The Offset Procurement Process: Project Developers

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Each developer typically provides tailored *offerings*, including project development support, direct project investment, carbon finance, and carbon asset development, to help project sponsors capture the “carbon value” from their energy and carbon-emissions-reduction projects.
A Brief History of Carbon Project Developers

• **The First Decade: 1995-2004**
  CAA amendments as precedent, Kyoto negotiations, corporate positioning, USIJI, carbon industry begins to evolve, ...

  - Econergy
  - Camco
  - AgCert

• **Market Launch: 2005-2009**
  Kyoto enters into force, EU ETS, a price for carbon, market infrastructure growth, capitalizing on complexity, the IPO spring of 2006, all eyes turn east, all eyes turn west, ...

  - Ecossecurities
  - GE/AES
  - Tricorona
  - MGM
  - Blue Source

• **Re-entering the Atmosphere: 2010**
  The false summit, a hard landing...

• **Going Forward**
An Overview of Typical Carbon Project Development Activities

**Project Development & Investment**
- A full range of project development support activities, based on individual project needs
- Funding for early-stage project development activities
- Direct capital investment in projects and assets from the company’s own funds, or from funds managed for third parties
- Access to debt financing tailored to energy and carbon-emissions-reduction projects

**Carbon Finance**
- Structured carbon credit off-take agreements to provide early-stage project funding
  - Carbon pre-pay and forward purchase agreements
  - Fixed-price carbon purchases with shared upside potential
- Project development support *at risk* in return for share in the resulting carbon asset

**Carbon Asset Development**
- Identification of carbon project opportunities within business operations and investment portfolios
- Quantification of carbon asset generation opportunities and emissions reduction potential
- Qualification of projects to generate the highest-quality carbon assets
- Management and commercialization of asset portfolios to optimize price and terms
- Carbon development and qualification services *at risk* in return for share in the resulting carbon asset
Project Development & Investment

*Involves the full range of project development activities, based on the individual needs of each project. Project types include low-carbon energy generation, energy efficiency, and GHG emissions reduction.*

- **Collaborate** and **co-invest** with project hosts, other project developers, technology providers and/or investor groups.

- Provide the management infrastructure, financial structuring, business planning, **development support**, and **project finance** to take each project, as required, from early-stage development through to closing.

- Provide **direct equity funding** to projects on a selective basis.

- Source **debt financing** tailored for low-carbon energy and GHG emissions reduction projects, if needed.

- Apply **carbon market expertise** to extract maximum value from the environmental attributes of the projects.
Carbon Finance

Provide “creative” alternatives for leveraging carbon assets to address early-stage project funding needs.

- Carbon pre-pay and forward purchase agreements – early-stage funding in return for a share of the carbon assets eventually generated by a project.
  - Example: A forward contract could be executed for the purchase of all carbon credits that might be produced by a project, with a negotiated percentage paid up-front to finance early-stage project development.

- Fixed-price purchase agreement with shared upside – early-stage funding plus a share in future upside price movements based on certain market conditions and/or price triggers.
  - Example: A forward contract could be executed for the purchase of carbon credits at an agreed price, with a negotiated sharing of revenues if the carbon price subsequently rises a certain amount above the original agreed price.
Leverage experience and knowledge of regulatory frameworks, technical expertise and financial risk management to qualify the carbon asset in order to achieve its optimal value in a fragmented marketplace.

- Applied to **Clean Development Mechanism** (CDM) and **Joint Implementation** (JI) projects in the Kyoto markets.
- Applied to Climate Action Registry (CAR), Gold Standard, Voluntary Carbon Standard (VCS), and other certification standards in the pre-compliance markets.
- Manage the “carbon project cycle” -- **project origination through credit commercialization**.
Carbon Asset Development Activities

- Commercial Agreements
- Technology / Economic / Regulatory Risk Management
- Qualification / Validation
- National & International Approvals

Underlying Project Development Activities
- Commercial Agreements
- Permits & Licenses
- Technology / Engineering
- Political Management
- Business Formation
- Project Finance

Project ID & Prefeasibility Activities

Project Financial Closing

Construction

Start-up & Operations
Carbon Asset Development

- Project Identification and Origination
  - Audit of existing assets and development of carbon hierarchy
  - Quantification and valuation of identified carbon assets
- Qualification and Generation
  - Selection of appropriate qualification methodology and standard
  - Ensure verification and ongoing monitoring of offsets
- Commercial Structuring and Asset Management
  - Offset sales, typically through structured agreements that extract maximum value from the market
- All along, carbon developers often work at risk in return for share of carbon credits
Summary Offerings to Support Project Development

Project needs
- Project Development & Investment
- Carbon Finance
- Carbon Asset Development

Developer’s Offering
- Project finance, carbon market expertise
- Pre-payment and other structured purchases
- At-risk services to qualify carbon assets

Developer’s Compensation
- Equity share, dividends, success fees
- Share of carbon credits or carbon revenues
- Share of carbon credits