



**The Carbon Ratings  
Agency**

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## **Mission and company background**



**The Carbon Ratings Agency**

## Mission: The Carbon Rating Agency

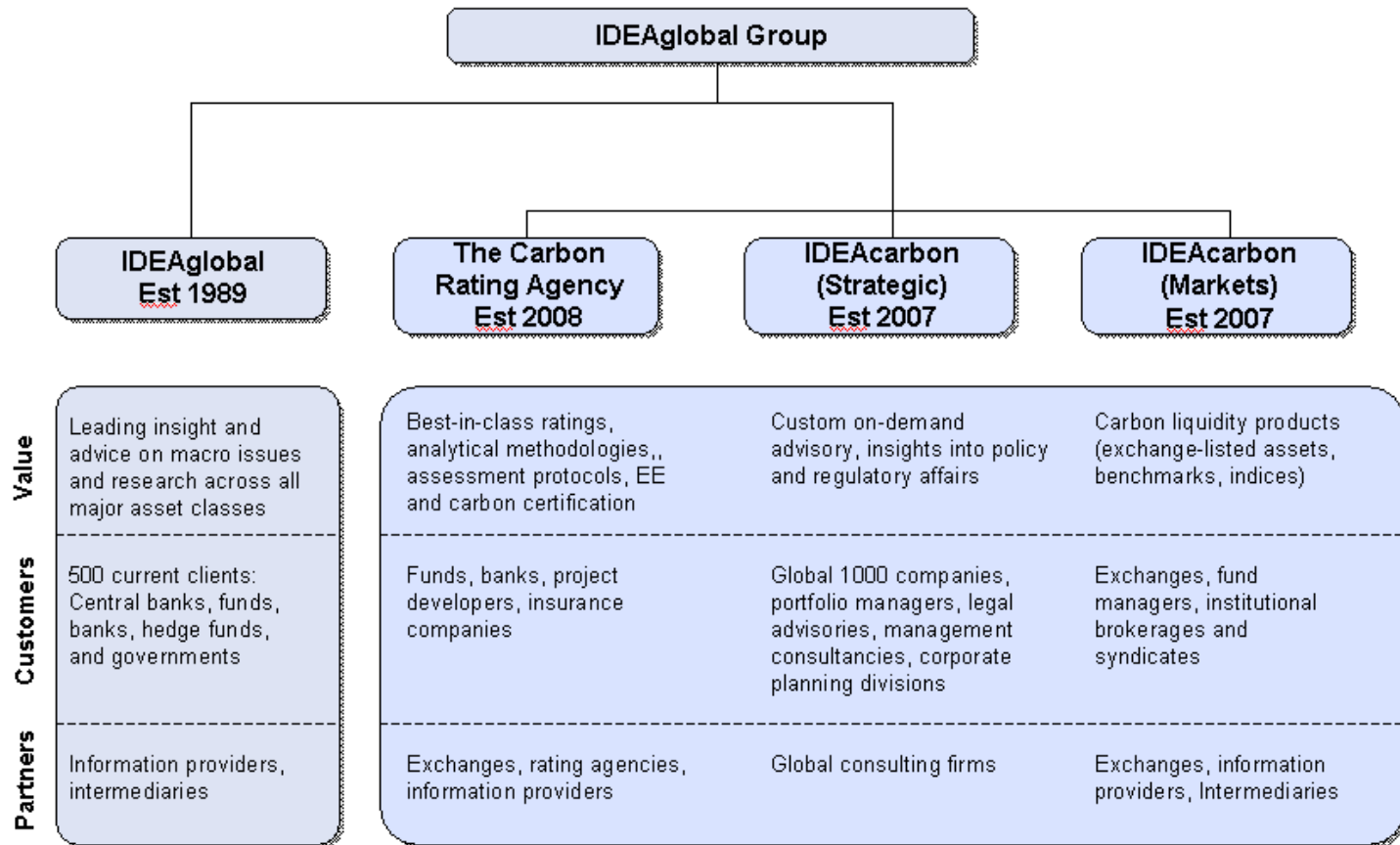
The Carbon Rating Agency (CRA) was conceived by Shandi Modi in 2007. It was clear that public money would be devoted to the challenge of climate change but, without private sector involvement, this alone would not be sufficient.

Environmental assets require tools for accounting and risk measure at a standard consistent with other asset classes. Without these tools, institutional investors would not be able to deploy capital. With their benefit, however, investors would be attracted to low carbon investment opportunities.

The Carbon Rating Agency enlisted Lord Stern as an advisor, Ian Johnson (then VP of sustainable development at the World Bank) as co founder and Christiana Figueres as Vice Chair (now head of UNFCCC), and recruited Nitin Desai from India, Paul Ezekiel (former head of Carbon trading at Credit Suisse), Mr. Neil Eckert (Former CEO of Climate Exchange Plc). This group has guided the development of a set of products and services which are necessary for climate finance to scale up and become mainstream.

R20 and other organisations pushing the climate finance envelope are focused on harnessing private sector capital, identifying and allocating risks and return, in a world scarce on public funds. Our products for environmental markets can play a complementary role in scaling climate finance initiatives and attracting institutional capital.

# IDEAcarbon and Carbon Rating Agency





- Established in 1989, **IDEAglobal** is an independent, global research organization, with its headquarters in Singapore, and subsidiaries in New York and London. IDEAglobal is a leading supplier of independent and impartial advice to 50 central banks in the formation of policy and is read by financial professionals in over 500 dealing rooms worldwide.
- IDEAglobal Group advisory Board includes Mr Ng Kok Song (MD of the GIC, Singapore); Lord Nicholas Stern (Author "The Economics of Climate Change" ), Professor Helmut Schlesinger former President of the Deutsche Bundesbank), Mr Nitin Desai, (Advisor to the Government of India, former UN Undersecretary General) & Mr Neil Eckert (former CEO Climate Exchange).



- **IDEAcarbon** is an independent and professional provider of research and strategic advice on carbon finance. Founded by Shandi Modi, CEO and Ian Johnson, Chair and formerly Vice President of the World Bank. IDEAcarbon's services are designed to provide leading financial institutions, corporations, governments, traders and developers with intelligence and analysis of the factors that affect the pricing of environmental market assets.
- IDEAcarbon combines its strength or risk assessment, risk evaluation and ratings with its ability to introduce novel and relevant tradable products to enhance liquidity and transparency.



- **The Carbon Rating Agency (CRA)** is a wholly owned subsidiary of the IDEAGlobal group. Its mission is to improve the functioning and efficiency of the markets in energy efficiency, carbon and related assets. The Carbon Rating Agency's ratings and opinions are unencumbered and independent – the CRA does not trade, buy, sell or originate carbon credits or other environmental assets.
- The company is a provider of analytics and ratings on climate projects and portfolios and has conducted ratings for over 130 projects including PoAs and forestry projects. It can provide reliable analysis of asset quality, key diagnostic inputs on risk factors that affect project performance and estimates of efficiency and carbon tonnage.

# IDEAglobal Advisory Board

**Mr Ng Kok Song**



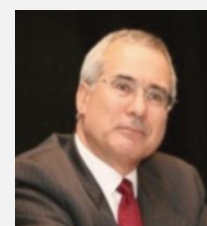
**Mr. Ng, managing director of the Government of Singapore Investment Corporation, joined the IDEAglobal advisory board in 1997.** At GIC, Mr. Ng is responsible for global asset allocation, global currency risk management, as well as for the operations of the equities, bonds, forex, and economic departments. He previously held positions at the Monetary Authority of Singapore, as director of the international and banking departments.

**Dr Helmut Schlesinger**



**Professor Schlesinger joined IDEAglobal's advisory board in May 1995.** He was formerly the president of the Deutsche Bundesbank and was chairman of the Central Bank Council from 1991 to 1993. Prior to that, Professor Schlesinger served in a variety of positions, including head of the research and statistics department, member of the board, and deputy president of the Deutsche Bundesbank.

**Lord Nicholas Stern**



**Lord Stern rejoined the IDEAglobal advisory board in 2007 and was vice chairman of IDEAglobal group between 2007 and 2008.** The author of the seminal Review on the Economics of Climate Change and former Chief Economist at the World Bank, currently the IG Patel Professor of Economics and Government at the London School of Economics. He was Adviser to the UK Government on the Economics of Climate Change and Development, reporting to the Prime Minister from 2003-2007.

**Mr Shandi J Modi**



**Mr Modi is the Chairman of IDEAglobal and founder of IDEACarbon.** He has more than 25 years experience in the financial markets, as an advisor to governments, policy makers, hedge funds and proprietary traders. Mr Modi was awarded an Honorary Fellowship by the London School of Economics in recognition of his services to the financial industry.

## Contributors to IDEAcarbon and the CRA analytical products

**Mr Ian Johnson**



**Mr Johnson co-founded both IDEAcarbon and the Carbon Rating Agency (CRA), following a distinguished career at the World Bank.** For eight years he was the Bank's Vice President for Sustainable Development overseeing its work on climate change and carbon finance. Prior to that he played a major role in negotiating the establishment of the Global Environment Facility (GEF) and managed its day-to-day operations for six years.

**Ms Christiana Figueres**



**Ms Figueres joined as Vice Chairman of the Carbon Ratings Agency in February 2009 and left in July 2010 as the new Executive Secretary of the UNFCCC** and as such had to relinquish her role with the CRA. She sat on all CRA rating committee meetings during her tenure and initiated CRA's analysis work for programmatic CDM.

**Mr Neil Eckert**



**Mr Eckert joined the IDEAcarbon Advisory Board in June 2011.** Mr Eckert was Chief Executive of Climate Exchange Plc which owned the European Climate Exchange (ECX) and the Chicago Climate Exchange (CCX) until their sale to ICE in 2010. Neil was also Chairman of Trading Emissions plc, one of the first funds to invest in emission markets. Mr Eckert is Chairman of Design Technology and Innovation Limited.

**Mr Nitin Desai**



**Mr Desai joined IDEAcarbon's Advisory Board in 2008.** Mr Desai is a Special Advisor to the UN Secretary General for Internet Governance, and chairs the Advisory Group that organises the annual UN Internet Governance Forum. He is an Honorary Fellow of the London School of Economics and Political Science (LSE), and advises the Indian Government on its national climate change action plan.

# Clients Served

## Multilateral Organisations



## Energy Companies



GDF SUEZ

**centrica**



## Financial Institutions



# Testimonials

Independent assessment, applied across a broad range of projects could provide standardisation needed in this market. The Carbon Rating Agency is the first to introduce such a tool.

***Jonathan Young, Carbon Credit Underwriter, Munich Re (2010)***

We believe adoption of ratings would command credibility generally among buyers, potentially increasing institutional flows.

***Patricia Rosenthal, Fortis Bank (2010)***

By providing analytics to assess the valuation of carbon credits, IDEAcarbon brings transparency to the carbon markets. Investors in the market are better positioned to make informed decisions.

***Niall Cameron, Executive Vice President, Markit Group (2010)***

I am of the view that ratings by the Carbon Rating Agency can genuinely benefit buyers and sellers both.

***Karun Sharma, FICCI (2010)***

IDEAcarbon has built the core components deemed necessary to enable scaling of public-private climate finance to the standard of other large asset classes

## **Immediate action on climate change is predicated upon**

- Readily available technology
- Governance and Measurement, Reporting & Verification standards
- Financial instruments, private capital, and public funds

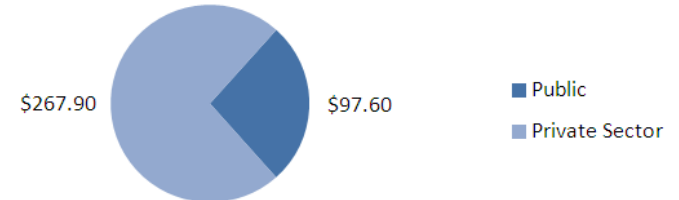
## **Public versus private**

- Private sector cannot address climate change alone (Shandi Modi, 2006)
- Public-private 'handshake' is a thesis of CRA, guided by Ian Johnson (former VP of Sustainable Development, World Bank)

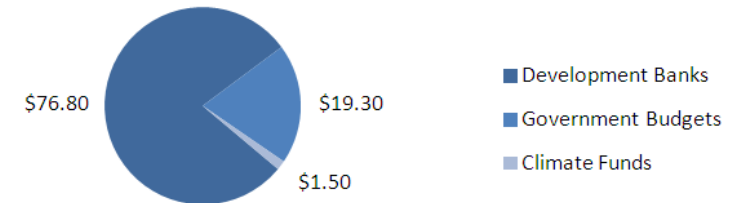
# The Landscape of Climate Finance

- Actual funding is not meeting promises
- The CPI suggests that 2011/12 climate finance flows reached US\$343-385 billion
- IEA estimates that between 2012 and 2050, US\$1 trillion needs to be invested in the energy sector each year
- Multilateral institutions are often seen as catalysts for the private sector but have a high level of risk-aversion
- Institutional investment needs to scale up

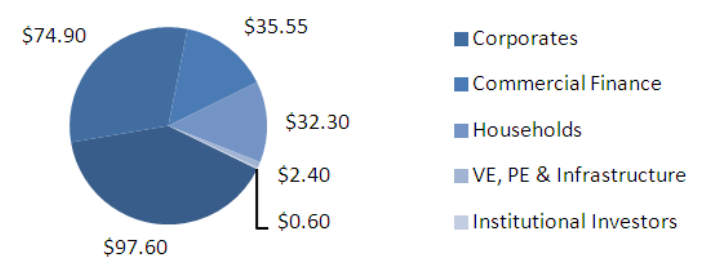
2012 Climate Finance - Total (\$bn)



2012 Climate Finance - Public Sector (\$bn)



2012 Climate Finance - Private Sector (\$bn)



Source: Climate Policy Initiative

# The Landscape of Climate Finance

## Opportunities

Plenty of dollars are pledged and available from:

- Government institutions,
- Multilateral organisations
- Development funds
- EU Structural funds & EU budget

Debt markets can and should be opened up... return thresholds are currently very low...

## Barriers

- Lack of standards and transparency
- Lack of comparability with other asset classes
- Inability to account, value or margin assets on balance sheet
- MRV and performance risks
- National and regional risk not defined or assessed independently
- Perception of risks associated with climate finance are greater than they should be

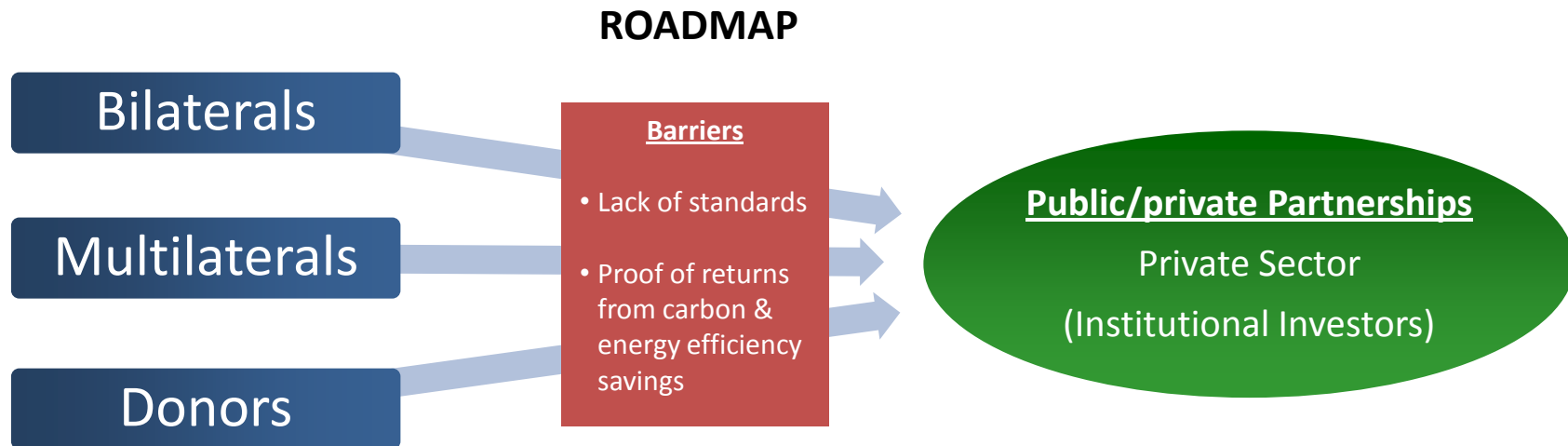
## Solutions

- ✓ IDEAcarbon has focused on creating proven and accepted solutions to break down these barriers
- ✓ The commitment of IDEAcarbon and Regions 20 members can open the tap of available finance
- ✓ More investment needed in creating a climate finance architecture

# Catalysing Private Finance

To access **AVAILABLE CAPITAL** the following are needed:

1. Independent Risk Assessments
2. Relevance / Metrics / Valuation / Performance of Energy Efficiency / Carbon
3. Applied to infrastructure and economic development spending



**IDEAcarbon has begun to address some of the barriers limiting climate finance**

- Technical expertise and proven track-record
- Ratings process at an institutional standard for highlighting risk factors
- Unique tools for risk profiling and management
- Insight into regional policy

# Clients Served

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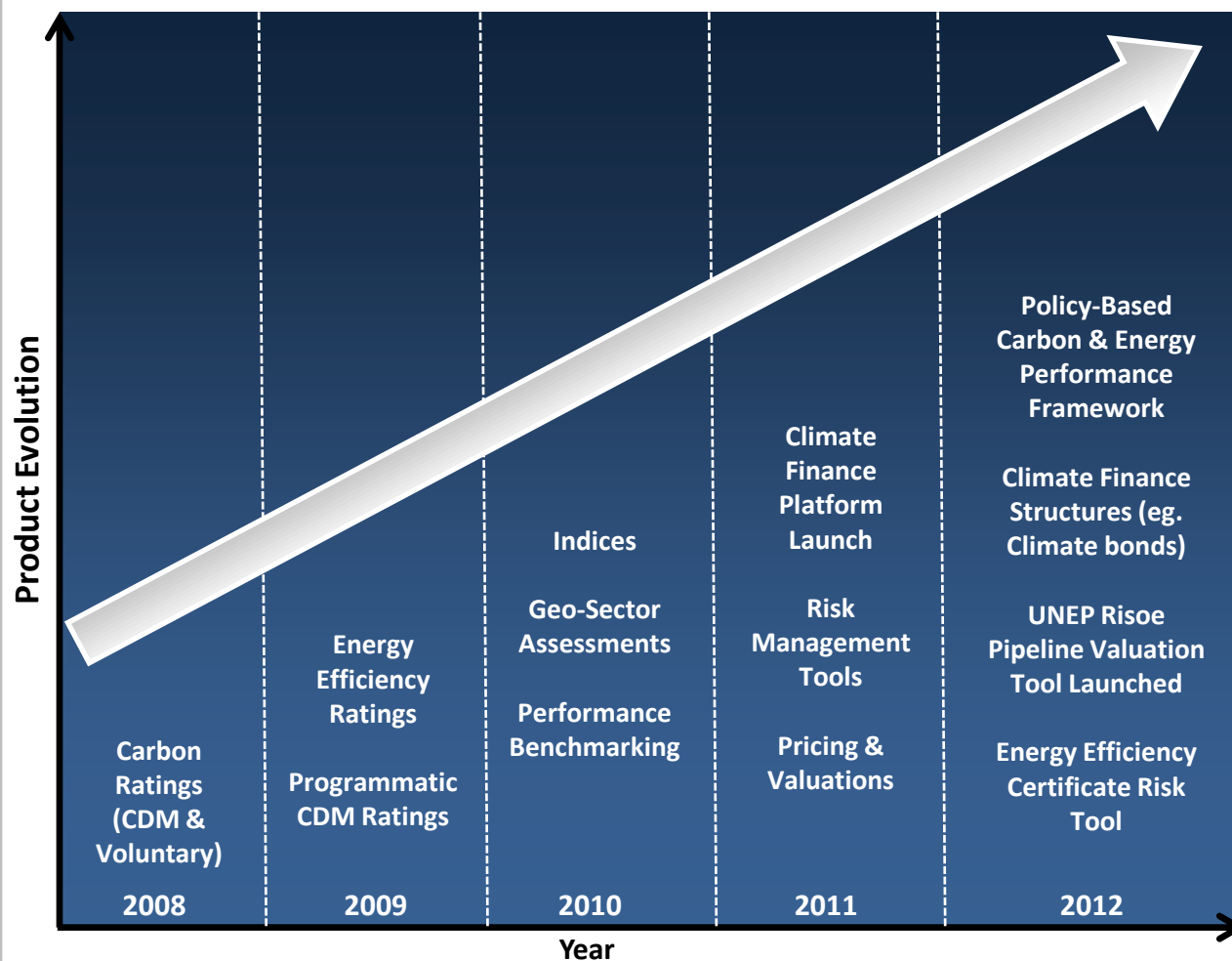
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# The CRA Product Evolution



## Applications

### Climate Finance Platform

- Covered Bonds
- Leveraged Loans
- Mark-to-market accounting
- Solar PV irradiation analysis
- Programmatic CDM + Energy Efficiency
- Policy-Based Climate Finance

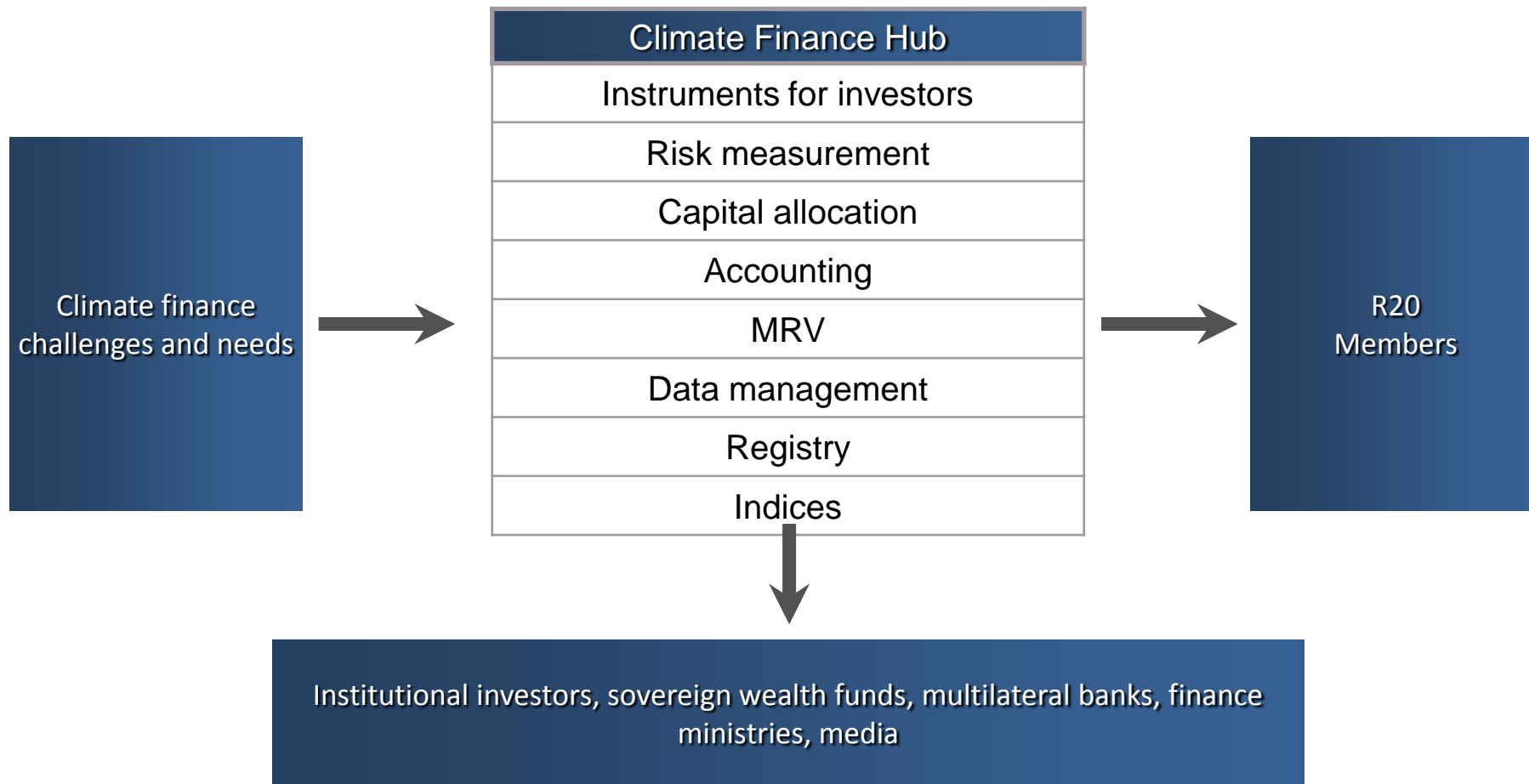
### Project Ratings

- Attracting investment
- Streamlining development

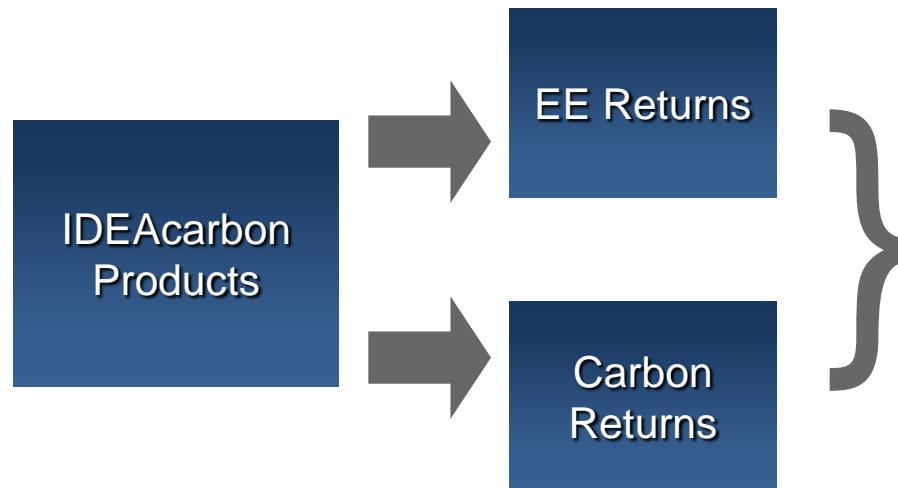
### Risk Management Tools

- Ongoing project assessment
- Quantified outputs for risk managers

# IDEAcarbon's Climate Finance Architecture



## IDEAcarbon Products as Precursors



### Precursors for

- ETFs
- Tradable indices
- Renewable energy certificates
- Feed-in-tariffs
- Mark to Market pricing
- Measuring, Reporting & Verification
- Standards, metrics, ratings
- Green & RE covered bonds
- Infrastructure loan sizing
- +
- +

# Climate Finance Products and Applications

Climate Finance Platform

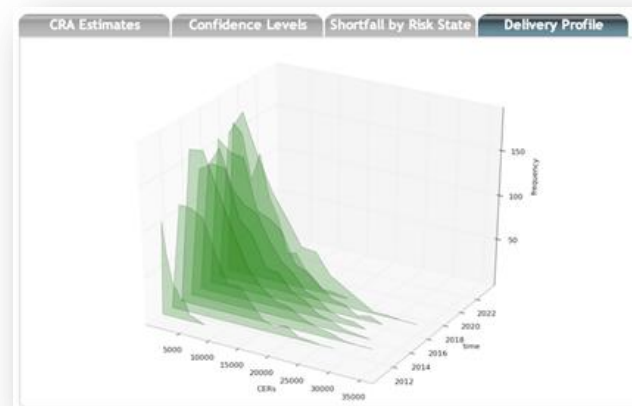
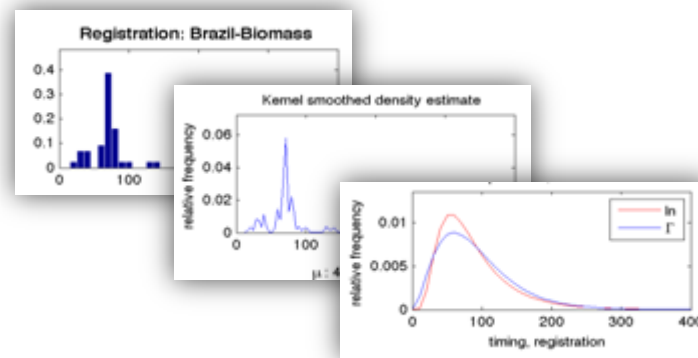
Energy Efficiency and  
Renewable Energy Project  
Ratings

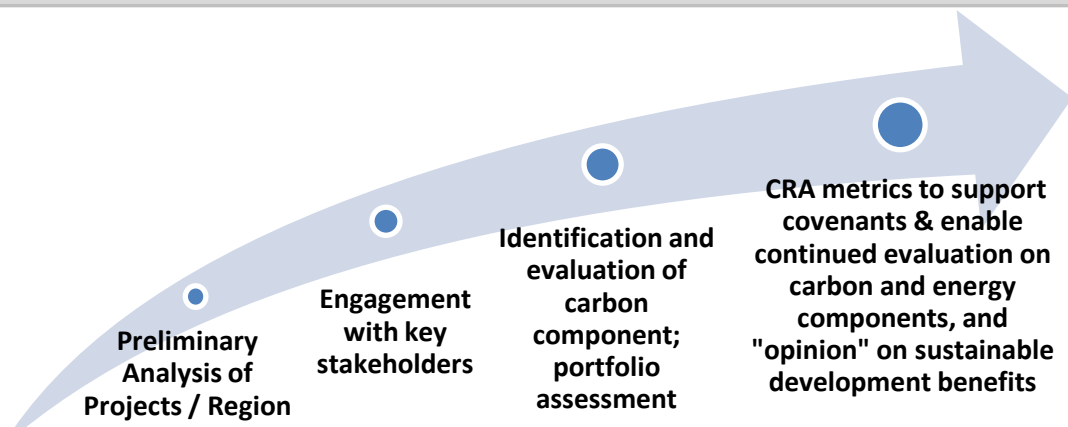
UNEP Risoe: Risk Assessment  
& Valuation

Programme of Activities  
Analysis



- A bespoke statistical analysis tool that allows for the quantification, forecasting and monitoring of revenue streams from projects involving emission reductions, renewable energy and energy efficiency
- Proven statistical core
- Enabler for:
  - Performance forecasting
  - Risk management
  - Capital allocation
  - Green bond creation
  - Mark-to-market Accounting
  - Data Management
  - Measurement, Reporting & Verification





## IDEACARBON'S ROLE IN ADDRESSING CLIMATE FINANCE BARRIERS

IDEACarbon works with local stakeholders to facilitate their understanding of risks associated with low-carbon development. By increasing their capacity in this area, stakeholders are better equipped to assess potential projects and to craft appropriate proposals for capital requirements and allocation.

IDEACarbon's key capabilities include:

- Facilitation of finance flows through comprehensive, ground-up risk analysis
- Use of rigorous and well-proven methodologies to produce accurate project performance models
- Identification of potential synergies between projects with beneficial climate aspects<sup>1</sup>
- Definition of non-market environmental benefits<sup>2</sup>

**IDEAcarbon analyses project portfolios according to the following criteria:**

- Key outputs and deliverables
- Timing
- Financial returns
- Carbon component
- Energy delivery/ Energy Savings
- “Opinion” on environmental benefits

IDEAcarbon produces metrics which allow for straightforward comparisons between diverse projects.

IDEAcarbon’s approach to climate investment is being built to the same institutionally accepted rigorous standard that characterizes CRA work in carbon domain.

The bottom up discipline for projects and programmes inherent to CRA processes ensures that that the output is the most credible in this space.

## Comprehensive Project Reviews

- *Assess participants, context, implementation, framework, and concept behind project finance efforts*
- *Provide an investment score to facilitate institutional interest and scale*
- *Analyst “help desk” facilitates education and application*

The Carbon Rating Agency  Rating Diagnostics Report\*

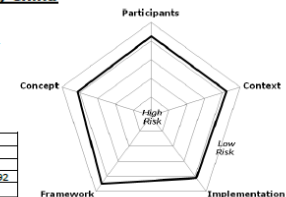
### Xiaoxi Hydropower Project, China

Rating type: Market Initiated.\*

**PROJECT SUMMARY DETAILS**  
 Type: Hydropower Subtype: Run of River  
 Meth: ACM2 ver.6 Size: 135 MW

PDD Version and date: 6.0 – 02/12/2008  
 Location: Hunan Province, China  
 Status: Registered  
 Registration date: 19 Dec 2008

CER Delivery as set out in PDD		
Crediting period starting 19/12/2008		
Year	2008-2015	Total
Tons	437,113 (average)	3,059,792
Issued		1,173,686



Rating: AA (July 2012) to be discussed on July 19<sup>th</sup>, 2012  
 The project is registered and has had four successful issuances with an average performance of 67%.)

Xiaoxi is a hydropower project with total installed capacity of 135 MW, composed of 3 sets of 40 MW turbines and 1 set of 15 MW turbine. The Xiaoxi hydroelectric power station lies in the middle section of the Zishui River, in Xinshao County, in China. It is described as run-of-river but has a 47m high dam, in a narrow section of the river. It is located in a region characterised by high rainfall and intense storms (which frequently result in flooding).

The project owner is Hunan Xinshao Hydropower Development Co. Ltd., which is an SPV established for this project.

Project construction began in 2004 but was delayed for nearly a year in 2005 when difficult foundations conditions were uncovered. Civil works was completed and the project started full operation since Oct 2008.

The project was registered in Dec 2008 as a CDM project and assessment on the fulfilment of the criteria set by the WCD was also accomplished.

The project has had four successful issuances covering the period of 19/12/08 to 30/11/2011. The latest successful issuance shows that, to date, the project has an issuance success of 67% against its PDD prediction.

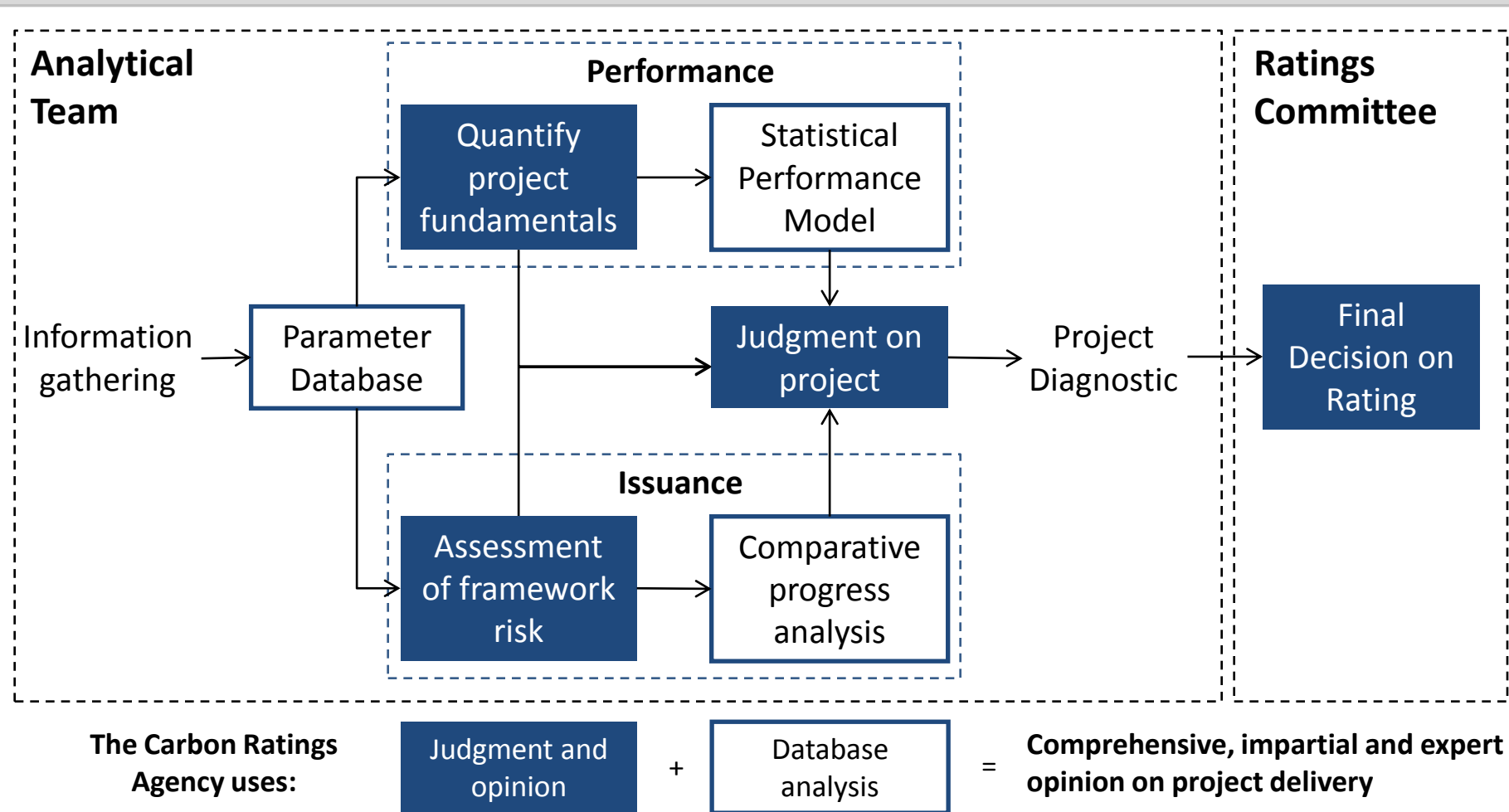
**SUSTAINABLE DEVELOPMENT ASPECTS are considered MODERATELY NEGATIVE.**  
 The project falls under the need for WCD analysis if the CERs are to be used in the ETS. The DOE has prepared a report on compliance with the WCD and on this basis it is understood that the German DNA will accept the CERs for registration. This conclusion has been challenged by an NGO (IRN) on a number of grounds, including the process for relocation of more than 7,000 people who are affected by the project. The substance of the issues has not been assessed during this rating but the existence of a public debate is noted.

#### **APPENDUM TO THE PROJECT DIAGNOSTIC – July 2012**

##### **PREVIOUS RATING:**

\* It should be noted that market initiated ratings (unofficial ratings undertaken as a service to the market keeping in view the general interest of market participants and to enhance market transparency) are solely based on information obtained by The Carbon Rating Agency from public sources and that such information may neither be complete nor accurate. Although reasonable care has been taken to ensure that the information reported is relevant, such information is provided "as is" without any warranty of any kind, and The Carbon Rating Agency in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information and shall be under no liability of any nature in respect of them. A decision to buy/sell/issue in any Carbon Rating Agency rated entity/instrument should not be made to rely on any of the statements set forth in the rating/instrument reports. The Carbon Rating Agency reserves the right to change a rating without notice at any time. Please refer to full disclaimer on last page

# Rating Methodology: Energy Efficiency and Renewable Energy



# UNEP Risoe Study: Risk Assessment & Valuation

## What is it?

The Carbon Rating Agency's UNEP Risoe study is an analysis of delivery volumes and value across the UNEP Risoe database, broken across sectors, countries and other criteria of interest. The study is analytical, and the results are presented in tables and charts through a web-based interface.

## Who is this for?

The audience for the study includes analysts, developers, compliance buyers, strategists, policy makers, regulators, and consultants. Unlike the related CARBONrisk product, the UNEP Risoe study defines portfolios of interest and contractual terms that may apply.

## Why is this unique?

The study is the first of its kind to price the entire UNEP Risoe database against a consistent set of risk factors and standardized methodology for carbon delivery volumes. Forward valuation is overlaid upon these estimates and revisited upon daily close of trading in the European carbon markets.

Users	Application
Developing country Energy Department	Planning, Projections, National Investment Plans
Treasury Departments	Real valuations of carbon in pipelines
Private sector	Clear valuations and risk profiles enables financing

## Morocco Portfolio (the entire CDM pipeline):

Ref.	Project Name	Contracted	Delivered	Estimated	Percentage
CDM06430	Heat recovery and fuel switch from natural gas to biomass residues implemented at Renault Tanger Mediterranee RTM plant - Melloussa, Morocco	77,000	0	34,510	44.8
CDM07254	Fuel oil to vegetable biomass switching at Lesieur Cristal Limited Corporation	120,000	0	55,612	46.3
CDM03412	Surac Bagasse Plant Project	224,000	0	189,715	84.7
CDM00476	Jorf Lasfar heat recovery enhancement for power project	890,000	0	0	0.0

# UNEP Risoe Study: Risk Assessment & Valuation

## What are some existing applications?

This study comprises 40+ subportfolios, each of which represents a broad sector of the carbon markets, Project developer will be able to match subportfolios to their own originations lines to gauge relative performance against a peer index.

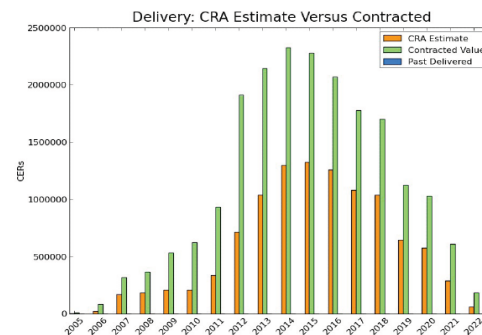
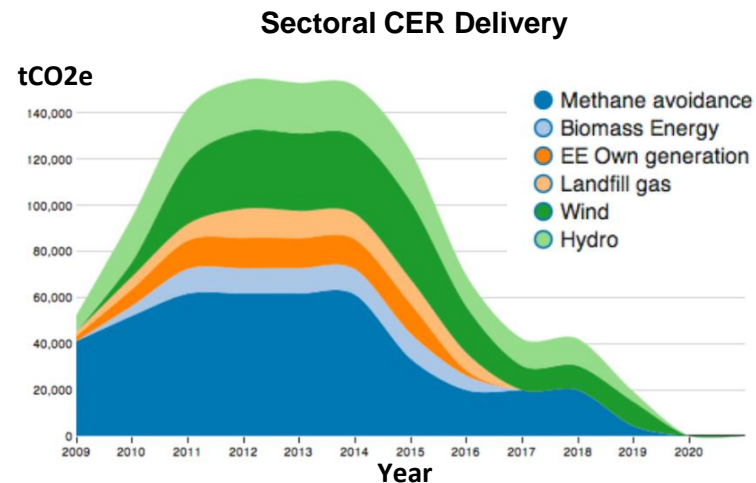
## What new does this study open up?

Given the breadth and depth of coverage, the study lends itself immediately to definition of new indices and benchmarking. These reference points may be used by a global audience to set targets, compare performance, and price emissions reduction potentials.

## Examples Ethiopia, Morocco, Tunisia

Country, as of Sept 2012	Projected Emissions reductions	Risk –adjusted Emissions Reductions until 2020	Performance Estimate
<b>Ethiopia</b>	6,630,000	1,750,847	26%
<b>Morocco</b>	19,998,000	10,453,161	52%
<b>Tunisia</b>	10,632,000	4,473,237	42%

The graph shows an example of delivery estimates of the entire CDM pipeline broken down by sector:



## Example: CARBONrisk Platform Application - Kenya

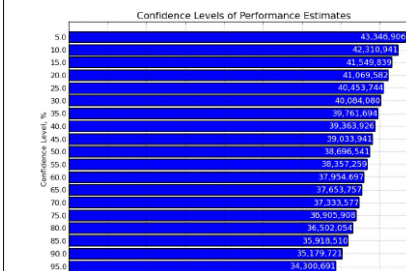
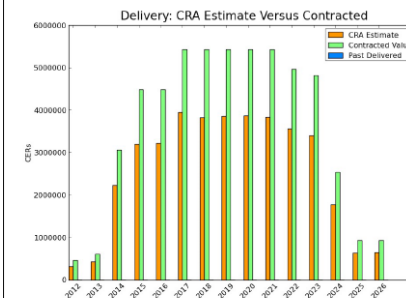
- Support national mitigation efforts and development of national climate investment programmes
- Assist governments in developing pipeline of bankable projects in low-carbon technologies
- Forward valuations are overlaid upon volume estimates and updated daily
- Allows benchmarking, target setting and matchmaking



Volume estimates: Kenya low carbon plan portfolio  
As Of Date : 06/12/2012

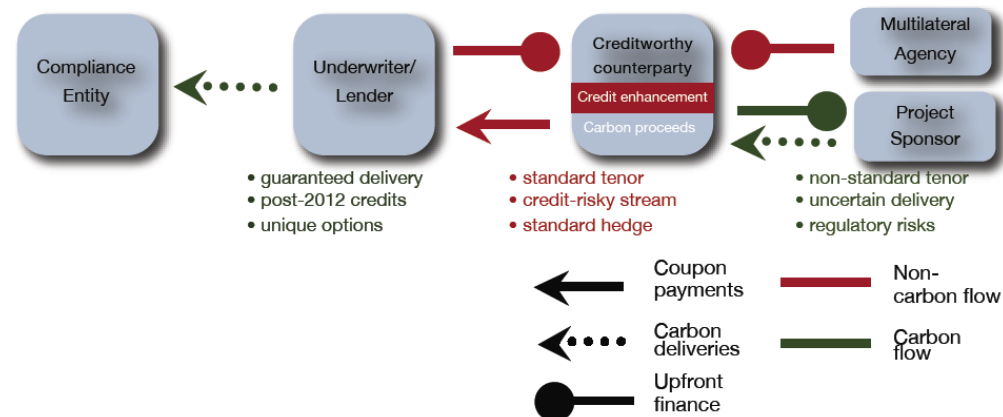
Ref.	Project Name	Contracted	Delivered	Estimated	Percentage
001	Wind 60MW - Aeolus	1,300,120	0	1,050,356	80.8
002	Wind 6.8 MW - Ngong	147,350	0	118,511	80.4
003	Wind 300 MW - Turkana	6,500,620	0	5,235,122	80.5
004	Wind 50 MW - Osiwo	1,083,440	0	869,681	80.3
005	Hydro 21MW - Sang	682,570	0	483,461	70.8
006	Hydro 32 MW- Kindaruma	1,040,100	0	731,570	70.3
007	Hydro 6 MW - small hydro	195,020	0	138,518	71.0
008	Geothermal 2.3 MW - Eburru	116,170	0	80,505	69.3
009	Geothermal 75 MW - Olkaria	3,788,260	0	2,646,818	69.9
010	Geothermal 140 MW - Olk4	7,053,170	0	4,873,708	69.1
011	Geothermal 36 MW - Olk3	1,995,037	0	1,395,150	69.9
012	Geothermal 140 MW - Olk 1 - 4And5	7,053,170	0	4,925,436	69.8
013	Geothermal 280MW	14,106,350	0	9,726,203	68.9
015	Geothermal 140MW	7,053,170	0	4,893,247	69.4
016	Geothermal 45MW	2,267,090	0	1,583,774	69.9
<b>Sum:</b>		<b>54,381,637</b>	<b>0</b>	<b>38,752,059</b>	

Dates	Contracted	Delivered	Estimated	Difference
2012	458,700	-	314,280	144,420
2013	603,447	-	433,234	170,213
2014	3,057,864	-	2,227,314	830,550
2015	4,488,001	-	3,194,422	1,293,579
2016	4,488,001	-	3,219,568	1,268,433
2017	5,420,027	-	3,951,322	1,468,705
2018	5,420,027	-	3,827,430	1,592,597
2019	5,420,027	-	3,858,926	1,561,101
2020	5,420,027	-	3,864,166	1,555,861
2021	5,420,027	-	3,836,518	1,583,509



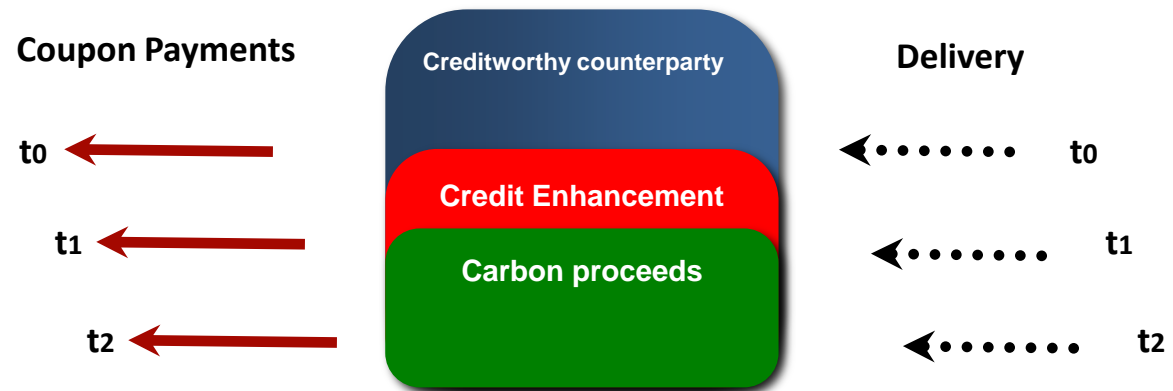
## Example: Green Bond Creation

- **Climate Finance Platform** measures environmental credits and risks that go towards support of coupon payments.
- **Investors benefit** from mainstream asset class best practices, as applied to environmental investments.
- **Issuers obtain** a standards-based approach for structuring alternative asset class investments.



## Example: Creating Funding Vehicles for Climate Finance

- IDEACarbon understands how environmental certificates support financing vehicles
- Applications are to green bonds, loan guarantees and finance of energy efficiency measures
- **Goal:** to benchmark an approach for climate finance risk management



- Coupon payments managed against delivery risk
- Climate proceeds go towards credit risk

# Core Strength – Programmatic Analysis Tool for Energy Efficiency and Carbon

- **Programmatic CDM:** Under leadership of current UNFCCC Chair Christiana Figueres, the Carbon Rating Agency began a program of rating energy efficiency projects. Currently the most promising area within the CDM
- **To date** the Carbon Rating Agency has rated ~15 energy efficiency (EE) and ~100 renewable energy (RE) projects in China, India, Africa, and South America

## CPArisk

Programme of Activities concept have shown limits to which it can support large-scale deployment of clean technologies for the poorest populations. The projects face barriers, including access to finance.

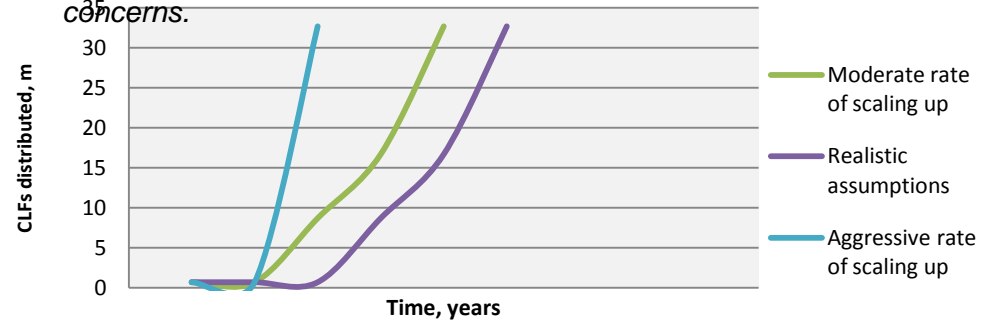
CRA has developed a model that allows quantifying the impacts of the key risk factors that financiers are concerned with.

### Case study – CFL distribution programme in Asia

*A private entity plans to sponsor the distribution of more than several million energy efficient bulbs across several regions in an Asian country. The sale of carbon credits under the PoA is the only revenue stream for the project sponsor.*

*In order to finance the capital cost of equipment, the entity plans to obtain upfront payment from the CERs’ buyers, who, in turn, require a bank guarantee for the amount of upfront payment. An independent opinion is sought from CRA regarding the probability of invocation of a bank guarantee.*

*CRA uses its proprietary tools, robust risk assessment methods and CDM expertise to identify key parameters to the success of the projects. The delay models are based on extensive parameterisation work for CARBONrisk, stochastic risk assessment tool. CRA’s CDM expertise informs the judgement of distribution concerns.*



# Core Strength – Capacity Building

## Record of achievement

- IDEACarbon maintains a record of service for multilateral banks and private corporations, competent to
- Services include staff training, proposal review, donor solicitation, and investment promotion

## Expert advisory in climate finance

- Eolia Renovables constructed a wind farm in 2010 and sought a mix of traditional credit and unconventional climate finance funding.
- Solution was a passthrough in which Santander lent cash, Eolia harvested credits for wind energy production and sold them on to KfW Bankengruppe, while NEFCO guaranteed the loan repayment to Santander.
- Solution required a turbo-payment on CER production (maturity transfer), along with credit enhancement analysis.

# Core Strength – Climate Market Research

IDEAcarbon keeps clients up to date on the latest development in environmental markets:

## Midday Market Update



“The service is very good, we subscribe to Point Carbon, Bloomberg and Environmental Finance, IDEAcarbon is the best, the quality of analysis is much better.”

*Mary Torres, CAF*

“Concise and easy to read, pretty good value for money, love the technical analysis and the market sentiment”

*Alun Davies, Centrica*

## Executive Brief



“It offers a different dimension; there are other sources that are focused only on policy but nothing I am really aware of that deals with the markets like this. It is a useful addition as it compliments other information from the Economist and Wall Street Journal.”

*Manu Maudgal, German Company for International Cooperation*

## **We have built products which directly address the challenges of scaling climate finance faced by:**

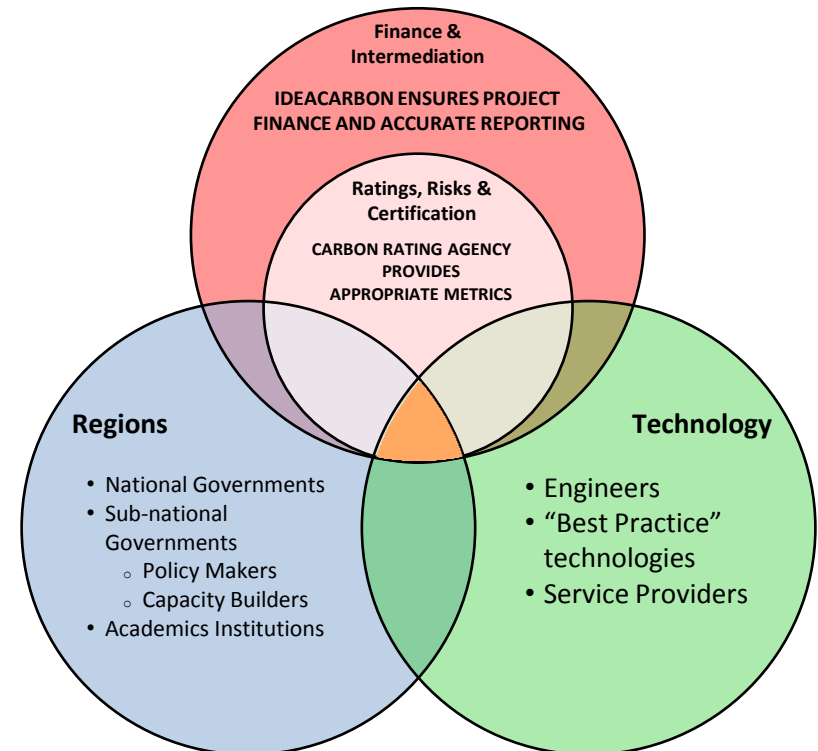
- Multilateral and Bilateral Organisations
  - “Fast Track Finance” Promoters
  - Green Bank Initiators
  - Institutional Investors
  - National and Regional Initiatives such as Regions 20
- 
- We have built products in anticipation of needs which are apparent now
  - We want to work with those who promote climate finance
  - Our Group benefits from a network of finance and policy leaders committed to ensuring credibility, integrity and meaningful outcomes



# IDEAcarbon's Climate Finance Platform Applied to R20 Goals

## Applications complement R20 efforts:

- Risk/return profile matching through investment lien selection
- Geographical and technical preference analysis through geo-sector risk parameterisations
- Facilitates project selection and portfolio investment
- IDEAcarbon has undertaken the design of Pre-Investment Facilities for Regions 20
- IDEAcarbon is also involved in discussions with financiers with the goal of facilitating investment in the project pipeline



# IDEAcarbon & R20 – Strategic Alliance



PRESS RELEASE - Embargo 12:00 BST/13:00 CET Friday 20<sup>th</sup> July

## Regions 20 and IDEAcarbon enter strategic collaboration

July 20<sup>th</sup> 2012: Today the Regions of Climate Action (R20) ([www.regions20.org](http://www.regions20.org)) and IDEAcarbon ([www.ideacarbon.com](http://www.ideacarbon.com)) entered into a strategic collaboration to analyze the financial risks associated with the R20's low-carbon energy projects.

**"The R20 is delighted to be working with IDEAcarbon, and believes that its expertise in climate finance along with its world class Climate Finance Platform will accelerate the R20's ability to quickly develop high quality "bankable" projects worldwide"**

*Christophe Nuttall, Executive Director R20*

**"R20 and its members are the world's most significant sub-national entities motivated towards low carbon growth. IDEAcarbon's products and platforms will provide key technical expertise, transparency and standards to enable meaningful climate finance flows.**

*Shandi J Modi, Founder IDEAcarbon*

# IDEAcarbon & R20 – Terms of Strategic Alliance

Term: The initial term of this agreement will be 36 months

“R20 engages IC to”:

Work on priority projects carrying appropriate due diligence which include, but is not limited to:

- Building financial models
- Drafting of project information memoranda
- Rate and due diligence on input and off-take contracts; and
- Rate and due diligence on O & M contracts

Standards: The initial projects prioritised by both parties will be used to set standards for investment, processing and monitoring which will be made available to all R20 Affiliates, funds and multilateral organisations. R20 will use its network to share and encourage the use of these standards among R20 affiliates

# Deliverables as per Heads of Terms & Status

## IC Products and Services

Both Parties agree:

- to use IC Products and Services in all projects of R20 and R20 Affiliates,
- to integrate IC ratings and IC risk assessments into the standard R20 project due diligence process,
- ensure IC ratings and IC risk assessment are available for on going reporting requirements and project valuations and
- promote to R20 Affiliates the use of the above.

## Score Card

Both parties recognize and agree to the need to integrate a "score card" (as more fully described in the appendices) for R20 Affiliates. IC will adapt its existing ratings products to meet the needs of R20 and R20's Affiliates. IC will test the score card with R20 Affiliates, and both parties will use best efforts to integrate the score cards as practically as possible as standard practice of reporting by R20 Affiliates.

## Secondment of IC employee

IC will provide R20 with a full time member of staff to provide experience and in depth knowledge of environmental markets and carbon finance to assist R20 in the delivery of its various products and services. This secondment will be for an initial 3-month period and will be at no cost to R20.

## Fees and funding

IC will provide the seconded person to R20 free of charge for an initial 3 month period. Both parties agree that IC will set aside €40,000 per month as a cost in its books for this work, which it will recover from its planned financing and capital raise as discussed with R20.

## Status

- COMPLETED** – Initial Rating Scans of all R20 Project pipeline supplied to IDEACarbon
- COMPLETED** – Regions Readiness for Climate Investment Review
- COMPLETED** – Secondment of employee to Geneva with team of 7 in London and expert financial advice
- COMPLETED** – 7 months of work completed with expenditure of €280,000

# Rating of Pipeline

IDEACarbon has performed initial rating scans on all projects provided by R20 to date:

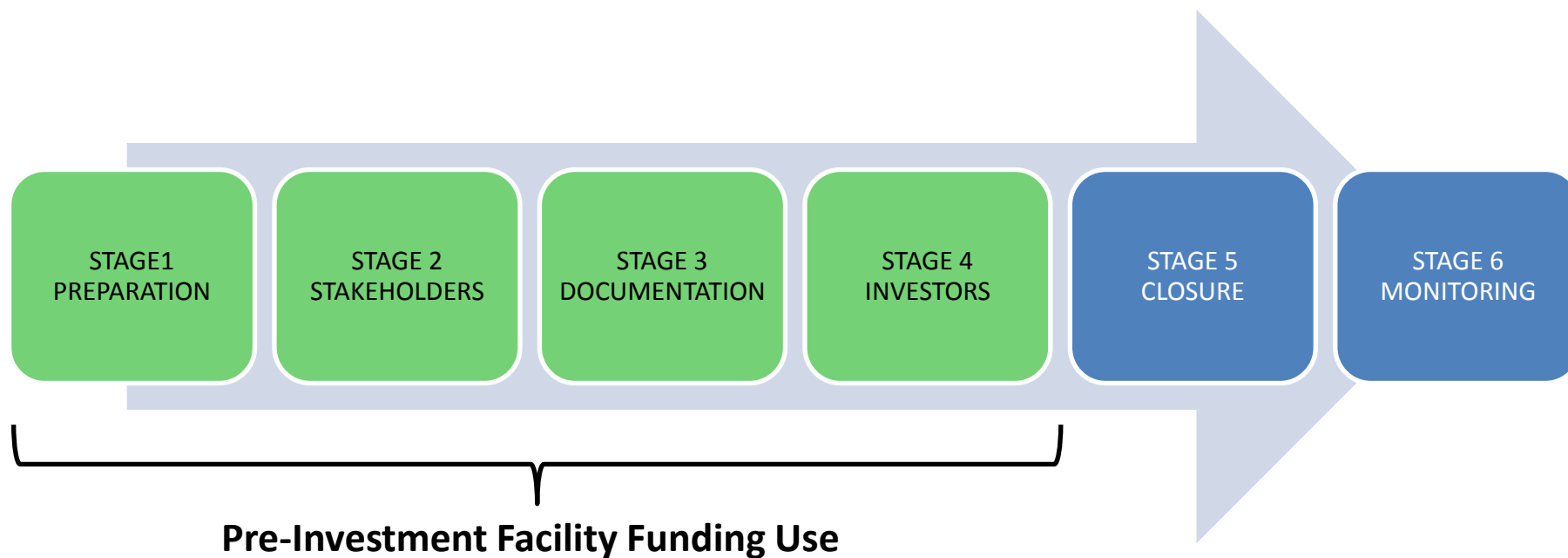
- Biofuel project – Mexico
- Waste recycling – Moldova
- Solar PV – Morocco
- Landfill gas – Côte d'Ivoire
- Wind Power – Galapagos
- Biogas – Uruguay
- Renewable Energy Patagonia

IDEACarbon has also held discussions with potential R20 stakeholders to establish early-stage viability



# Pre-Investment Facility

IDEAcarbon has designed the structure of a Pre-Investment Facility and developed it to an executable state:



# Regions Readiness for Climate Investment (RRCI)

The RRCI Review contains issues and parameters designed to address aspects crucial in highlighting various region specific climate investment risk concerns identified by financiers

- Identifies actions necessary to make investment more attractive to domestic and foreign investors and highlights areas for support
- Sets pace for establishing an MRV framework by keeping track of climate action taken by regions on mitigation & adaptation policies, strategic objectives and actions
- Provides the basis for sharing best practices and peer learning on policies with quantitative assessment and benchmarking

## Examples of issues addressed

### Sound governance

- Functioning legal and judicial system
- Transparency and lack of corruption
- Clear and effective procurement procedures

### Financial robustness

- Solid tax base and financial balance
- Credit risks
- Investor attractiveness

### Policy stability and innovation

- Consistent long term planning
- Policies supporting low carbon growth
- Institutional continuity

### Implementation track record

- Success on infrastructure projects
- Project management capability
- Effective public consultation

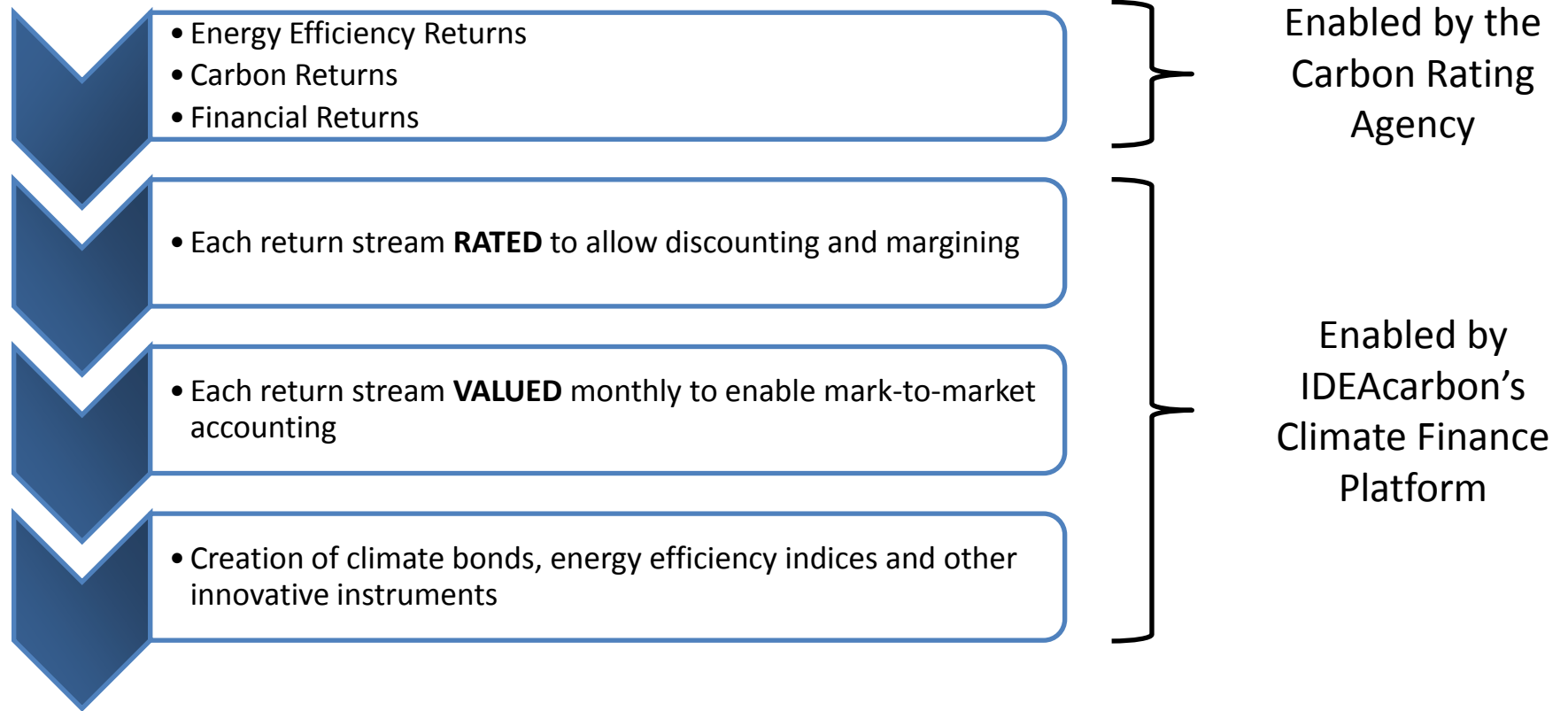
# How to Make Regions more Efficient & Effective at Generating Investment Flows

## Necessary Actions:

- Raise their game and R20 can/should take lead with Regions Ratings
- Minimum Standards of accounting, performance and transparency
- Operationalise by implementing 3 – 5 regions' top projects, create metrics of performance data for **independent** verification and **presentation** to stakeholders
- Establish frameworks for **Regions**, **Cities** and **Municipalities** ratings (RRCI) to a comparable standard to rated entities in developed nations
- Prove the ability of ratings to de-risk investments for private and multilateral investors
- IDEAcarbon has developed a methodology ready to be applied with R20 to release a new incremental flow of climate finance

## How to Demonstrate Real Returns from Low Carbon and Energy Efficiency

### Each Project Can Show:



# R20 Climate Finance Hub & Platform

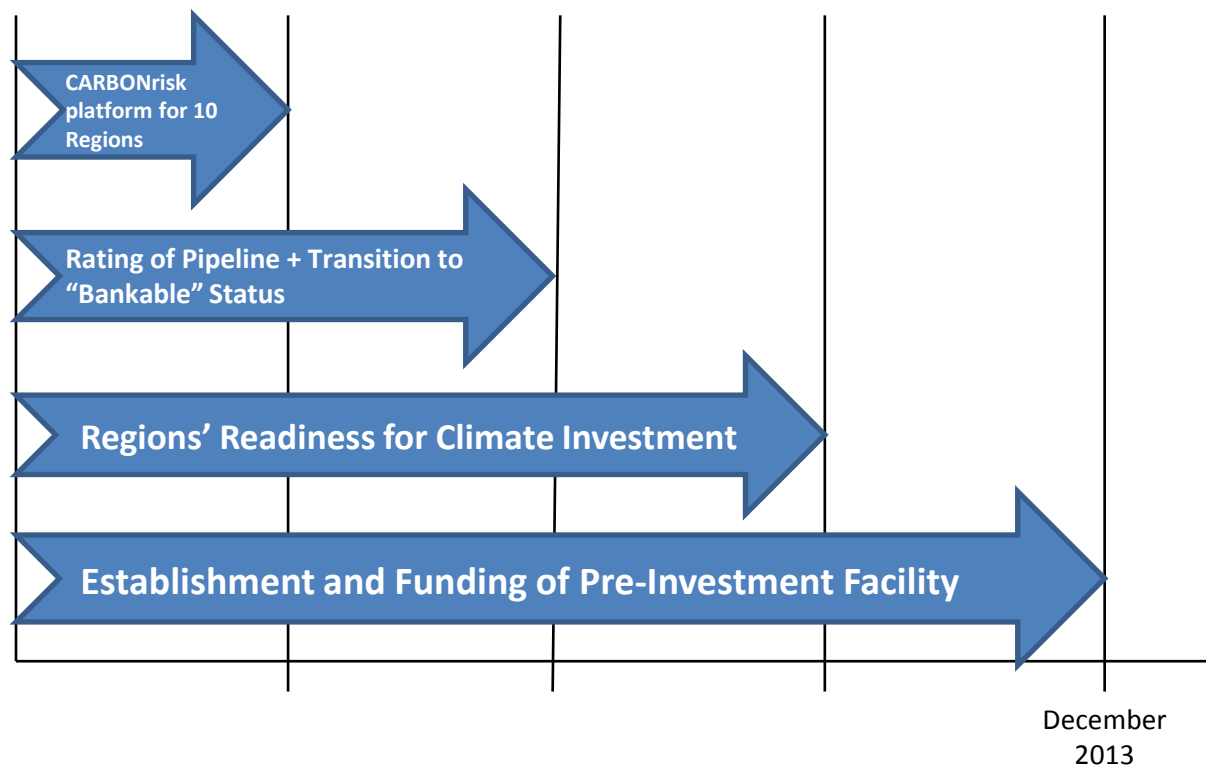
Critical to success in the medium term

This allows sustained learning, sharing, best practices, speed and transparency

- Registry
- Benchmark Pledges
- Minimum Metrics for Regions
- Indices
- Capacity Building and Education
- Regions' Readiness for Climate Investment

Accessed by all R20 members and offered as compelling reason for investors to join and share information

## 12 Month Action Plan, Milestones, Resources and Deliverables



**Funding for Regions 20 is needed for IDEAcarbon to develop the above pipeline and deliver goals in 2013**

# Working with IDEACarbon and the Carbon Rating Agency

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