

PPF.38.AM Case Story

“Strengthening Bank’s position in emissions reduction projects investment and carbon credits generating and trading”

SMALL-SCALE CAPACITY BUILDING PROJECT

► The Idea

The idea for training bankers in carbon finance was proposed by several representatives of Armenian banks who attended the SEMISE Project Preparation Facility (PPF) promotion event in Yerevan, in spring 2010. The following communication with those bankers and background information research showed that although Clean Development Mechanisms (CDM) under the Kyoto Protocol are relatively new type of projects in Armenia, 5 CDM projects has been registered to date: 3 in hydroelectricity, 1 in landfill gas capture and 1 in biogas plant (methane capture from poultry manure treatment).

Banks in Armenia become more and more interested in financing projects that can result in greenhouse gas emissions reduction and bring additional revenue from selling carbon credits. And they would like to be more involved in the fast growing markets of climate change mitigation technology, particularly Renewable Energy Sources (RES) and Energy Efficiency (EE). Thus the primary request of INECOBANK was consequently formulated into the project PPF.17.AM with the aim to a develop tool-kit and deliver training to the bank’s employees in the Lending, Risk Evaluation and Legal departments on bank’s role in generation of carbon credits and carbon markets.

After the SEMISE experts successfully delivered the training course to the INECOBANK, two other banks with large portfolios of small hydro power plants (SHPPs) filed request to have similar trainings for their employees. ArmSwissBank and Anelik Bank developed the PPF.38.AM project which offered them a revised tool-kit and training “Carbon Credits and Carbon Markets: Banks’ Role” and on-job training on selecting potential CDM projects and developing Project Design Document (PDD) for those projects.

► Implementation

The training workshops were organised for the ArmSwissBank and Anelik Bank employees separately in their corresponding bank's headquarters in Yerevan in July 2011. The training workshop agenda was built upon the agenda of the similar event carried out in INECOBANK in February 2011. The Tool-kit, "Carbon Credits and Carbon



Markets: Banks' Role", produced by the SEMISE team for the February training workshop in Armenia was adopted for the ArmSwissBank and Anelik Bank, as well as the training workshops programme. On this project the SEMISE experts worked together with local experts both on the training workshop and tool-kit which were adapted to the real situation in Armenia and presented, inter alia, international requirements for CDM projects and the local ones.

The 3-day training workshop was held in Yerevan on July 25-27, 2011 for ArmSwissBank and on July 27-29, 2011 for Anelik Bank and attended by 10 and 12 participants respectively. One of the participant at the training workshop in Anelik Bank was Ms. Nelly Verulava, Director of the Georgian Energy and Environment Centre.

Following the successful training workshops, both ArmSwissBank and Anelik Bank sent thank you letters asking for the follow-up option: on-job training with drafting PDD. Both banks have large portfolios of SHPPs which can potentially be registered as CDM projects. The SEMISE experts and local experts worked with 2-3 analysts from the 7th to 11th of November 2011 in Yerevan. Together they reviewed SHPPs portfolios, performed financial analysis without and with carbon credits revenue, selected suitable SPHs and drafted PDDs. The Letters on Prior Considerations were drafted for the projects of both banks and were sent to the CDM Executive Board.



► Results Achieved

The capacity building was new for all participants, though they demonstrated high interest and involvement and a relatively good level of understanding on how to link their role and the carbon market. The training, the tool-kit and the following the on-job training helped them to understand where to start, what are the CDM project registration milestones, how to originate carbon reducing projects and perform financial and sensitivity analysis for such projects.

The assistance provided to the ArmSwissBank and Anelik Bank staff in GHG emission reduction and low carbon technologies with support of Kyoto flexible mechanisms (CDM) and alternative schemes resulted in:

- Improvement of the bank's ability to apply Kyoto CDM mechanism and voluntary offsetting mechanism to bank's project portfolio and financial products;

- Understanding of mitigation of investment projects' risks by applying CDM mechanism;
- Increased capacity in development of CDM project or similar schemes.

Additionally the on-job training resulted in:

- Bank staff now highly competent and efficient in Carbon finance (financial analysis for Carbon reducing projects);
- Development of CDM PDD for banks' SHPPs;
- Prepared letters of Prior Consideration to the CDM Executive Board.

Other banks in Armenia and in Georgia have interest in applying for similar assistance. LFIs in other partner countries such as Kyrgyzstan, Moldova, Tajikistan, Uzbekistan , where CDM works, may use the tool-kit and apply for the similar support.

► The Future



ArmSwissBank and Anelik Bank have sent the Letter of Prior Consideration to the CDM Executive Board and have intention to finalise PDDs for their potential CDM projects.

