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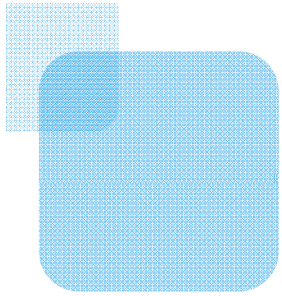
Mitigating Investment Risks In Climate Finance

CPI-IGCC-CMCC Workshop

Venice, 14th of October, 2010

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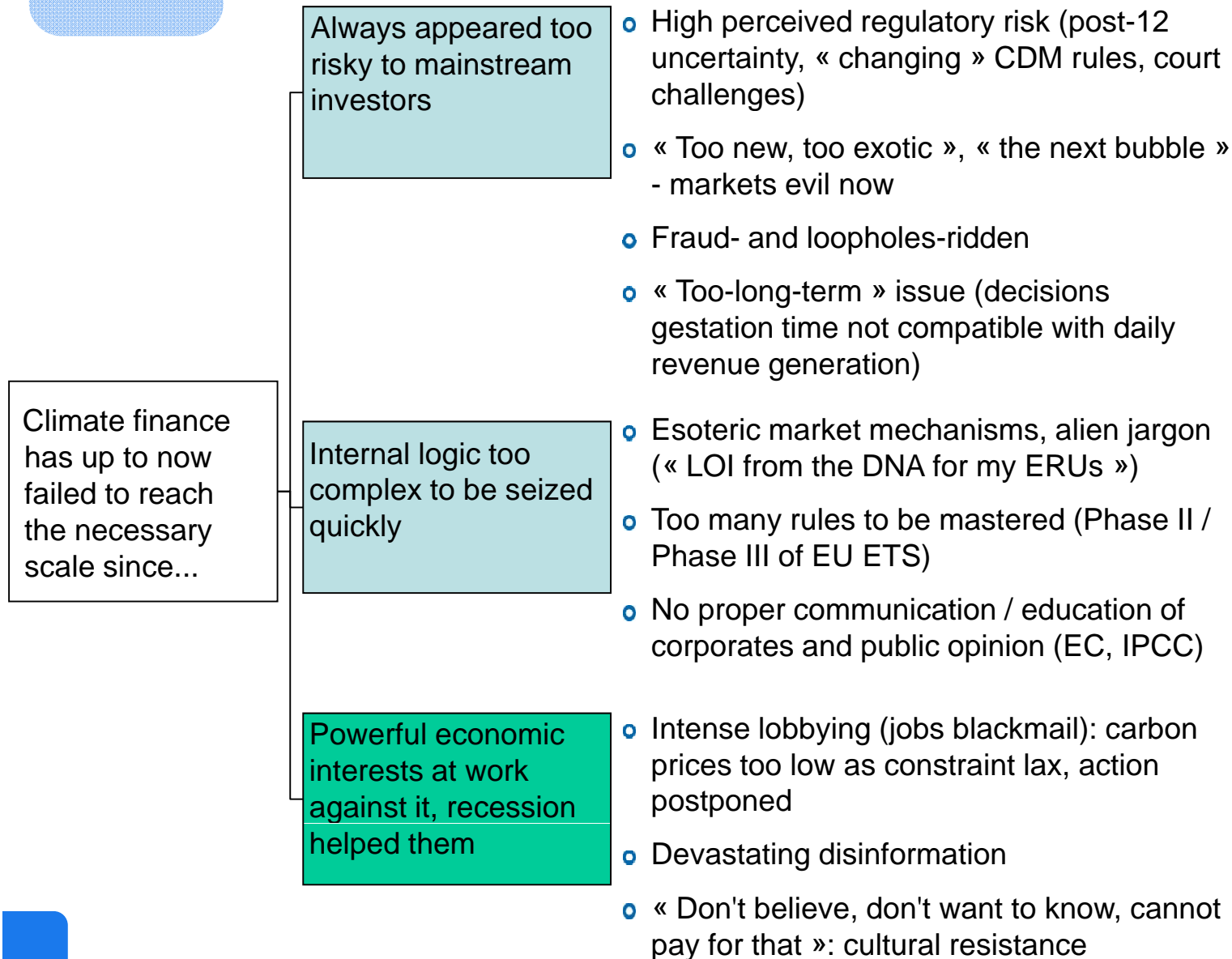


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A quick diagnosis - viewed from the private sector angle



The first two issues can hopefully be addressed

Could a blend of private and public make carbon mainstream?

From « taxes to grants » logics...

Public sector will not be able to mobilize sufficient resource (taxes go to budget) but can provide...

- Stable, simple, market-friendly regulatory framework (demand)
- Long-term equity commitment channeled through market mechanisms
- Seed money where no market yet and high early risks
- Guarantees

ENABLING AND COMMITTING

...to the leveraging of private capital

- Vast capital resource
- Innovation
- Efficiency
- Generalization of carbon economics

Private sector will require short-term results and good risk-returns but can provide...

DEPLOYING

Some existing / in progress examples

Carbon bonds

- Copenhagen Climate Green Fund based on IMF SDRs, floated to private investors
- Project-linked (World Bank experiments)
- NAMA-linked
 - Programs
 - State guarantees (Green NAMA Bonds)

Carbon as a kicker to investment performance

New offset types

- Japanese standard (public bank investment)
 - J-MRV
 - Technology-linked
 - No additionality
- Domestic projects (State asset transfer)
 - Local appeal (to investors and public)
 - Removing hot-air
- REDD (MRV infrastructure needed)
- Sectoral?

Stepping up and simplifying offsets

Public-private partnerships on carbon structures

- Innovative risk-sharing formulas on post-2012 carbon projects
 - Pre- and post-2012 volumes sharing
 - Floor + upside-sharing price formulas
- Forestry funds
 - Multilateral agencies invest some equity upfront (e.g., 20% of total)
 - They get paid on non-carbon revenues also (timber, land)

Carbon as a side revenue



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- o **Julie Louette**, Marketing Director
Tel: +33 (0)1 4213 6679
email: julie.louette@orbeo.com
- o **Philippe Chauveau**, Marketer
Tel: +33 (0)1 4213 6924
email: philippe.chauveau@orbeo.com
- o **Pierre Ver-Elst**, Marketer
Tel: +33 (0)1 4213 6119
email: pierre.ver-elst@orbeo.com
- o **Emmanuel Fages**, Market analyst
Tel: +33 (0)1 4213 3029
email: emmanuel.fages@orbeo.com

www.orbeo.com

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