Financing CDM Projects in LDCs/SIDS

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Status of CDM Projects in LDCs

- In all 4,329 CDM projects registered by UNFCCC
  ➞ Only 43 Projects hosted in LDCs (1%)

- Another 4,443 CDM Projects under validation and request for registration
  ➞ Only 55 projects to be hosted by LDCs (1.2%)

- Appx. 968 million CERs issued by UNFCCC
  ➞ Nearly 206,000 CERs for projects in LDCs (0.02%)

Challenges in LDCs

- Investment Conditions
- Financial Barriers
- Institutional Capacity
- Project Risks for Investors
- Issues related to CDM
Dagachhu Hydropower, Bhutan - CDM

Cross-border power export – “BOOT”
- 126 MW hydropower ROR type ($201.5 million)
- Power export from Bhutan to India

World’s first cross border CDM project
- Registered on 26 February 2010

Expected to generate CO₂ saving of 500,000 ton per annum
Dagachhu Hydropower, Bhutan - CDM

- Incorporated Joint Venture (PPP):
  
  Dagachhu Hydropower Corporation

Equity Share (%) provided by:

(1) Public: **Druk Green Power Corporation**, Bhutan (59%)
   Pension & Provident Fund, Bhutan (15%)

(2) Private: **Tata Power Company**, India (26%)

- Leveraged financing sources:

  Loans provided by:

  (1) **ADB** ($80 million)
      - Hard-term ADF loan (for equity)
      - OCR loan (for debt)

  (2) **Pension & Provident Fund**, Bhutan

  (3) **A commercial bank through export credit**, Austria
Dagachhu Hydropower, Bhutan - CDM

- Supported CDM process:
  ADB assistance provided by:

  1) **Technical Support Facility (TSF)** under ADB’s Carbon Market Program for the UNFCCC registration

  2) Carbon Finance support by the **Future Carbon Fund (FCF)** through pre-purchase of CERs

**Key Elements for Financing**

- Strong ownership – Government of Bhutan, PPP
- Financing sources and viability
- Risk mitigation – Legal agreements/contracts

Value added from CDM:
- Additional cash flow (30—40% of net profits)
- Financial leverage
- Currency hedging – in hard currency
- Trading and economic ties
- Region-wise environmental impacts
Thank You