

Project developers, buyers face new "reality"

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Project developers and offset buyers must adjust to new market circumstances, sources said.

"We are in a different reality. Different circumstances are affecting the market," said Luz Abusaid, emissions marketer for Latin America for BNP Paribas, at the Carbon Markets Americas conference in Sao Paulo.

Abusaid said expectations for buyers and sellers of credits from clean development mechanism (CDM) projects should be different now compared to July 2008, when prices for secondary certified emissions reductions (CERs) touched record highs of nearly €23.

Secondary CERs were assessed at around €10.60 by Point Carbon today.

"Project owners must understand that these times have changed. It's not 2008," said Guglielmo Cioni, general manager of Swiss carbon fund Green Initiative Carbon Assets.

This also means that CER buyers should begin to see themselves as service providers to owners of CDM projects, providing money to help get them off the ground.

"It's important that buyers create this service by creating a structure for pricing," Cioni told the conference.

Secure, not cheap

He warned CER buyers not to seek out the lowest prices for CERs because emissions reductions purchase agreements don't guarantee their delivery.

Francisco Grajales Cravioto, CDM acquisition manager for European utility Vattenfall's carbon fund, said for compliance buyers such as his company, the objective is not to buy cheap CERs, but ones whose delivery are more secure.

"Compliance buyers are looking more for risk security than a very cheap price," Cravioto said, referring to the likelihood of a project being able to guarantee delivery of high quality CERs.

He noted that in today's carbon market climate, the "era of cheap upfront payments is gone," meaning that CDM projects can no longer be financed by forward sales of future UN-backed carbon credits.

Vikram Widge, head of the carbon finance unit of the International Finance Corporation, said this means that if a project needs financing in the early stages, project owners are better off selling a stake in their company rather than CERs.

"A good project on paper that is ... viable-looking and is going to produce a lot of CERs is worth really nothing unless it gets down to the selling of equity," Widge said.