

Roles and application of carbon pricing in design of projects for the Green Economy Transition

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EBRD's Green Economic Transition approach

40%

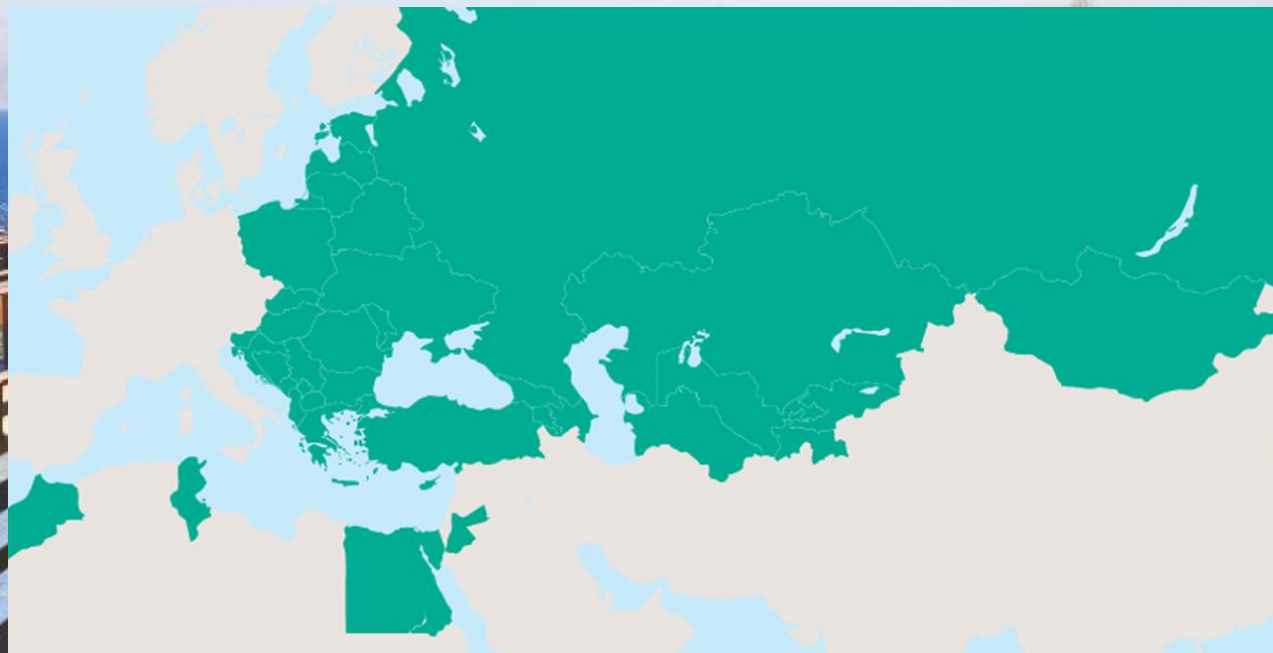
2020 target for the share of green finance in EBRD annual business, from a current level of 30%

€4 billion

Target annual EBRD green business by 2020

€18 billion

Target cumulative EBRD green business 2016-2020



Roles of carbon pricing in EBRD's project developments and investment appraisal

Situation	Example	Potential carbon price information sources
<p>Regulation (e.g. ETS, tax or implicit like feed-in tariffs): Carbon price scenarios to be taken into account in the or K-ETS feasibility study and sensitivity analysis</p>	<p>Energy efficiency investment in an industrial installation under the EU ETS</p>	<ul style="list-style-type: none"> - Published (historic) carbon pricing from exchanges - Reviews by carbon market analysts - Market models - Analysis of anticipated regulatory changes (e.g. ETS reform)
<p>Carbon price can be expected due to anticipated regulations.</p>	<p>Energy efficiency investment in the power sector in a Partnership for Market Readiness (PMR) country considering an emissions trading scheme.</p>	<ul style="list-style-type: none"> - Market models / abatement cost curve analysis - Policy mapping and review
<p>Application of policy to recognise carbon and other pollutant externalities (if no carbon pricing is available, or such pricing is perceived to be distorted)</p>	<p>Using a shadow price for carbon emissions in the cost / benefit analysis e.g. through levelised cost of energy (LCOE).</p>	<ul style="list-style-type: none"> - Social cost of carbon / shadow price studies - Comparison with peers and studies
<p>Design of a donor grant co-funding project sponsoring the uptake of low carbon technologies, whilst ensuring effectiveness</p>	<p>Financing instrument in Slovakia where level of grant co-finance is calibrated on the basis of the anticipated emission reductions times a crediting period times an pre-agreed cost of carbon.</p>	<ul style="list-style-type: none"> - Social cost of carbon studies - Anticipated carbon price development (if applicable) - Investment barrier analysis

Example of Project Design informed by Shadow Carbon Price (MCCF – GIS SLOVSEFF)

Carbon reduction
compensation = CO₂e
emissions avoided per year (in
tonnes) * €20/tCO₂ * 3 years
* 0.943

(minimum 5% of disbursed
loan, maximum 20% of
disbursed loan)

(*) rounded figure
corresponding to a discount
rate of 3% over 3 years

Projects covered by the EU ETS may
also be eligible to receive a CRC
provided that an equivalent amount
of EU allowances (EUAs) is
cancelled at the benchmark market
price in respect of which the CRC is
paid, to avoid double-counting of
emission reductions.

The CRC calculation for ETS covered
may be different.

www.slovseff.eu



SlovSEFF rewards
reducing emissions

Notes: A need for increasing information levels and application of common standards, in order to make carbon pricing effective.

The assessment of GHG emissions / reductions is subject to definitions as to project boundaries, calculation methodologies and information quality (production, technology)

The carbon price scenario to be used, ETS or tax regulated situations or shadow pricing, is a matter of educated judgement.

Capacity building needed with project sponsors and investors (banks)

Thank you!

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