



PARTNERSHIP FOR CLEAN INDOOR AIR

Perspectives: Allocating Carbon Revenue

December 15, 2011

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Agenda

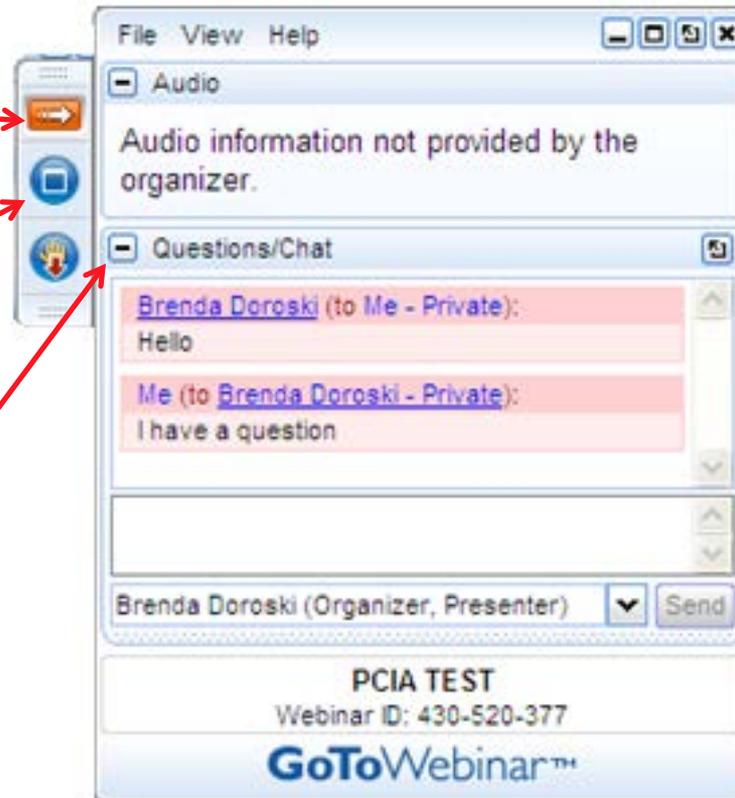
- Webinar Introduction/Purpose
- Audience Snapshot
- Tanya Petersen, The Gold Standard Foundation
- Tom Morton, ClimateCare
- Erik Wurster, UpEnergy
- Neil Bellefeuille, The Paradigm Project
- Virginia Echavarria, Uganda Carbon Bureau
- Roundtable Discussion
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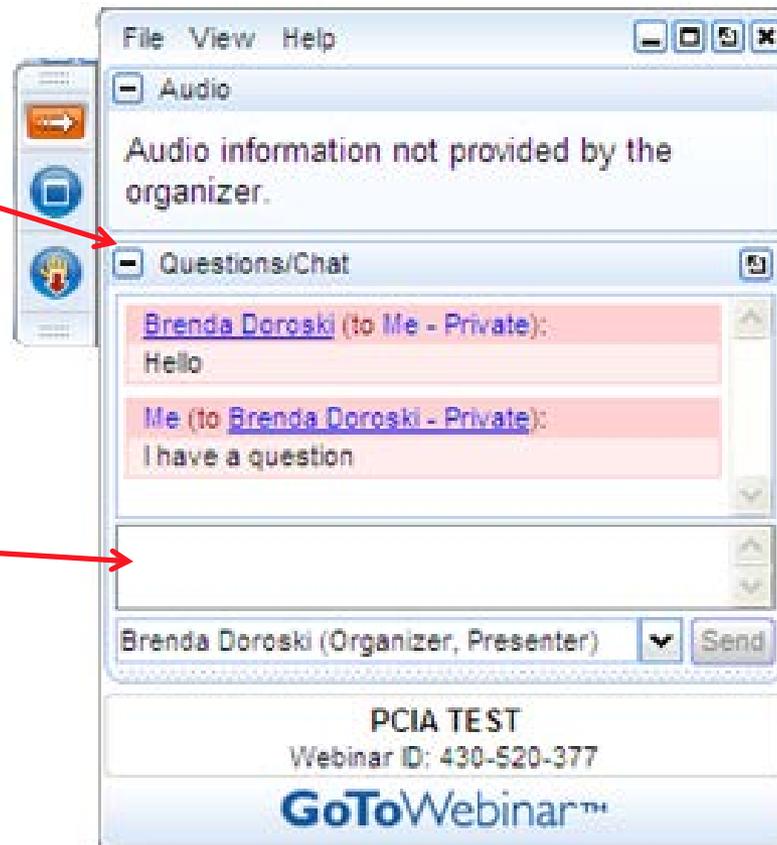


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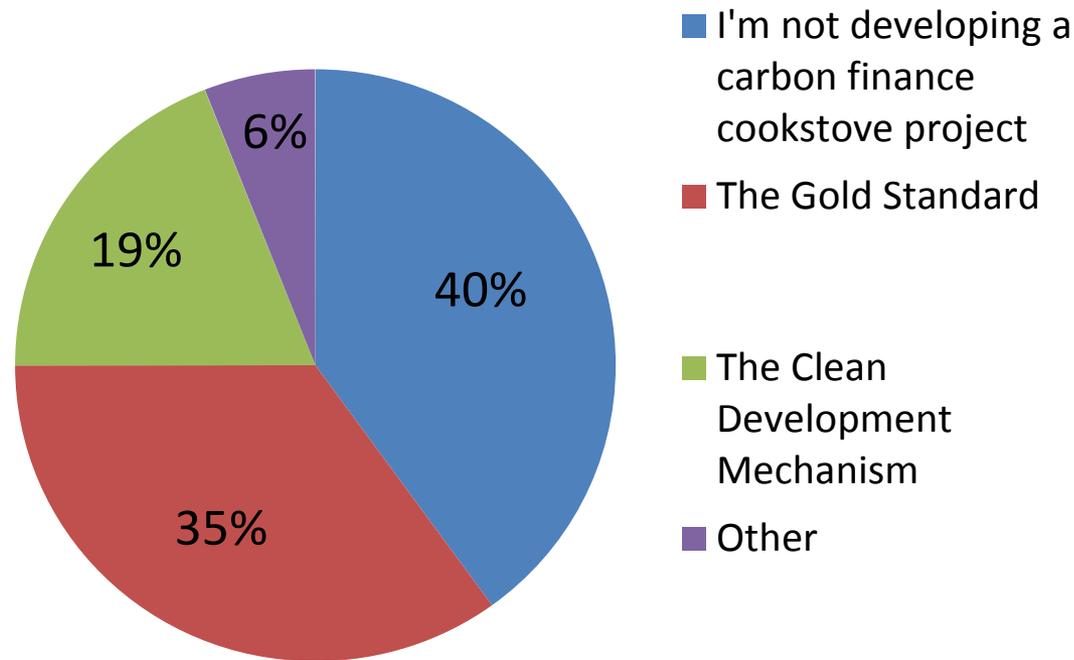
Webinar Purpose

Webinar participants will learn about:

1. Various carbon revenue allocation models and the trade-offs associated with each model;
2. The role of local partners and how to structure effective relationships with them;
3. Ideas for overcoming challenges due to the lack of transparency in the voluntary market.
4. The biggest risks involved in implementing a cook stove project as a carbon offset project; and
5. The various uses of carbon revenues to promote stove adoption.

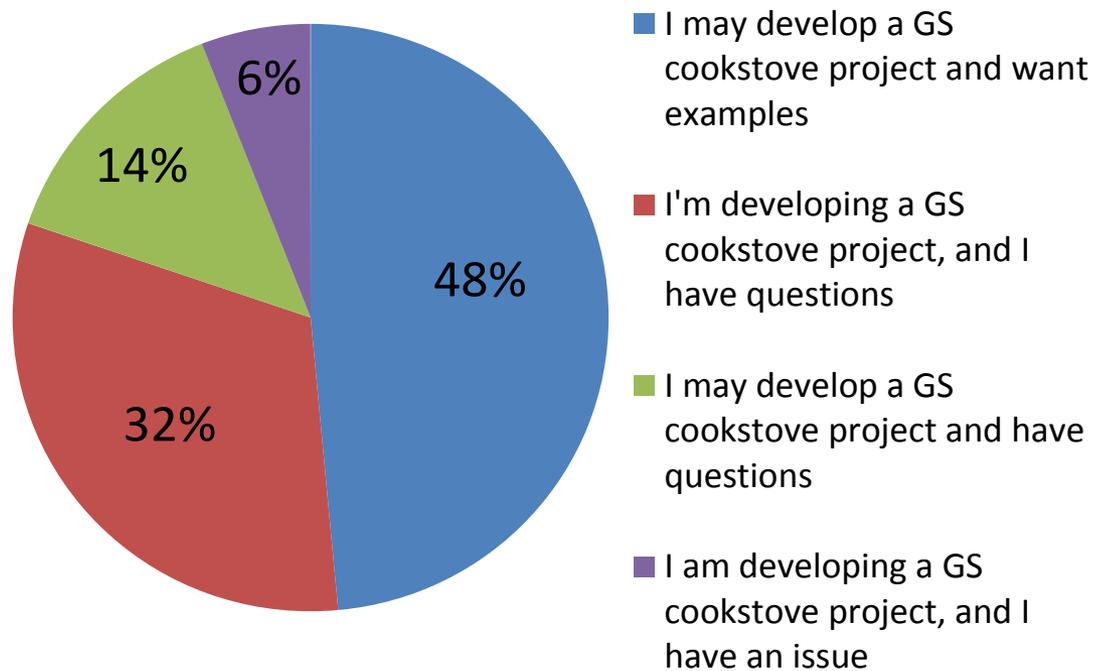
Audience Snapshot

If you are developing a carbon finance cookstove project, which standard are you using?



Audience Snapshot

Please explain your reasons for attending this webinar.



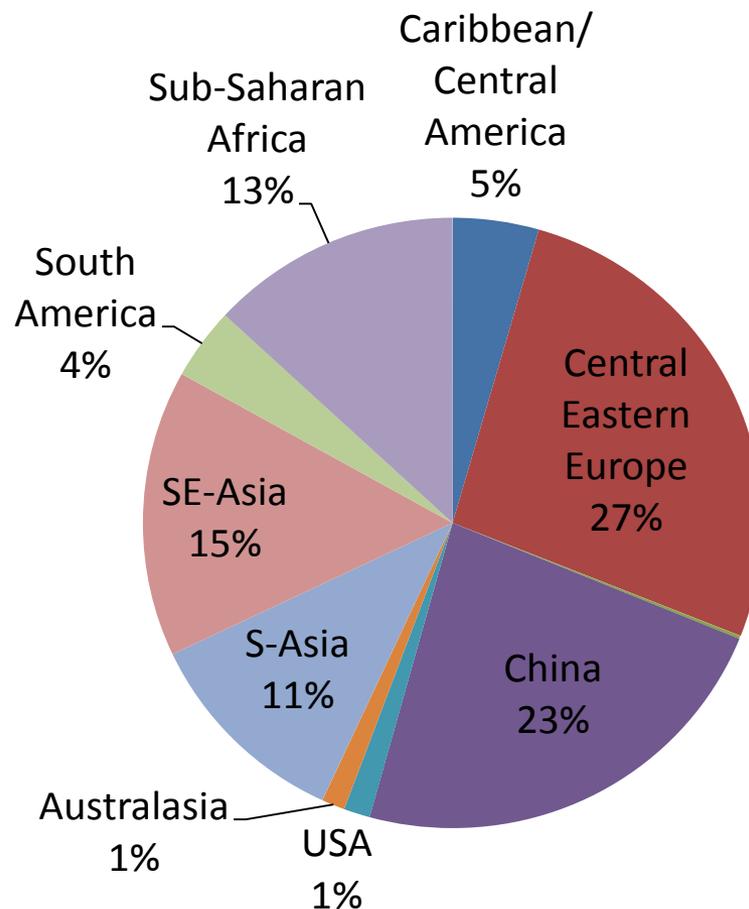
Panelists

- Tanya Petersen, The Gold Standard Foundation
- Tom Morton, ClimateCare
- Erik Wurster, UpEnergy
- Neil Bellefeuille, The Paradigm Project
- Virginia Echavarria, Uganda Carbon Bureau

What is The Gold Standard?

- Non-profit foundation based in Geneva, Switzerland
- The global benchmark certification scheme for high quality carbon reduction projects in both compliance and voluntary carbon markets
- Independently verified to deliver real, measurable, permanent greenhouse gas reductions and sustainable development
- The only standard to incorporate Monitoring, Reporting and Verification for sustainable development and environmental co-benefits - for all projects
- Actively supported by 80 NGOs worldwide, including WWF, Greenpeace and World Vision
- Buyers include Swiss Post, Deutsche Post, DHL, Nokia, Virgin Atlantic, H&M, TUI Travel, FIFA and multiple governments
- Trusted by the United Nations as the standard for its carbon projects

- Focus on Renewable Energy and Energy Efficiency projects
- 100+ project types (methodologies)
- 160+ project developers
- 600+ projects in over 50 countries
- 40m+ GS tonnes CO₂e issued and pending
- Approx 40:60 ratio of compliance to voluntary market projects



Geographic location of GS projects

- NEW version of The Gold Standard cook stove methodology
 - “Technologies and practices to displace decentralized thermal energy consumption”
 - Includes certification for water purification technologies
- 70 cookstove projects (CER & VER combined)
- Avg. price of a GS project is \$9-10 per ton; cook stove projects sell at a premium and are in demand
- Innovations on the Gold Standard radar:
 - Best practices for reallocating carbon revenues to the local community
 - Whether to certify reductions in black carbon
- Learn more at: <http://goldstandard.apx.com>

Polling Question

Please describe your involvement with the Gold Standard.

- I am a Gold Standard NGO supporter.
- I am a Gold Standard project developer.
- I am a Gold Standard project owner.
- I am a Gold Standard project proponent.
- I am not currently involved with The Gold Standard.



- **Structure**

- Originally established in 1998 in Oxford, UK
- Acquired by J.P. Morgan in 2008
- Management buyout in August 2011
- Offices in Oxford and Nairobi

- **Experience**

- First funded a cooking project through carbon in 2003
- Heavily involved in writing the GS-VER methodology
- Working in both the CDM and Voluntary markets
- Significant market share for sale of VERs to end consumers

Working Models



- **What is the overall aim?**

- Financial Institutions key to providing the level of capital required
- Their perceptions of risk are key to releasing funds
- Market risk, country risk, counterparty risk, currency risk, transaction costs

- **Pricing Structures**

- Fixed price gives Project more certainty of what they will receive
 - In the past, some projects have seen the market rise and feel this is not attractive
 - Now, with significant over supply and falling prices, it may look positive again
 - . . . as long as the counter party is credit worthy
- Flexible CERs: floor price plus % of market at delivery
- Flexible VERs: can be based on a proportion of the sale price
 - but that is contingent on the sale being achieved

UpEnergy Overview



UpEnergy leverages carbon finance to build and support distribution channels for household energy products.

Combined Carbon Cookstove Experience of UpEnergy team:

- Registered first, second and third Gold Standard cookstove projects worldwide
- Issued and sold >\$3.5 million worth of Gold Standard VERs from stove projects
- Advised over 20 cookstove projects
- Co-authored Gold Standard Cookstove Methodology
- Co-Chair Global Alliance for Clean Cookstoves



Carbon Revenue Allocation Model



- Varies significantly by project, depends upon who bears risk
- Where UpEnergy is the local product distributor, carbon revenues channeled towards marketing and stove subsidies
- Where local partner manufactures / distributes stoves, carbon revenues reinvested to scale manufacturing, increase marketing and stove subsidy
- Infinite number of potential structures – percentage of net revenues, \$/stove payments, \$/ton payments, up front payments vs payments at carbon credit sale, etc

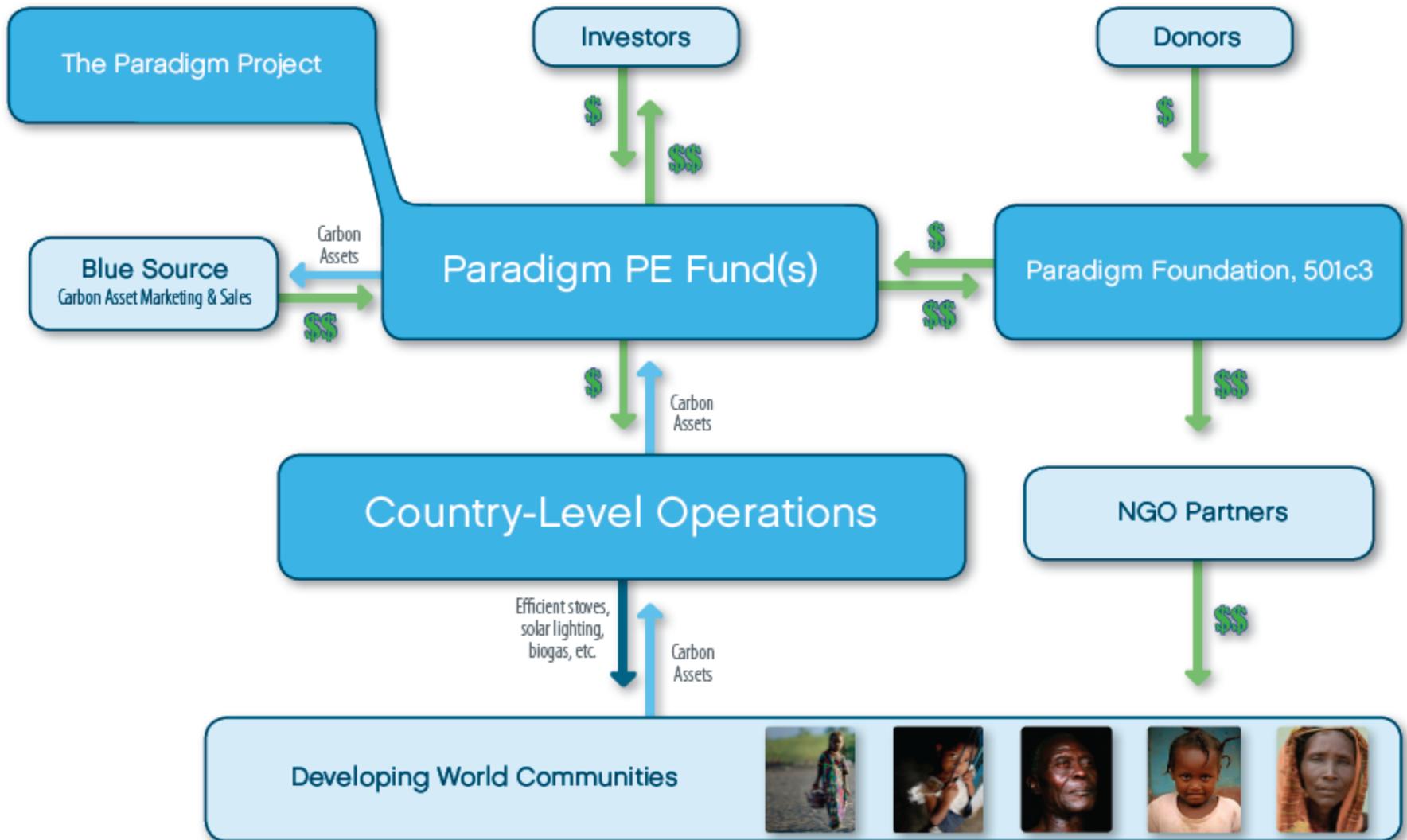
Lack of price transparency in the voluntary carbon markets leads to unjustifiably high margins for market intermediaries, resulting in less revenues to local actors. Consolidated exchange for all GS VEs where prices are indexed would solve this problem.

THE PARADIGM PROJECT

Leveraging the international carbon markets to generate real triple bottom line returns for investors, donors, partners and the communities we serve:

- Identify regions of the developing world suffering from the devastating health, economic and environmental impacts associated with open fire cooking.
- Focus investment capital on building highly scalable last-mile stove supply chains with local SME business partners.
- Own first-to-market position with low-cost stove products that are designed to meet immediate consumer needs and generate high quality carbon offsets.
- Work with aligned non-profit partners to facilitate strong community relationships and leverage their constituent sales volumes.
- Leverage carbon offsets generated by stove use to build long-term value for investors, partners and participating communities.

INVESTMENT FLOW OF FUNDS



ICSEA

Improved Cook Stoves for East Africa Ltd

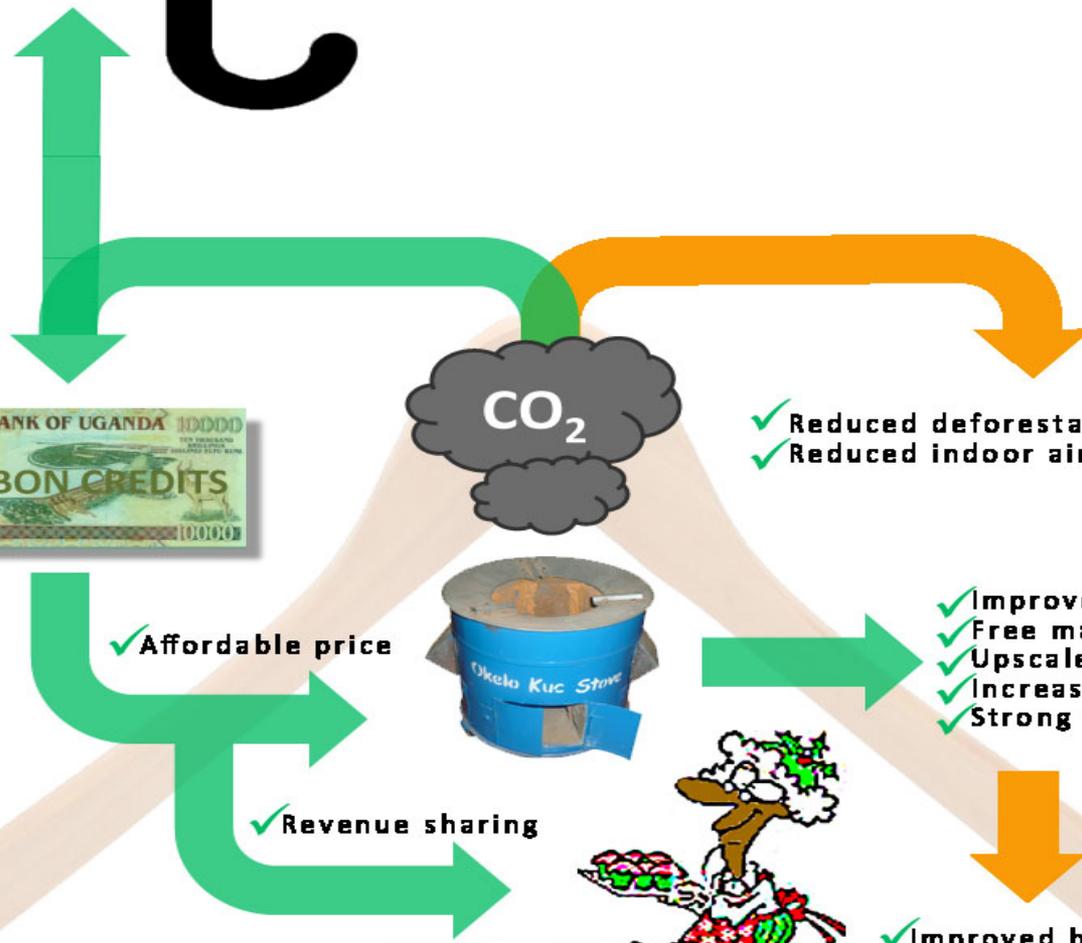
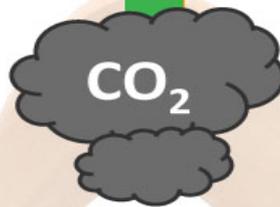
- Multi-country Programme of Activities (East Africa, Ethiopia, Sudan)
- Clean Development Mechanism / Gold Standard
- Fair trade
- Open access

First CPA: International Lifeline Fund

Validating DOE: Tuv Rheinland

Supporters: Nordic Climate Facility, Care Denmark, GIZ, GIZ CIM, BMU, DfID

Founder: Uganda Carbon Bureau



- ✓ Reduced deforestation
- ✓ Reduced indoor air pollution

- ✓ Improved quality
- ✓ Free maintenance
- ✓ Upscale productivity
- ✓ Increased sales
- ✓ Strong tracking system

- ✓ Improved health benefits
- ✓ Reduced household fuel expenditure
- ✓ Reduced time for fuel collection

Roundtable Discussion

- Tom Morton, ClimateCare
- Erik Wurster, UpEnergy
- Neil Bellefeuille, The Paradigm Project
- Virginia Echavarria, Uganda Carbon Bureau

Topic: Project Structure

Do you work with local partners and, if so:

1. What roles do they play in your project; and
2. How do you structure the relationship with them?
3. What are the various carbon revenue allocation models that you've seen in use, and the trade-offs of each?

Topic: Transparency in the Voluntary Market

In many circumstances, because price is still considered to be confidential information, it is difficult to ascertain the pricing information.

1. Does this help or hinder project development and why?
2. How do you overcome any challenges this presents?

Topic: Risk

1. What are the biggest risks that need to be considered before implementing a cookstove project as a carbon offset project?
2. How do you address these risks?

Topic: Stove Adoption

1. Do you use carbon revenues to reduce the cost of the stove to the user? If so, by how much?
2. Do you fully subsidize the cost of the stove for the end-user? Why or why not?
3. What incentives, if any, do you provide to the end-user to encourage adoption and continued use? Why or why not?

Gold Standard Webinar Series

- An Introduction to the Gold Standard
- Innovations in Version 3 of the Gold Standard Methodology
- Case Studies: Gold Standard in Practice
- Perspectives: Allocating Carbon Revenue

Questions and Answers

- Please type your questions in the chat box on your screen.

Our Requests

- Please complete the SurveyMonkey Evaluation you will receive within the next two hours.

Let us know...

- What surprised you the most about what you heard from the four panelists?
- What new information did you learn on the topics discussed?
- Why did you choose to participate in this webinar?
- What other topics would you like to see presented?

Our Offer

Following the webinar ...

- The presentation and answers to your questions from today will be posted in a few weeks to
- <http://www.PCIAonline.org/proceedings>
- Join us for the upcoming webinar titled “**Laboratory Test Results of Cook Stove Performance**” being held on January 12, 2012.
- <https://www2.gotomeeting.com/register/342020490>