



The Carbon Rating Agency

# *The Carbon Rating Agency: pCDM and Risk Management*

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Side event : pCDM and JI : first experience with POAs

3<sup>rd</sup> Dec 2008



# About Carbon Rating Agency



The Carbon Rating Agency

- *wholly owned subsidiary of IDEAcarbon*

Carbon Rating Agency's mission :

*"To improve the functioning and efficiency of the carbon markets"*

- First independent carbon projects rating agency
- Established in 2007 and based in London and Singapore
- Engaged in rating of carbon projects in JI, CDM and Voluntary sectors at different levels
- Using sophisticated analytical tools, CRA's highly skilled analysts, economist and technocrats along with an independent "Rating Committee" offer an unencumbered ,impartial and rigorous professional carbon projects rating services

# pCDM and Risk Assessment : A mystery !

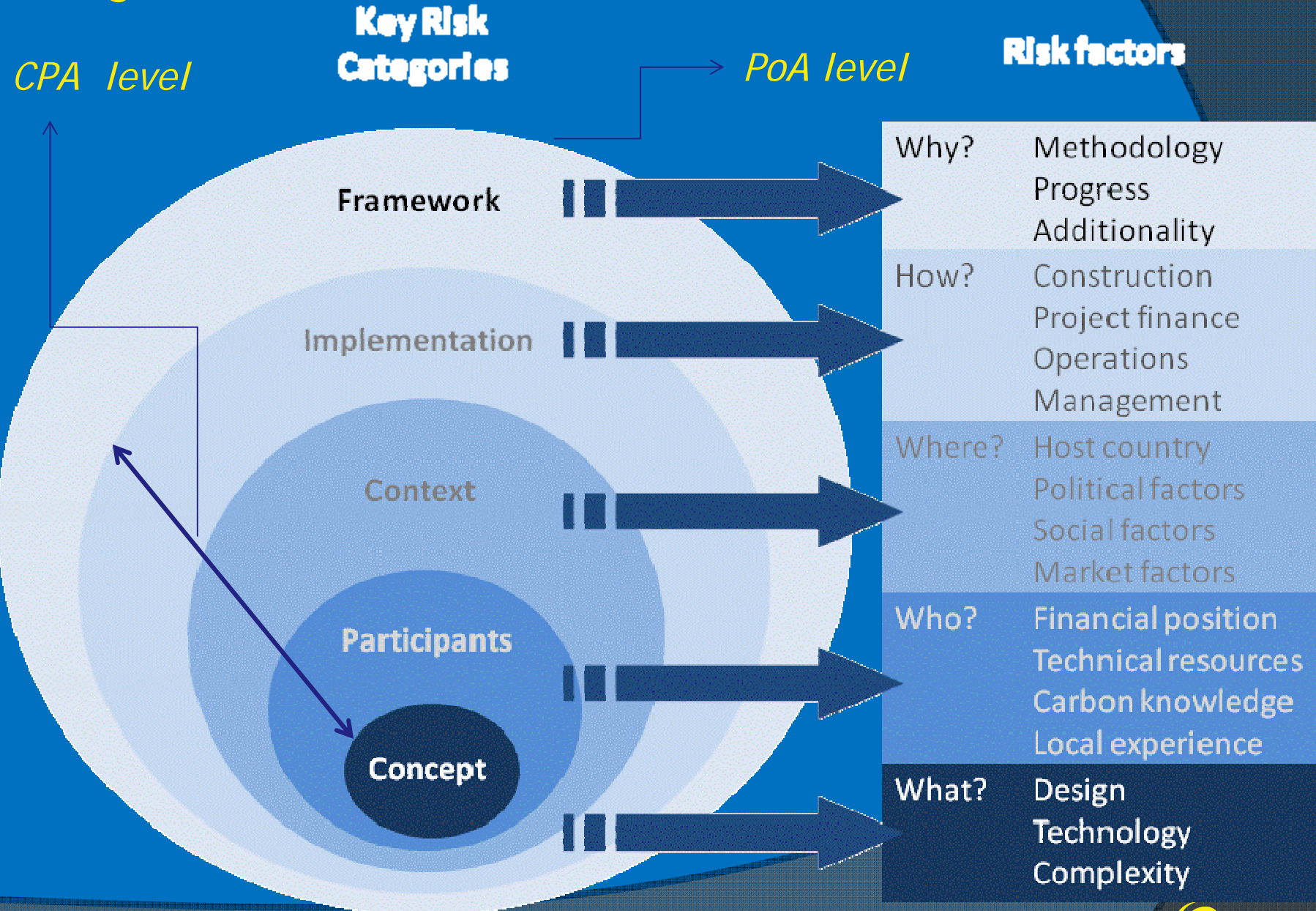


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- Two layers of risks : PoA and CPA levels
  - PoA - more regulatory (framework) related risks
    - *likelihood of registration*
    - *subjective view of possible growth through CPAs*
  - CPA : performance related risks (but highly dependant on PoA)
- PoA Rating : independent yet maintain the principles of rating traditional CDM projects
- Though PoA fluid wrt CERs volume, (through CPAs) will encourage diversity in carbon finance flows



# Categories Vs Risks Factors





# PoA level risks

- Implementation levels of National Policies
  - *PoA to accelerate uptake of local, regional, national level policy / regulation*
  - *background to the policy*
  - *existing influence on behaviour*
  - *barriers inhibiting greater uptake*
- CPA inclusion criteria - emphasis is for an unambiguous approach (*baseline and additionality arguments*)
- Applicability of existing methodologies (combined and LSC)
- Monitoring aspects



# PoA level risks

- Implementation levels of National Policies - pCDM to

accelerate

- Liability on DOEs - erroneous inclusion of CPAs

- More than one approved methodology

- De-bundling rule

- Eligibility criteria for inclusion of CPAs

- Project participants to be defined at CPA-level

- Availability

- Monitoring

limited (LSC)





## CPA level risks

- Co-ordinating Entity : Implementing agency / Investors (Project/CDM) / Project Owners / Other direct and indirect stakeholders
  - *Better control needed with significant incentives to reap long term benefits*
  - *High communication skills / levels is the key*
  - *Driver : Risks Vs CERs sharing levels*
  - *Capacity Levels*
    - *to handle the geographical distribution of the CPAs*
    - *reputation and commanding capacity in the PoA's region*
    - *capacity to train, manage and educate the stakeholders*



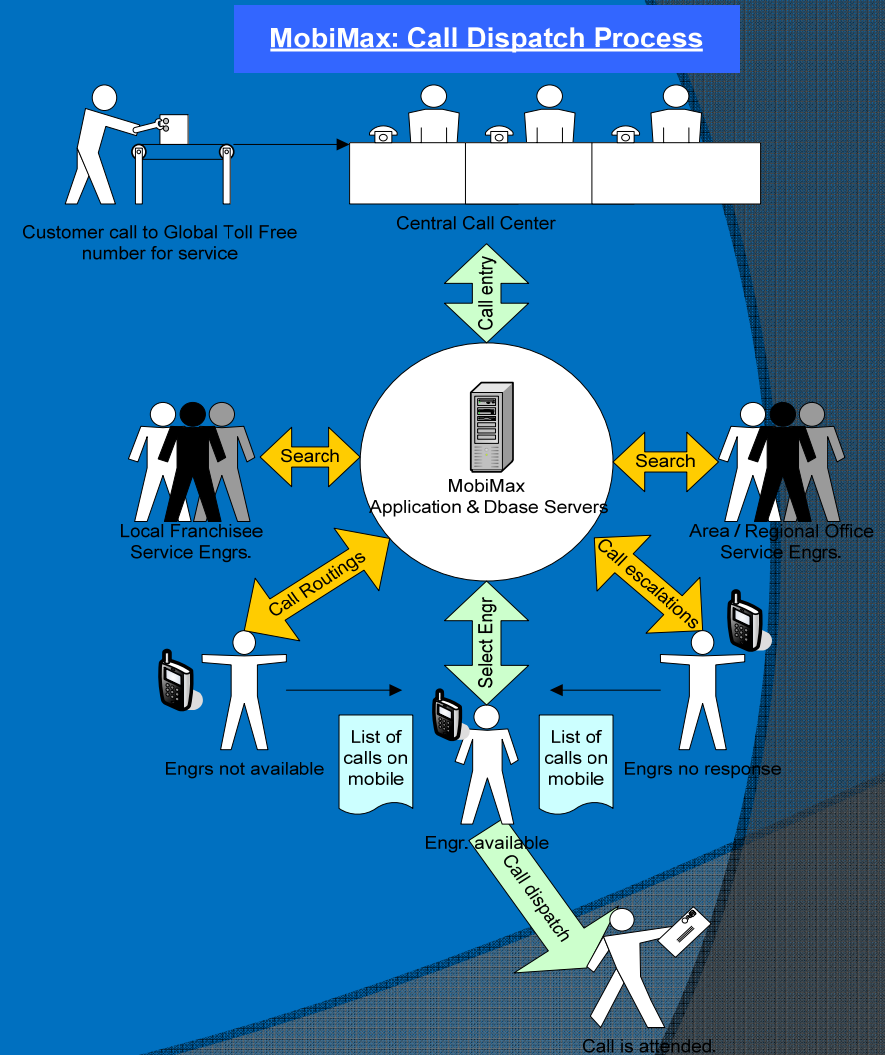
## CPA level risks

- Individual CPA level Project owners' assessment (*critical*)
- Financing model : each model poses different risk levels
  - *Manufacturer Model / State Bodies / Private Investor / UL pCDM*
- Market Interaction to follow CPAs based on PoA projected incentives
  - *Clarification and Deviation levels*
- Geographical distribution : multi-fold risk assessments if more than one country



# pCDM on ground : India's Food Sector

- Lack of storage and processing facilities : 30-40% of post harvest perish !
- Existing capacity cater 10% of output - not densely located
- Biomass Chillers / Biomass Ammonia Chillers / exhaust waste heat chillers as a solution under the pCDM





# Carbon Rating Agency and pCDM

- PoAs are often front loaded, so there is a greater need for early understanding of the associated risks
- Need to increase sharing of experience and mutual learning within the pCDM sector
- Investigating the barriers and risks faced by PoAs will help promote best practices in pCDM
- Developing a systematic approach to PoA risk analysis to assist investors and developers on a partnership mode

# Thank you



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