and owners of greenhouse gas emission reduction projects, including sovereign entities, who are interested in bringing their projects forward for financing and carbon credit sales, are invited to contact the MCCF Secretariat using the details below.

EBRD contacts

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