The Austrian JI/CDM - Programme

Quito

March 2006
Management and Targets

Management: Implemented by Kommunalkredit Public Consulting representing the Austrian Ministry of the Environment

Budget: EUR 288 mill. (until 2012)

Target: 35 mill t CO$_2$-eq (until 2012)

Means: - Purchase of ERUs/CERs from JI/CDM projects (incl. financing of project-related immaterial costs)
- Investment in Carbon Funds
Special Features

- **AAA** rated buyer
- Possibility of **prepayment** of up to 30%
- Possibility of **financial support** for CDM project development up to EURO 40,000—
- **Additional project benefits (environmental, social)** are considered in price negotiations
- **No** specific **country restriction** and **lower limits** on offered Emission Reductions
- **Flexibility** within the purchasing procedure
Project Cycle - JI/CDM Projects

1. Project Idea Note (PIN)
2. PROJECT PROPOSAL (PDD)
3. NEGOTIATIONS
4. Contract (ERPA)
5. Transfer and Payment
Negotiation Procedure

Process

- Term sheet: initial position of the buyer/seller
- Communication meetings, conference calls, site visits, etc.

Process of negotiation

Draft ERPA

Negotiable
- price
- amount of credits
- delivery schedule

Final ERPA

Not Negotiable
- governing law
- jurisdiction
- max. 30% pre-payment
ERPA - Price

Process of negotiation

- **Price**: Basis is Market Price
- **Price depends on**:
  - Country Risk, Counterparty Risk, Project Risk and Risk Sharing (e.g. guaranteed – non guaranteed delivery)
  - Project Quality (additional environmental and social benefits),
  - Advance Payment
ERPA – Delivery of ERs

Delivery of ERs => Transfer of ERs in the Austrian Register

- **Anticipated ERs**
  Obligation of the Contractor to deliver ERs in accordance with the delivery schedule

- **Additional ERs**
  ERs in excess of Anticipated ER
  **Possible:** Call/Put Option, obligation of Contractor to offer and obligation of Purchaser to accept within a certain range, right of first refusal,…

- **ERs after 2012**
  **Possible:** Options, right of first refusal,…
ERPA - Payment

Payment

- Payments in EURO
- Taxes, fees etc. borne by the party in whose country of registration such taxes, fees become due

Advance Payment

- Max. 30% of the price for the Anticipated ERs
- Bank guarantee over the amount plus interest
- Advance payment
  - Credited against the first deliveries of ERs or
  - Credited over the full contract period
Project Implementation

Implementation

- **Validity** of ERs
- **Annual** reporting Requirements
- **Further** Reporting Requirements
- **Inspection Rights**
- **Further Undertakings** regarding the Project

Representation and Warranties

Contractor has to provide certain representations and warranties commonly applied in international purchase and financing contracts
Termination & Delivery Default

Delivery Default

- Delivery default if Contractor fails to deliver ERs vs. delivery schedule
- Extent of Delivery Default => Legal Consequences
  - No consequence
  - Cure period (to deliver alternative ERs)
  - Payment of the difference between market price and unit price (for non-delivered ERs)
  - Termination
Preceding Conditions & Miscellaneous

Preceding Conditions

➢ Recommendations by the Commission for the Austrian JI/CDM Programme & Approval by the Austrian Federal Minister of Agriculture, Forestry, Environment and Water Management

➢ LoA by host country DNA

Miscellaneous

➢ Subcontracting, confidentiality, form of communication etc.

Statement of Programme Management

Recommendation by Austrian JI/CDM Commission

Decision and signing by Minister of Environment
Austrian JI/CDM Programme
Project Examples Alwar Power Company Lt
Biomass Project, India

Technical Data:
- Energy Prod. from Biomass: Mustard Crop Residuals (around 80,000t)
- Capacity 7.5 MWel
- Energy Generation 40-44 GWh/a
- Annual CO₂ Reduction 30-36,000 tCO₂e

Financial Data:
- Investment EUR 5.4 Mill.
- Financing 30% Equity, 70% Debt
- Impact CER 20% of inv. (<EUR 5)
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Project Examples \( \text{N}_2\text{O} \) Destruction Project Abu Qir Fertiliser, Egypt CDM

**Technical Data:**
- Catalytic destruction for \( \text{N}_2\text{O} \) emissions in the tail gas of nitric acid plants
- Expected \( \text{N}_2\text{O} \) red. 90%-98%
- Annual \( \text{CO}_2 \) Red. 900,000 t\( \text{CO}_2 \)e

**Financial Data:**
- Investment EUR 7 Mio
- Financing Equity, Advance Payment (bank guarantee)
- Impact CER 400-500% of inv. (<EUR 6.5)
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Project Examples: Jilin Taonan Wind Power Project, CHINA

Technical Data
➢ Capacity  50 MWel
➢ Energy Generation  103 GWh/a
➢ Annual CO₂ Reduction  94,000 tCO₂e for 6.5 yrs

Financial Data
➢ Investment  CER 50 Mill.
➢ Impact CER  ca. 6% of inv. (< EUR 6)
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Austrian JI/CDM Programme
www.ji-cdm-austria.at/

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