



# Carbon Finance The Perspective of a Compliance Buyer

*Climate Technology and Carbon Market Partnerships  
Gaborone, Botswana, 5 November 2009*

Mr. Ad Dankers, CDM Manager Africa  
Vattenfall Power Consultant AB

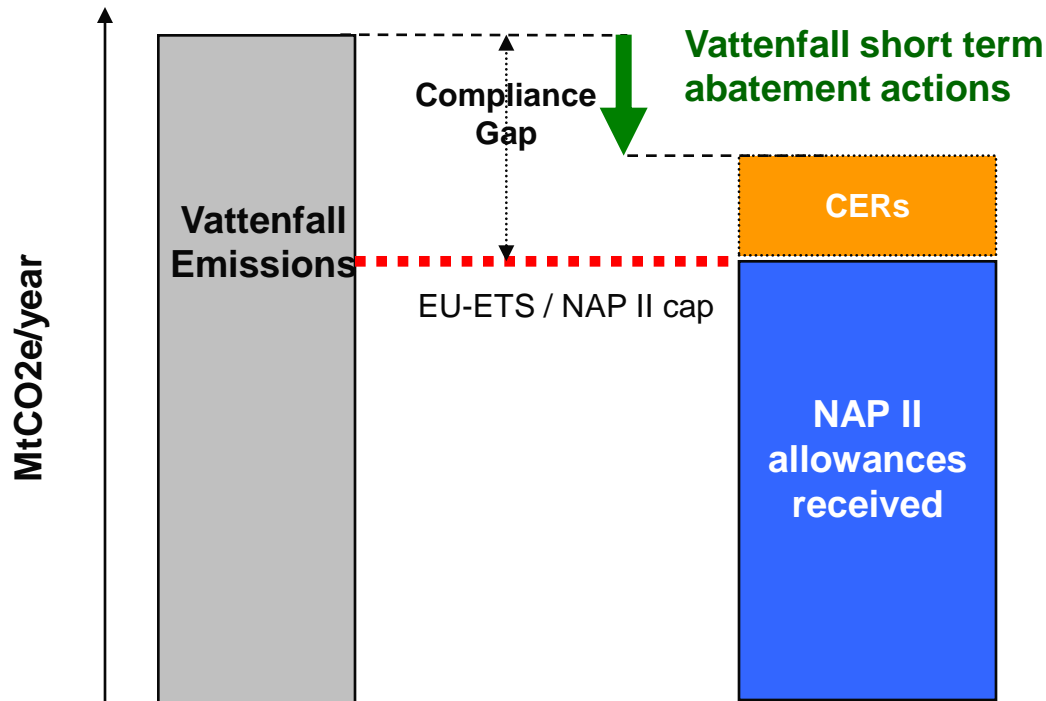
# The Vattenfall Group

- Largest heat utility and 5<sup>th</sup> largest electricity utility in the EU;
- Operations in Sweden, Denmark, Finland, Germany, Poland, UK, Netherlands;
- 40,000 employees active in heat and power generation, transmission, distribution, sales and consulting activities;
- The parent company Vattenfall in Sweden was founded 100 years ago and is 100% owned by the Swedish state;
- Vattenfall's A-credit rating is attested by Moody's and Standard & Poors.
  
- Vattenfall Power Consultant is the group's in-house consulting and engineering company with over 700 employees. Main office in Stockholm, but also for example offices in Maputo, Panama, Santiago de Chile, etc.

# The Vattenfall Group – Corporate Social Responsibility

- A very important aspect of Vattenfall's business culture is ensuring the integrity of the environment. This is reflected in the company motto "No. 1 for the customer, No. 1 for the environment" and taken very seriously by the company;
- Amongst many activities, Vattenfall is investing in the first Carbon Capture and Storage facility in Germany;
- CDM and JI projects have to comply with the UN Global Compact Criteria and Vattenfall's Sustainability Criteria as part of (carbon) due diligence prior to purchasing carbon credits.

# Carbon Market - Perspective of a Compliance Buyer



## Strategic options for EU compliance

- Increase share of clean technologies in the generation mix (decrease emissions)
- Carbon Capture and Storage (decrease emissions)
- Buy more EUAs (increase allowances)
- Buy CERs (increase allowances)

# CDM Project - A Win-Win Business Opportunity

## CDM Project: Combined Cycle Natural Gas Power Generation

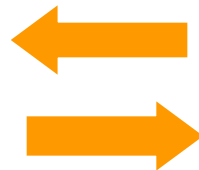
Conversion of gas turbines to combined cycle natural gas, Southern Africa

### Carbon Credit Buyer

Vattenfall Generation, with EU emissions cap

#### Purchase 200,000 CERs per year from CDM project

- Price of 11€/CER instead of 14€ at secondary market
- Cost savings 600,000€ per year



### Carbon Credit Seller

Project owner in CDM country

#### Additional revenue stream by selling 200,000 CERs per year

- 2,200,000€ annual revenue
- Increasing IRR and reducing payback time
- Facilitates financing package

*2009: Feasibility study financed by the Vattenfall Carbon Fund – in progress*

# Vattenfall's approach to the carbon market

- Creation in July 2008 of the Vattenfall Carbon Fund (VCF)
- VCF objective: acquire carbon credits **only** for Vattenfall's **EU-ETS compliance**
- Establish solid and long-term relationships with reliable partners for the supply of carbon credits
- Avoid acquisitions of carbon credits from pools or funds or aggregators
- Only purchase carbon credits with traceable origins
- Establish direct contacts with project developers/owners
- Preference for “High Quality” carbon credits

# What the Vattenfall Group offers

- Project support in early stages and support for CDM procedures
- Flexibility in terms of pricing options: fixed, variable or combination of both
- Direct negotiations without the need of intermediaries = better carbon credit prices
- Long term security for payment of carbon credits (Vattenfall is rated “A-” by S&P)
- Carbon credit contracts (ERPA) based on IETA standards
- Purchase of post 2012 carbon credits possible
- Possibility of upfront payments (with conditions)

# Practicalities of CER Generation and Commercialisation

- Large volume of CERs required, so focus is on large volume carbon markets (China, India, Brazil);
- Portfolio balancing in terms of project types and geographical areas. Very keen to have Africa-based CDM projects in portfolio;
- Delays in CDM project development, validation and registration;
- Delays (cancellations) of underlying investment projects;
- Closer to 2012 the focus is on well-developed projects (preferably at validation stage or better...);
- Underdeveloped Host Country structures (DNAs);
- SAPP - Regional Grid Emission Factor. See article (15 Sept '09):

[www.carbon-financeonline.com/index.cfm?section=features&id=12357&action=view&return=home](http://www.carbon-financeonline.com/index.cfm?section=features&id=12357&action=view&return=home)

# Vattenfall Power Consultant AB

## Thank you for your kind attention !

Mr. Ad Dankers  
CDM Manager Africa  
Vattenfall Power Consultant AB  
Mobile: +46 (0) 76 115 5109

[ad.dankers@vattenfall.com](mailto:ad.dankers@vattenfall.com)  
[www.vattenfall.com/powerconsultant](http://www.vattenfall.com/powerconsultant)