

# PoA - First lessons learnt

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## What are PoAs ?



- Incentive or policy implementation program as CDM/JI project.
- Program is CDM/JI project; CDM/JI revenues finance program.
  - Program operator receives CDM/JI revenues;
  - Program participants receive incentive payment;
  - Incentives are provided against CER/ERU ownership.
- Examples:
  - Grants for efficient water pumps;
  - Price discounts for efficient lights;
  - Soft-loans for solar water heating;
  - Feed-in-tariffs for renewable power.

# PoA development



- Standard CDM/JI:
  - Project exists;
  - Development = CDM/JI documents/monitoring procedures.
- PoA - main task is program development:
  - What type of activity to address?: Cost efficiency.
  - What type of incentive to offer?: Sector Economics.
  - How to structure the program: Financial Engineering.
- The partnership approach:
  - State level cooperation;
  - Direct Cooperation with potential PoA operators in CDM/JI countries (KfW approach).

# PoA operators



- Required: institutional capacity; program experience.
- Not required: carbon market experience.
  
- Potential PoA operators include (core interest/policy):
  - Financial institutions: attractive loan conditions.
  - Utilities: demand side energy efficiency measures.
  - Producers of climate friendly technology: marketing.
  - Public agencies: funding of policies.
  - NGOs: funding of sustainable development activities.
  
- Substantial synergy effects:
  - Ex. 1: Microfinance loan monitoring and CDM/JI monitoring.
  - Ex. 2: Utility customer database/billing and quality control.
  - Ex. 3: Bank's loan contracts and CER/ERU ownership transfer.

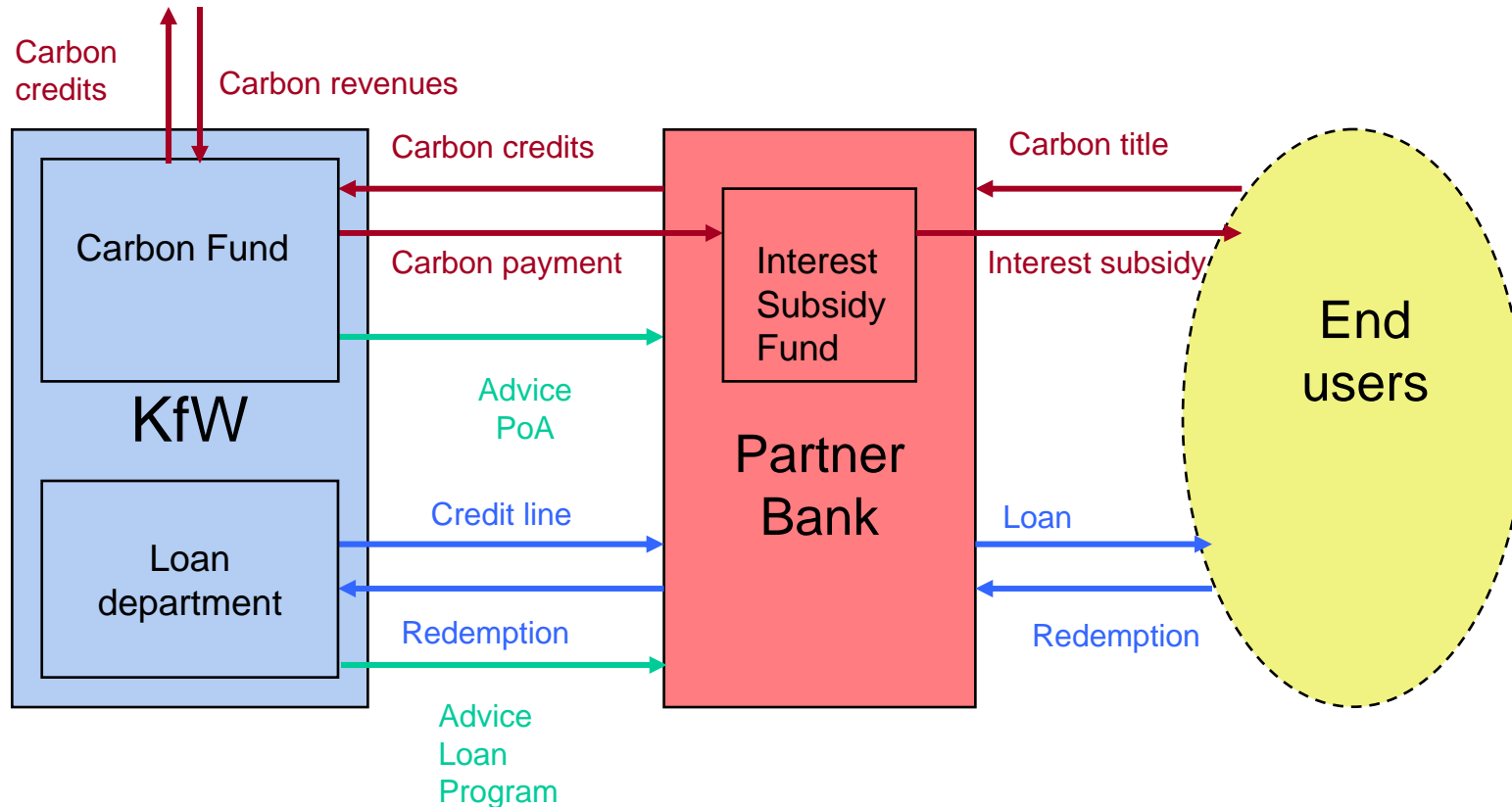
## PoA projects: First experiences



- PoA Support Center Germany: about 20 early PoA ideas.
- Target: Size: 100 kt p.a./progr. +; Timing: First credits in 2010/11.
- PoA operators are rather not PoA investors (seed funding).

Sector	Region	Operator	Typ
Energetic Building Rehabilitation	Eastern Europe (3)	Banks	Soft loans
Household stoves and domestic biogas	South Asia (4)	NGOs, public agencies, MFIs	Grants, microfinance
Fuel switch, Energy efficiency in SMEs, service sector, transport	MENA, Asia, Latin America (8)	Banks, public agencies	Payment on delivery + credit lines, soft loans
Small and micro renewables	Africa, Latin America, South Asia (3)	Banks, public agencies	Soft loans, payment on delivery + credit lines
CFLs	Africa, Latin America (2)	Utilities	Price discounts

# Example: PoA soft loan program



# Challenges in PoA funding



- PoA operator:
  - Costs: development, implementation, operation.
  - Revenues: carbon credits are only source of income.
- Funding requirements:
  - Development (concept, business plan, capacity, CDM/JI): all PoAs.
  - Seed Funding first generations of activities/incentives: all PoAs except payment on delivery programs.
- Risk profile seed funding
  - Risk - : often stable consumption activities; step wise implementation.
  - Risk +: complete reliance on CDM/JI monitoring; micro activities: often no recourse to program participants.
  - Banks have no experience with PoA funding.

# Conclusions



- Market entry barriers for PoAs: capacity and risk:
  - PoA development support (Annex I).
  - Appropriate PoA policy on DNA level in CDM/JI countries.
- Funding: PoAs depend entirely & exclusively on carbon revenues:
  - Transparent and practical PoA procedures:
    - Rules must be understandable for investors: delivery risks/possible delays in delivery.
    - Methodologies: interest to ,buy‘ more certainty with more conservativeness (e.g.: deemed savings).
  - Strong PoA operators
    - Right incentive to right activities against claimable carbon.
    - High quality monitoring system.
  - Long term certainty on carbon revenues.



# Thank you for your attention!

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For further information: [www.kfw.de/carbonfund](http://www.kfw.de/carbonfund)

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