

# Outlook for the CDM and JI market

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Transfer of Innovative Renewable Energy Technologies:  
Experiences of German Companies with CDM / JI  
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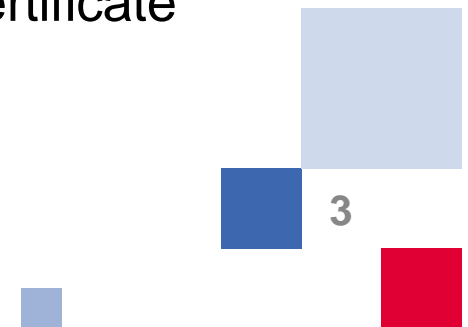
# CDM and JI from the perspective of a power: status

- European and Japanese companies and governments have budgeted hundreds of million Euros for the purchase of certificates from CDM and/or JI for their Kyoto compliance.
- The focus is on CDM right now:
  - regulatory framework is well established and CERs can be used before 2008
  - compared to JI, less host country involvement is required
- Market has gained momentum during the last 12 months. Significant numbers of new players have entered the market.
- Recent turbulence in the EUA market has made it clear - especially to the new players - that this is a highly politically driven and volatile market.

# CDM and JI from the perspective of an utility: outlook



- Most of the low cost GHG abatement projects, which can be realized at a cost level below 5 €/t CO<sub>2</sub>e, will be developed. These are mainly projects which abate HFC, N<sub>2</sub>O or Methane and will deliver a substantial share of the certificate demand.
- In energy efficiency improvement or renewable energy projects, the financial benefit from CDM/JI is relatively small. Therefore CDM/JI can help to make these projects happen, but additional investment incentives are needed.
- We expect that the market will continue to grow and will deliver enough certificates to fulfil the demand. JI and Green Investment Schemes will pick up a good proportion of this market.
- Dynamics of the market are highly dependent on the certificate price for EU-Allowances.



# How can host countries promote CDM/JI projects ?

## - Essential parameters for investors

- Clear criteria and procedures for CDM/JI projects
  - the criteria used to assess if a project assists in achieving sustainable development in the host countries should be published
  - process for issuance of LoE and LoA have to be clear and transparent
  - Share of proceeds or taxation - if any - has to be defined
- Favourable investment climate
  - Stable environment (economy, politics, tax regime, ...)
  - Legal framework (profit transfer, employees, liability, ...)
- Relevant for countries with GIS potential:
  - quality requirements for GIS are to be defined and fulfilled

Time is of essence !! Projects have to be in operation soon to be commercially attractive due to payback-time 2008-2012.

# How can host countries promote CDM/JI projects ?

## - Desired parameters for investors

### ■ One-face-to-the-customer

- DNA / DFP acts as focal point and should facilitate governmental co-ordination required to have transparent processes without delay of the issuance of LoAs and the transfer of certificates.

### ■ Supporting potential investors

- Develop a portfolio of priority projects and networking information to promote project activity.
- Assist potential investors to understand and navigate the host country rules in relation to particular sectors (e.g. energy, waste, ...) and other rules such as foreign direct investment and taxation.
- Active communication with potential project hosts helps to identify projects and to avoid a mismatch between the expectations of investors and project hosts.

# Overview of RWE



## ■ Power, Gas and Water Utility

- #1 Power Generation Company in Germany, #2 in UK
- Core Markets: Germany, UK, Austria, Poland, Hungary, Czech Republic

## ■ Power Generation

- Fossil Fuels: Lignite, Hard Coal and Gas 32.000 MW
- Nuclear 6.300 MW
- Renewables: Wind, Hydro, Biomass, PV 1.800 MW

## ■ Key Figures in 2005

- Turnover: 41,8 bn. €
- Net profit: 2,2 bn. €
- Employees: ~86.000



# RWE's approach to the CDM/JI market



## **Purchase of CERs/ERUs via**

- direct transactions with sellers**
- tender-process**
- participation in Carbon Funds and Buyers' Pools**

## **Direct involvement in CDM/JI projects with:**

- financial investment**
- technology contribution**
- CDM/JI regulatory process**

We are involved in the CDM/JI market since 2000.

# RWE's involvement in projects



- Financial investment
  - RWE is open to participate in projects with equity
  - Budget of 150 mio. € for investment in CDM/JI projects has been allocated
- Technology contribution
  - RWE's engineering team of approx. 250 experienced engineers can support all major activities in the fields of energy efficiency projects, renewables as well as coal bed methane projects
- CDM/JI regulatory process
  - our CDM/JI team has experience since 2000
- Requirements for projects:
  - min. 75.000 ERUs p.a.
  - Energy efficiency, Coal bed methane, Landfill, Biomass, N<sub>2</sub>O

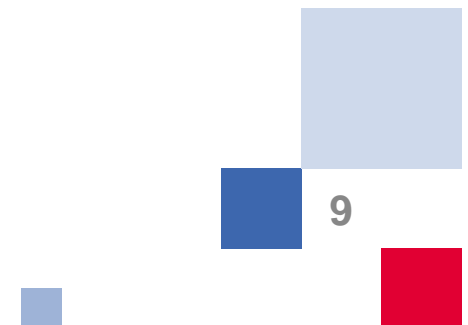
Depending on the project type RWE can offer “full packages”



# RWE's experience in projects



- Significant time required for project development
  - from initial contacts to operation of the project > 18 months
- Capacity building in host country administrations
  - Limited experience of host country administration
  - Task of transparent guidelines
  - communication problems
- Cost of regulatory process is not in correlation with the certificate volume
  - time and effort to get PDD, LoA, Validation and Registration
  - ➔ small projects (< 50.000 t/a) are not attractive



# Thank you for your attention.

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