


Carbon Finance

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Who we are

MIGA ... A member of the World Bank Group

1944	IBRD	International Bank for Reconstruction and Development
1960	IDA	International Development Agency
1956	IFC	International Finance Corporation
1966	ICSID	International Center for the Settlement of Investment Disputes
1988	MIGA	Multilateral Investment Guarantee Agency

Promotes FDI with the use of guarantees and online services



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2

Core Mission

To provide political risk guarantees in
cross border emerging market
transactions



Four Coverages

1. **Transfer restriction and inconvertibility**
2. **Expropriation**
3. **War and civil disturbance (including terrorism)**
4. **Breach of contract**



Benefits of MIGA Guarantees

1. Mitigate political risks
2. Improve financing terms (e.g., potentially longer tenor, lower borrowing costs)
3. Improve credit ratings
4. Ability to resolve / mediate disputes
5. World Bank Group “umbrella of deterrence”

Guarantees

Terms and Conditions

Eligibility — Cross-border Investments (min. 3 years)

Investment types

- Equity
- Shareholder loans
- Loan guaranties
- Loans from financial institutions
- Others

Tenors — Coverage up 20 years

Coverage — Equity covered up to 90% & Debt up to 95%

Miscellaneous

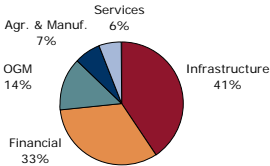
1. Rely on rights of subrogation
2. Do not require counter-guarantees
3. We do obtain a host country approval
4. Ability to intervene to prevent claims
5. SME program for investments of \$5m or less

Overview of Business

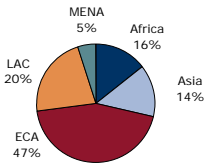
Four Strategic Pillars - FY06 Guarantees Issued, \$ M



By Sector – FY06



By Region – FY06



- \$16bn of guarantees issued since 1989
- Current portfolio of \$5bn

Portfolio by Investor Country

Top investor countries as of February 2007

Investors country	Gross exposure \$ 000	%
Austria	715,857	14.7%
France	642,098	13.7%
United States	410,112	8.4%
Finland	300,000	6.2%
Czech Republic	258,408	5.8%
Spain	269,758	5.5%
Cayman Islands	259,507	5.3%
South Africa	222,432	4.6%
Netherlands	222,287	4.2%
Japan	196,847	4.1%
Egypt, Arab Republic of	157,246	3.2%
Canada	135,180	2.8%



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9

Case Study

Biothermica Biogas Project in El Salvador



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10

Biothermica Biogas: Emission Reduction Mechanism Under the Kyoto Protocol

- Two types of carbon transactions: Allowance-based and project-based
- Project-based transactions: buyer purchases emission credits from a project
- Kyoto Protocol establishes mechanism of trading of Certified Emission Reduction (CER) credits for all member countries
- An executive board created under the UN Framework Convention on Climate change (UNFCCC) deals with CER issuance and allocation
- UNFCCC validation process includes a Letter of Approval (LA) from the government of the country who signed and ratified the Kyoto Protocol
- LA allows the transfer of CERs to the project's sponsor or other private parties
- After the LA is in place, CER's are issued by the executive board based on a project performance report submitted by an independent auditor

Biothermica Biogas: Concerns related to CER delivery

For the CER market, the most important concern relates to CER delivery (project performance) risks

Measures that reduce the CER delivery risks include:

- explicit delivery guaranties (or partial guaranties) from the seller
- instruments of hedging technical risks
- options for monitoring CER data
- participation in operation and maintenance
- instruments of hedging political risks such as political risk insurance

Biothermica Biogas: the Project

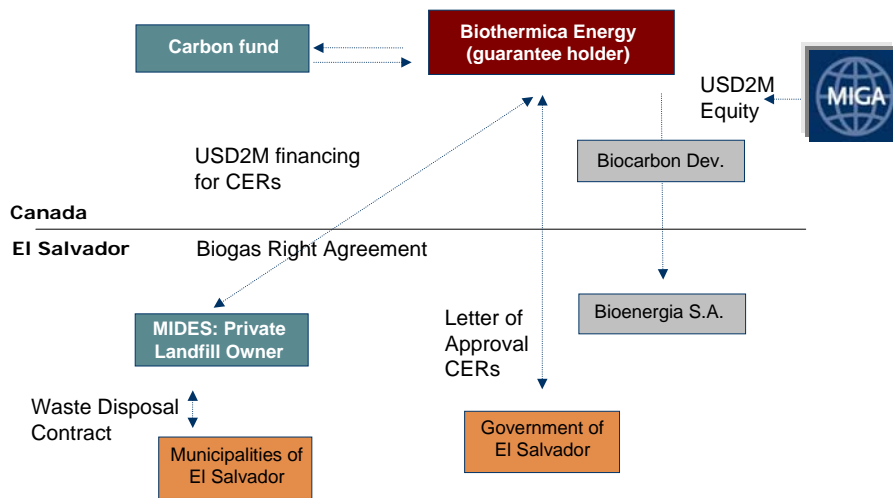
Involve capturing and flaring of methane gas generated by a large municipal waste landfill in El Salvador

- Reduces Greenhouse Gas emission, making the project eligible for CER trading under the Kyoto Protocol
- Completed the validation process under the UNFCCC criteria for the CDM
- Government of El Salvador issued LA to *Biothermica Energy of Canada*, who, in turn, will sell its rights to the CERs to a private carbon fund for an upfront payment of USD2 million plus additional payments upon CER delivery

Biothermica Biogas: the Project (cont.)

- USD2 million will be used for equity investment into *Bioenergia S.A.* incorporated in El Salvador, which will create further CERs
- *Biocarbon Dev*, wholly-owned by *Biothermica Energy*, will install the equipment
- In February 2007, Biothermica brokered an agreement with the government of Luxembourg to sell 325,000 CERs created from its landfill in El Salvador

Project Structure



Biothermica Biogas: the Landfill

- Landfill is owned and operated by MIDES, a private company which has signed a 20-year waste disposal agreement with 10 municipalities
- Since 2002, the landfill has received 400,000 tons/year of municipal solid waste, and was designed to continue at that capacity until the year 2026
- Generates more than 40 million m³/year of methane gas, increasing over time, to nearly 80 million m³/year



Biothermica Biogas: Risks covered by MIGA*

- Administrative/regulatory decisions that may indirectly cause a reduction in waste quantities delivered to the landfill through expropriation;
- Expropriation of assets;
- Breach of contract that protects against the loss of CERs due to withdrawal of El Salvador from the Kyoto Protocol;
- Physical damage to the asset; and,
- Inability of auditors to enter the project site due to politically motivated violence.

* MIGA did not cover the non-renewal of Kyoto Protocol.



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