

Additionality:

-Foundation, practicalities and prospects

Kolibri Group Management, Inc.

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Kolibri Group Introduction

Kolibri Group is a global investment firm that works with partner financial institutions and engineering firms to provide debt, equity and carbon financing as well as turnkey technology solutions to climate change projects, renewable energy ventures, and emerging clean tech companies worldwide.

Kolibri Group was selected as a member of the World Economic Forum's Community of Global Growth Companies; is a member of the Investor Network on Climate Risk, a group of corporations and institutional investors managing \$4 trillion in assets; serves on the Index Committee for the Barclays Capital Global Carbon Index; is a founding member of the Carbon Offset Providers Coalition; and is a member of the International Emissions Trading Association (IETA). Kolibri Group delivers turnkey technology development and implementation through a renowned engineering firm with 7,000 employees.

Presentation overview

- The policy basis for additionality
- The evolution...and experiences
- Prospects for future application and resolution
- Conclusions

The Policy basis:

"Emission reductions that are additional to those that otherwise would occur"

"Firstly there is a need for agreement on the policy basis, then for being pragmatic on the solution/ application of tools to assist additionality determination and avoid BAU crediting".

- In this regard, the policy basis must recognise that:
 - offsets need to contribute to least cost mitigation, bridging current practices with future ones, while not being the only mitigation solution, and...
 - Potentially move mitigation options to areas previously not targeted, via technology incentivisation.

Lastly, policies shaping additionality must recognise that:

- Additionality determination is not a 100% accurate science!

Evolution:

- ANY baseline could be used for crediting.... (Early Dutch interpretation of KP)
 - Select a plausible baseline, and you will be eligible for crediting if you emit less....(CDM-EB in early days)
 - You cannot have positive revenues without carbon credits (Some NGO's viewpoint, early days, and to some extent presently). ...The recent criticism on crediting of industrial gas destruction goes counter to this....
 - If your project is earning more money than a financial benchmark, you'll need to come up with very high barriers to defend project additionality (present CDM-EB view)
 - Increasing focus on "project intent" (CDM-EB at present)
- This evolution and "flip-flopping" among regulators has caused major industrial sectors to stand outside any mitigation activities of scale (oil/gas, cement, steel, transport).

Present practicalities:

- Difficult/impossible to detach additionality test from a project baseline....Which means you firstly need to select the correct project baseline...
- Projects are rarely made for emission reductions alone...
- You will never be 100% correct in your judgement of additionality (false positives/negatives)
- Same type of project technology may have different baselines, and may also end up having different outcome of an additionality test
- The CDM "additionality tool" does not fit all project types, although is a robust device for determination of additionality for many projects (Constrained by the scope of CDM methodologies)

Sketch for resolution (1):

- Use the aggregated experience over the past decade to differentiate on projects and tools, and expand this to products/technologies:
- Use of benchmarks/technology standards for new technologies / technologies with low market penetration (this may assist in untying the "energy efficiency knot")
- Credit all renewable-based technology/ies against national benchmarks
Requires annual/frequent update of grid data
- Establish a positive list for no-recourse projects
e.g. Agricultural methane capture and destruction, other methane capture projects with no apparent incentives, afforestation/reforestation, transport...

Sketch for resolution (2):

-For other project types/categories: Use a simplified additionality test for determination:

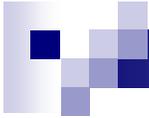
- Is the project representing a least cost option?
- Is the project representing common practice or long established practices?
- Is the project mandated by law/regulations?

If "no" to all of the questions above, consider the project additional, if "yes" to one or more questions, continue with an elaborated test using e.g. the present CDM additionality tool.

-By differentiation as suggested above, more streamlining of additionality determination will be possible, leaving less to "essay writing" and innovative barrier construction and large possibility for expansion of mitigation technology scope.

Conclusions

- Agree and stand by the policy decisions that support additionality:
The key issue must be to avoid BAU and incentivise based on policies
- Differentiate additionality "tests" based on technologies and sectors
- Recognise that this will never be 100% perfect, and be pragmatic in applying the above.



Thank you!

