Will it work? Answer these questions...

- Can I safely suspend disbelief in UNFCCC ability to produce new private finance mechanisms?
- Can I safely suspend disbelief in the political acceptability of the reduced guarantees of environmental integrity entailed by scaling up?

If so.....
- Where is the demand for the product(s)?
- Where is the capacity on the supply side?
- Who are we lending money to?
- Whose actions will impact on getting the expected return?
- What public sector support and regulation are we relying on?
- What process determines when and how we get paid?
- Who bears each part of each risk?
- What transaction costs and timing constraints?
- What alternative investments are available (opportunity cost)?
NAMA/Sectoral1: Centralised Coordination of Mitigation and Crediting

Co-ord body reports emissions and receives International credits for distribution or sale.

Diagram:
- Sectoral Coordinating Entity
- Impositions And policies
- SCP baseline
- Creditable Emissions Reduction Objective
- International Credit Issuing Agency

Firm A  B  C
Period 1

A  B  C
Period 2
NAMA/Sectoral 2: Domestic Sectoral Trading System

Government reports emissions and receives International credits for distribution or sale.

SCP baseline Cap and Trade Cap

International Credit Issuing Agency

Government

Trading

Firm A B C
Period 1

A B C
Period 2
NAMA Sectoral 3: Installation-level Mitigation and Crediting

Intl. Agency issues direct to installations; Government makes good where necessary

Firm A  B  C
Period 1

A  B  C
Period 2

SCP baseline
Cap and Trade Cap
Low Carbon: who pays?

- Govt subsidy – today’s taxpayers, domestic or foreign
- Govt borrowing – tomorrow’s taxpayers (net of any national economic benefit – cost transferred to foreign companies or Govts)
- Company shareholders
- Company customers (regulated?)
- Buyers of carbon units – domestic or foreign – and their shareholders/customer

$ Total Project cost

- Uneconomic low carbon incremental cost – declining over time
  - IEA $46tr worldwide for energy alone
- Basic high-carbon cost – may also decline

Cheaper than high-carbon? But when?
A combination of payers: GNBs

Elimination of investment risk exposure

Step 2 - GCCUs based on verified national inventory

Step 3a - Bond Issuance Design Document (BIDD) for proposal – e.g., a step change in public housing insulation policy

Step 3b - Validation of Host BIDD by IGBB to accompany GCCUs to OECD

Host Country (Developing)

Step 1 - Verified National Inventory

Step 2 - GCCUs based on verified national inventory

Step 3b - Validation of Host BIDD by IGBB to accompany GCCUs to OECD

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How they might work

Regulation of credit risk exposure

- Green Bond surety provision

Step 5b - GCCUs back to Host country in line with bond performance and maturation

Step 4a - GCCUs equivalent to bond financing value for investment in community energy project

Project Investors

Step 4b - Issuance of National Green Bonds to fund community energy efficiency project

Step 5a - Nominal dividend and carbon credits from emission reduction projects

- Large scale investment funds for infrastructure projects in developing countries

- Large scale investment funds for infrastructure projects in developing countries

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