

MGM INTERNATIONAL

JI/CDM Project Developer

Ruby Canyon Engineering

Coal Mine Methane Experts



mgm INTERNATIONAL



MGM International is a project development, investment and commercialization firm whose objectives are the **identification, design, negotiation, execution** and **support** of **JI/CDM** projects that contribute to reducing anthropogenic GHG emissions, as well as the **commercialization** of Certified Emission Reductions (CERs) and Emission Reduction Units (ERUs).

Our multidisciplinary staff based in **Argentina, Brazil, Chile, China, Colombia, India, Mexico, Egypt, Sweden, Ukraine** and the **United States**, brings together the often unusual combination of top academic credentials and years of practical experience that makes projects happen.

In a short time MGM will open a fully operating office in Kiev/Kyiv.

MGM International's Presence - 2007



Point Carbon Awards 2005

MGM International is Acknowledged by the Global Carbon Industry

March 2, 2005 - Amsterdam, The Netherlands

MGM International Wins “Best CDM/JI Project Developer Award”

MGM International was voted by key carbon market players worldwide as the best CDM/JI Development firm. The Award was presented yesterday night by PointCarbon during the Carbon Market Insights Conference.

The ***MGM Carbon Portfolio*** has been created by ***MGM International*** in cooperation with ***Morgan Stanley*** to provide Sellers with a secure vehicle for the commercialization of emission reduction credits and a security-maximization structure for Sellers and Buyers. Morgan Stanley acts as the paying agent for the commercial transactions for the MGM Carbon Portfolio.

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PORTFOLIO



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Morgan Stanley

CMM Project Identification and Implementation Issues



MGM's General Steps for CMM Project Development

1. Evaluate mine & possible CMM usage scenarios.
2. MGM and coal mine agree on commercial terms
3. RCE conduct feasibility study
4. MGM provide project financing, JI/CDM services, and work with coal mine to develop project
5. MGM assists with monitoring/verification tasks

CMM Project Identification

This is not such a difficult problem:

Numerous Sources of Information

- International organizations
 - UNECE, M2M
- Country-based organizations
 - US EPA, CCII, Uglemetan, etc.
- Private Sector
 - PINs, consultants

As a result, finding where potential CMM projects are located is not an issue

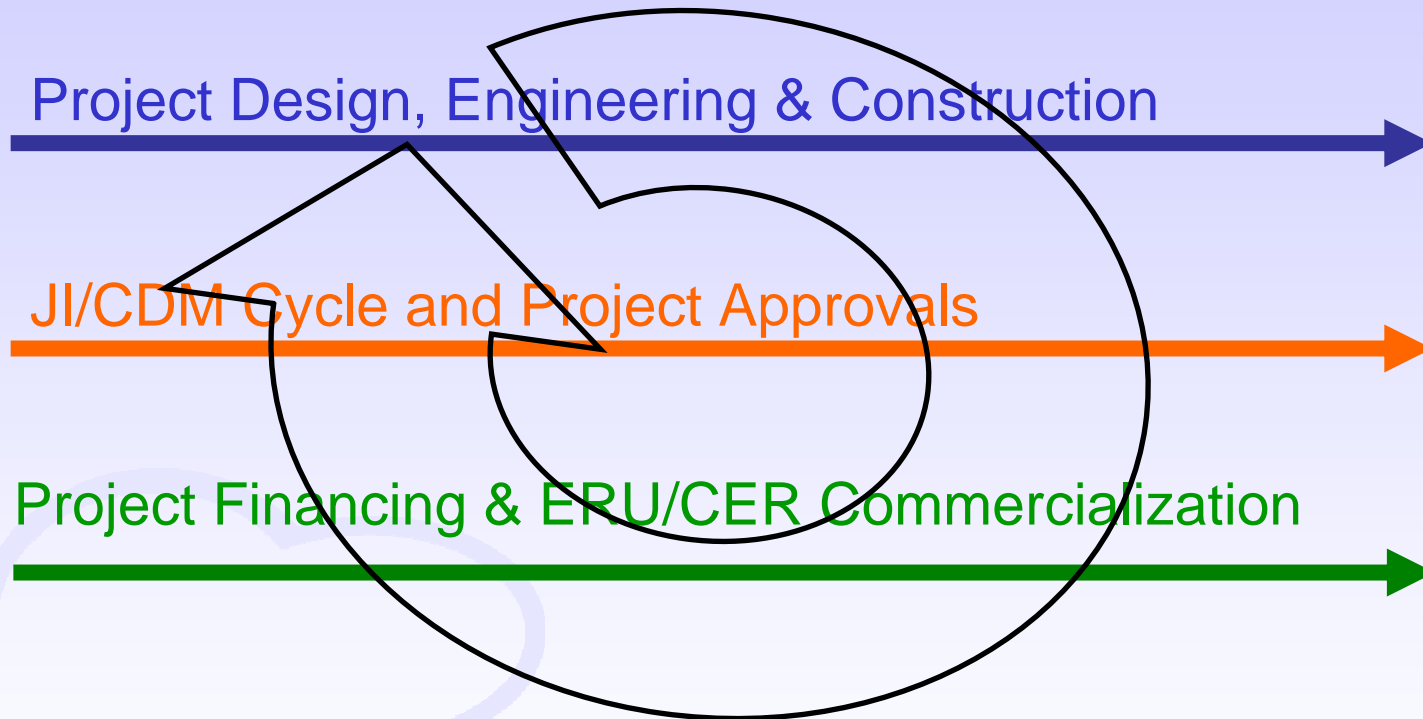
Project Implementation

On the other hand getting the project implemented is not easy...

- Some Major Issues:

- Financial Incentives from JI/CDM have both positive and negative consequences
- Ultimate ownership of the mine and the rights to the ERUs/CERs is sometimes unclear
- Business practices can vary from country to country making it difficult to apply a single business model
- Varying types and conditions of CMM drainage systems causes challenges for gas end-utilization and project implementation

Project Implementation



Parallel, linked, and iterative processes

Project Implementation

JI/CDM Issues:

Bureaucratic decision-making process at coal mine, local government, national, and UNFCCC levels

- Cause for delays
- Adds risk to project
- For JI no agreement on post-2012 crediting = only 5 years income!
- CDM is also less clear but some statements have been made.

Structuring Financing & Investment is time consuming and difficult

- Buyer/Seller relationship?, Equity Investor?, Bank Loan? Guarantees?, etc.

Project owners sometimes have too high expectations...

- Markets go down as well as up...
- JI/CDM is a currently a forward transaction... risk is higher
- Price risk for the ERU/CER buyer/investor is under-appreciated
- Different markets with different prices for emissions reductions, i.e.ERUs, CERs, VERs, EUAs... leads to confusion on “market-price”

Project Implementation

Forecasting market prices

- Very difficult to forecast the price-curve because political decisions dominate
- Government intervention to set floor price... causes some investors to walk away.

Voluntary Market Emerging – Alternative to JI/CDM

- Lack of international standard
- Lower Prices (3-4 euro)
- Currently Over-the-counter trades, CCX

Decisions about investment and project operator can be complicated

- Who should own and operate the equipment? Joint-venture, etc.?
- If equity investment is the payback in only ERU/CERs or e.g. heat, electricity, etc.?

Finding the Right local “Middle-Man”

- Can add value for dealing with local issues or political channels
- May already have agreement with project owner for PIN, but usually have minimal risk in project
- Sometimes a “Gold Rush” mentality prevails..
- *Sometimes they promise too much...*

Project Implementation

Working within International Business Practices:

- Sometimes international companies have stricter standards or codes of behavior about payments than the local business culture
- Bank guarantees or security... sometimes difficult or impossible to get.

What is risk vs. reward for actual mine (project owner)

- Some CMM projects need cap-ex from the mining company while others do not
- Some feel it's not worth it, better to use money on expanding production capacity, etc.

Project Implementation

CMM Drainage Systems:

- Antiquated systems or prevailing practices can severely limit the amount of useable CMM for project

What's needed?

- Capital investment
- Change in practices/traditions

Should project developer invest in CMM drainage system improvements?

- Project boundary may be blurred
- Potential liability for project developer

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