Experiences in accessing carbon finance for the poor

Central Asian European International Forum on Climate Change CAEFOCC-II, 11-12 October, 2010, Almaty, Kazakhstan
The New Lao Stove (NLS) Project

- Improved cookstove
- Reduces charcoal/ fuelwood consumption by 22%
- Commercialised dissemination
Why/ how carbon finance?

- EU funding ended in 2006.
- Our thoughts:
  - There was untapped market potential for the NLS – potential for large scale dissemination.
  - There was a market emerging for the climate change benefits of such projects.
  - Independence from donor funding and longer term source of income.

- Credibility in market demands application of approved methodology.
- Only one cookstove methodology available in 2006 – “Voluntary Carbon Standard”.
- But NOW:
  - Gold Standard
  - CDM
Achievements/ outcomes: NLS sales

- NLS sold
- TLS sold
- PDD written
- 1st verification

<table>
<thead>
<tr>
<th>Year</th>
<th>NLS sold</th>
<th>TLS sold</th>
<th>PDD written</th>
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<tbody>
<tr>
<td>2003</td>
<td></td>
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<tr>
<td>2004</td>
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<td>2008</td>
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<td>2009</td>
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Experiences in accessing carbon finance for the poor | October 2010|
## Outcomes: environmental

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<table>
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<tr>
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<tbody>
<tr>
<td><strong>Number of stoves sold</strong></td>
<td>1.2 million</td>
</tr>
<tr>
<td><strong>Stoves currently in operation</strong></td>
<td>500,000</td>
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<tr>
<td><strong>Average annual GHG emissions reductions</strong></td>
<td>180,000tCO2e</td>
</tr>
<tr>
<td><strong>Biomass saved (hectares of forest)</strong></td>
<td>3,700</td>
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## Outcomes: social/ economic

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<thead>
<tr>
<th></th>
<th>New Lao Stove (NLS)</th>
<th>Traditional Stove (TLS)</th>
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<tbody>
<tr>
<td><strong>Profit margin for producers</strong></td>
<td>US$0.5</td>
<td>US$0.12</td>
</tr>
<tr>
<td><strong>Retail price</strong></td>
<td>US$3</td>
<td>US$1</td>
</tr>
<tr>
<td><strong>Lifetime</strong></td>
<td>3 years</td>
<td>1 year</td>
</tr>
<tr>
<td><strong>Fuel consumption for users (per year)</strong></td>
<td>US$95</td>
<td>US$121</td>
</tr>
<tr>
<td><strong>Payback period</strong></td>
<td>1.5 – 2 months (extra $2 investment paid back in 1 month)</td>
<td>-</td>
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<tr>
<td><strong>Number of employees at production centre</strong></td>
<td>10-14 (higher wages because more skilled work)</td>
<td>3</td>
</tr>
<tr>
<td><strong>Time saved on cooking</strong></td>
<td>1.5 hours per week</td>
<td>-</td>
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</tbody>
</table>
Project pipeline

- **GERES Central Asia**
  - Improved greenhouses
  - Passive solar housing
  - Improved cookstoves

- **GERES Southeast Asia**
  - Rural improved cookstoves
  - Improved palm sugar stoves
  - Char briquettes
  - Improved charcoal kilns

- **Partner organisations**
  - Ceramic water filters
  - Biogas
  - Improved cookstoves
Obstacles

• **Methodological suitability**
  - No project without approved methodology
  - Methodology approval/ modification can be slow
    - Suppressed demand
    - Non-renewable biomass baselines

• **Upfront costs**
  - Carbon finance is expensive to access, especially without in-house expertise

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<tr>
<th>Baseline studies/ testing</th>
<th>US$5,000-US$10,000</th>
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<tr>
<td>PDD development</td>
<td>US$10,000</td>
</tr>
<tr>
<td>Validation</td>
<td>US$15,000-US$25,000</td>
</tr>
<tr>
<td>Monitoring</td>
<td>US$50,000-US$100,000</td>
</tr>
<tr>
<td>Verification</td>
<td>US$15,000-US$25,000</td>
</tr>
</tbody>
</table>
Obstacles

- Monitoring requirements
  - Must follow monitoring plan in PDD
  - ↑ project size = ↑ complication and expense of monitoring
  - Decentralised production/ mobile technologies particularly challenging

- Disconnect between finance and development spheres
  - Difficult to sell offsets without involving a third party
  - Difficult to determine value of offsets without clear picture of the market
  - Market recognition of “quality” offsets (ancillary benefits)
Overcoming obstacles and replicating success:
Nexus Carbon for Development

- Born from GERES’ experience in accessing carbon finance: ultimately successful but many lessons to share.

- Global alliance of social ventures (nonprofits, nongovernmental organizations and eco-businesses)
- Mission: use carbon finance to reduce climate change and alleviate poverty.
- Created in 2008 in Phnom Penh, Cambodia
- 9 members and >15 projects in pipeline
- Main objectives/ functions:
  - Replicate successful projects
  - Technical assistance/ capacity building/ knowledge exchange
  - Lobbying and advocacy
  - Offset branding/ retailing
Nexus Carbon for Development

Nexus Alliance
- Non profit
- Peer to Peer platform of services
- Capacity Building
- Transparency

- Costs reduction
- Access to resources and information
- Reach scale
- Brand recognition

Nexus Fund
- Ethical Investment Fund
- Pro poor low carbon projects
- Equity or debt

- Streamline procedures
- Economies of scale
- High quality projects

Nexus Beyond Offsetting
- Non profit
- Fair trade intermediary
- Promote charismatic projects

- Innovation
- Gain bargaining power
- Maximize value of carbon
- Speak with one voice
Thank you

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