



GIS as Testing Ground for Post-Kyoto Flexible Mechanisms

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MINISTRY OF THE

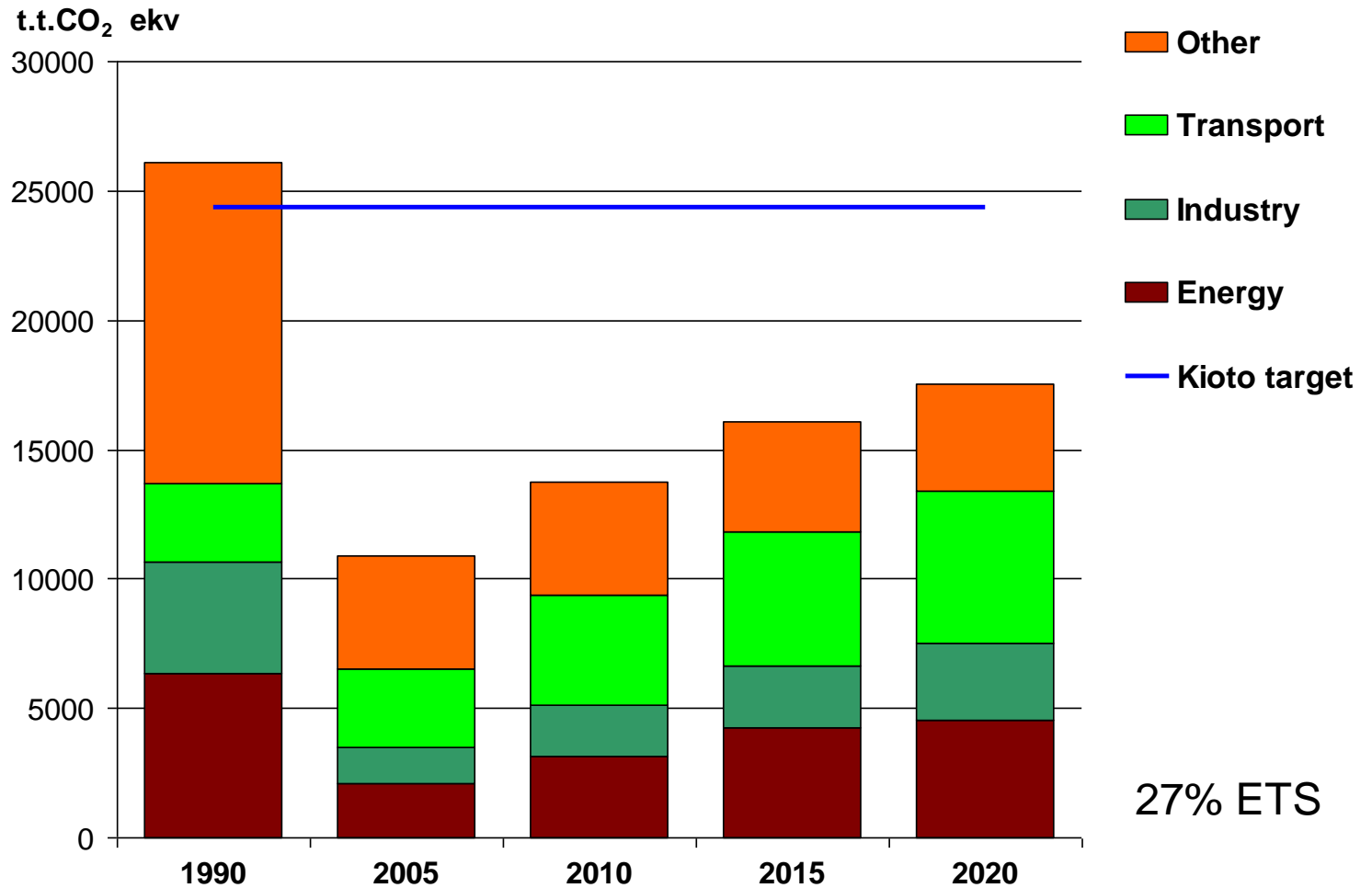


ENVIRONMENT

GIS Status

- GIS in Latvia - Climate change financial instrument
- Established by law, implemented as state budgetary programme
- So far more than 5 sale agreements signed with sovereign and private buyers
- GIS implementation launched
- GIS guiding principles – transparency, accountability and efficiency
- First open call completed, contracts for total volume of 37 MEUR signed with beneficiaries

GHG Emission Trends and GIS Needs



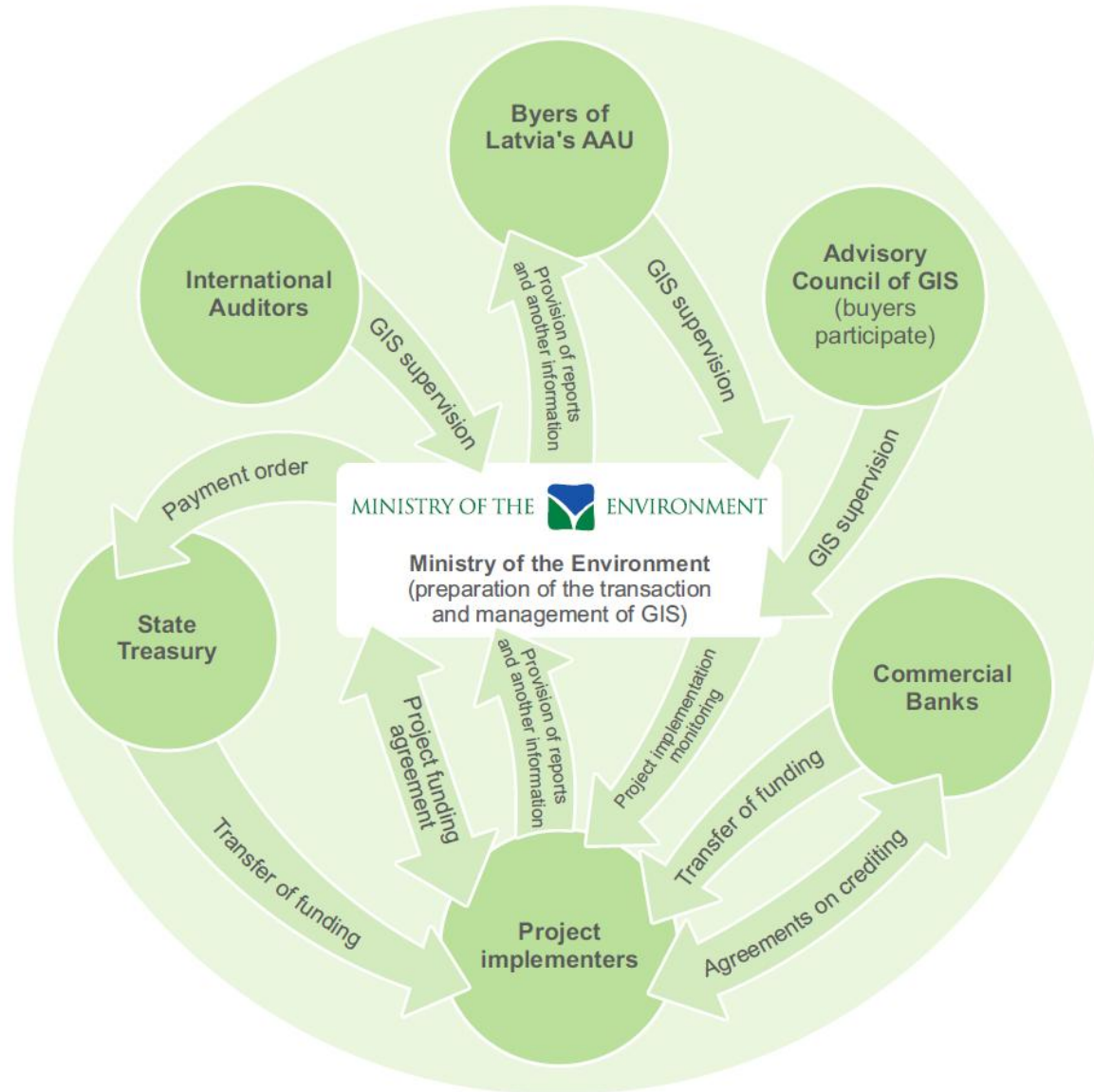
GIS Programming Principles

- **Additionality**
 - Legal
 - Financial
 - Technological
- **Broad involvement of social partners**
- **Focus on development of low carbon economy**

The Key Principle of GIS Investments

tCO₂ / LVL_{GIS}

GIS Implementation



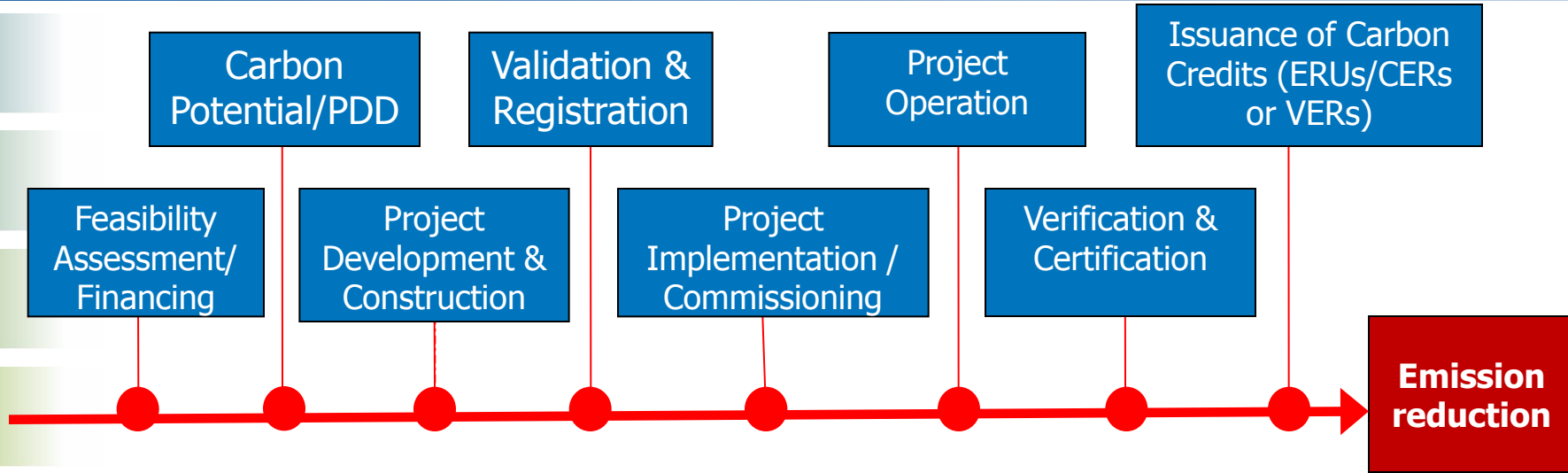
Indicative Greening Pipelines and Open Calls

- Energy supply-side management
 - Promotion of biomass use including CHP plants
 - Biogas recovery and use, including transport
 - Solar heat, geothermal, small hydro, etc.
- Energy demand-side management
 - Improved thermal energy efficiency
 - Improved use of electricity
 - Technological processes and product design
- Integrated projects

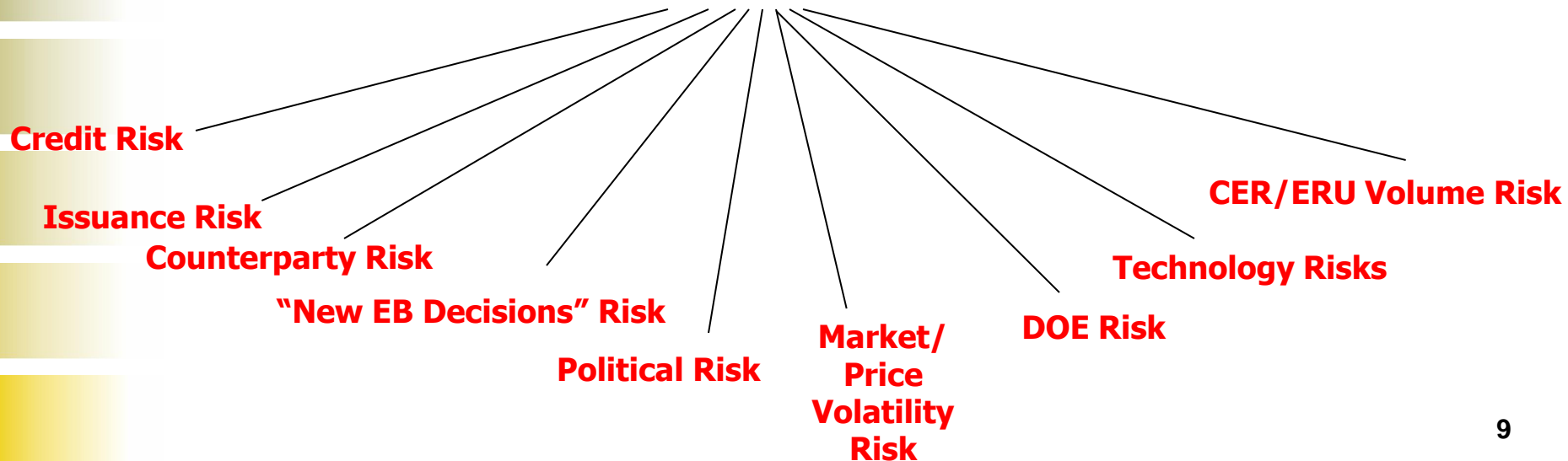
GIS vs JI/CDM

- CDM & JI create an additional revenue stream for projects in the future – they are not really an investment mechanism
- The typical transaction structure for CDM is based on an ERPA with “standard off-take” agreements – i.e. Buyer agrees to pay X on delivery
- So most of the focus for JI/CDM “buyers” is on trading & trading risks, i.e. delivery risk, price volatility etc.
- Carbon transaction can take place at any time during the cycle but typically the earlier in the cycle the greater the discount for risk
- The focus of GIS is investment, not trading but mutually agreed scale of greening and leverage for private funding

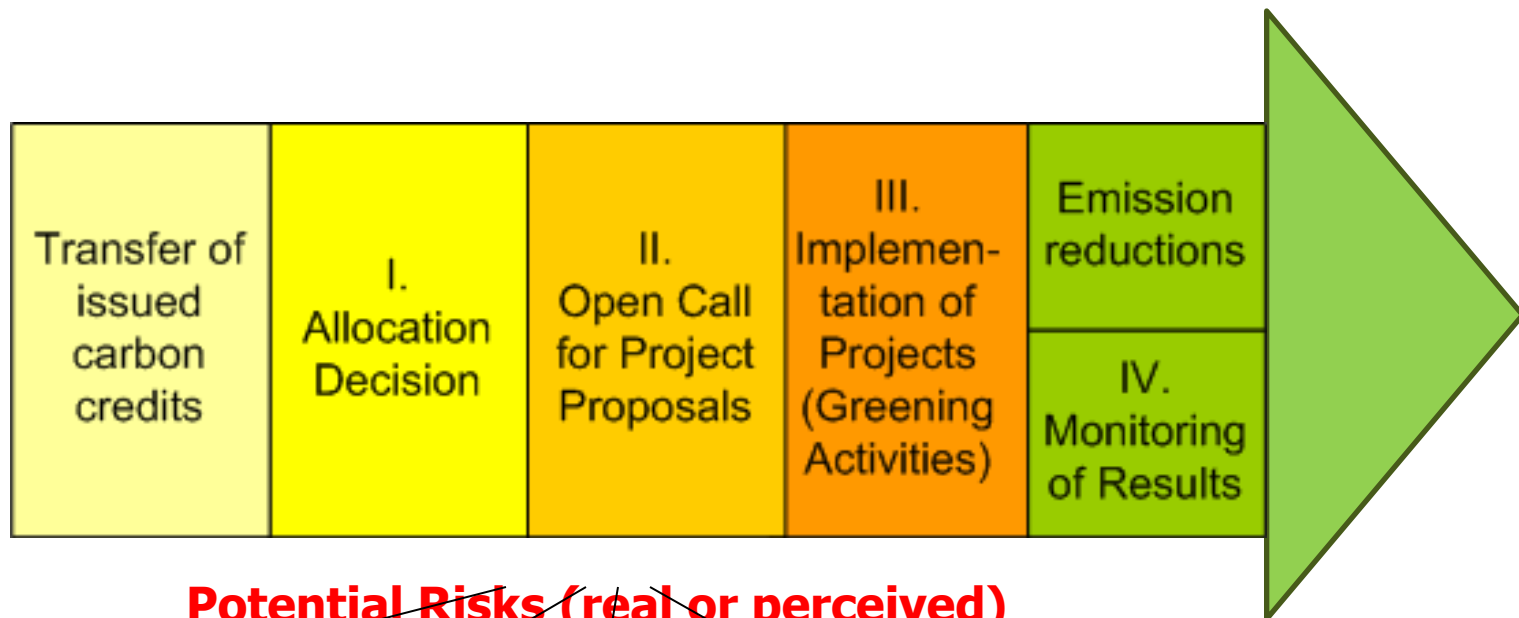
Cycle of One JI/CDM Project



Potential Risks (real or perceived)



Cycle of GIS Financed Project Programme (Several Projects Included)



Potential Risks (real or perceived)

Credit Risk

Counterparty Risk

Political Risk

Technology Risks

GIS Risk Mitigation at all Levels of Implementation

- Close cooperation with buyers
 - Allocation decision
 - TORs of open calls
 - Immediate reporting on open call results
 - Annual reports, audited by independent auditors
 - GIS consultative board convened quarterly
- Programmatic approach
- Greening as guaranteed result
 - Climate premium
 - Monitoring
 - Responsibility of beneficiary for final results
 - GIS technical assistance

Conclusions and Way Forward

■ GIS -

- Testing ground (1st KP and beyond)
- Nationally driven implementation systems – transparent, accountable and efficient
- Programmatic with scaling-up of technology deployment
- Structural change for reduced sectorial carbon footprint
- Leverage for low carbon economy

Thank you for attention!

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