



## UN Economic Commission for Europe

Capacity Building Project to Promote  
Financing of CMM Projects in the  
CEE/CIS Region:

### Update

17<sup>th</sup> Meeting, Steering Committee of the Energy  
Efficiency 21 Project  
29-30 May 2006

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## CMM Capture & Use

- Many Benefits
  - Mine safety
  - Reduced downtime & improved efficiency
  - Public safety
  - Reduced greenhouse gas emissions
  - Energy production
  - Investment vehicle
- Many Barriers
  - Legal/Policy
  - Institutional
  - Market
  - Technical
  - **Financial**
    - Inability to move from feasibility study/business plan development to project capitalization



## Why Has Financing Proven Difficult?

- Many existing projects are self-financed resulting in limited understanding of capital markets
- Financial community does not have time or resources to become experts in CMM or search out individual projects
- Many waiting on Kyoto markets to develop before committing to CMM projects
- Non-standardized risk among projects due to case-specific issues at each mine
- Lack of homogenous markets – country risk often perceived as significant risk for investors
- Elevated transaction costs due to early-stage market development



## To Be Successful in Securing Finance

- Effort should be made to educate financial community on commercial viability and socio-economic benefits of CMM projects
- CMM industry must develop financial engineering skills and the ability to prepare and present investment grade documents
- CMM and financial sectors must develop case studies for successful projects and build on successful models



## UNECE CMM PROJECT

- 3-year project to analyze and address financing issues specific to CMM projects in CEE & CIS
- Project design
  - Provide technical assistance to CMM projects 3-6 projects in CEE/CIS over next three years to develop bankable documents for additional feasibility support
  - Provide link with financial community, including UNECE EE21 project, to encourage follow-on financing
  - Document and report out on lessons learned to benefit others
  - Develop roadmap for financing additional CMM projects in the region
- Focus on institutional finance; not Greenhouse Gas markets
- Funding – US\$205,000 from US Environmental Protection Agency



## Project Status

- Project kicked off with workshop on 30 January 2006 at the 2<sup>nd</sup> Session of the Ad Hoc Group of Experts
- Have developed initial documents in English and Russian
- Current Schedule
  - Feb 2006 – Mission to Moscow
  - June – Full mission to Russia Federation for project identification
  - Summer/Fall 2006 – Work with Russian project(s) on pre-feasibility and preparation of first-tier bankable documents
  - Fall 2006 – Workshop on project finance
  - Fall/Winter 2006 – Begin project identification for Kazakhstan
  - 2007/2008 – Remainder of CIS/CEE
- Website: <http://www.unece.org/ie/cmm/Welcome.html>



## Challenges

- CMM projects can be profitable but must have support of the decision-makers
  - Very different world for carbon reduction projects in general, and methane projects specifically, compared to 2 years ago when the project was conceived
  - Coal sectors successfully restructuring and profitability growing
  - Many coal operations part of larger multi-industry holding companies
- Finding viable projects
  - Market will identify and finance the “best” projects
  - Looking for marginal projects that have a real chance to succeed