

OeKB's involvement in the Kyoto Mechanism

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- Project Tsankov Kamak / innovative Export Financing for climate protection projects
- Opportunities for Austrian exporters in climate protection projects
- Emission Trading
 - Registrar for emission certificates
 - Clearing of emission certificates

- established: 1946
- aim: specialized services to the Austrian economy
- legal form: joint stock company
- owners: commercial banks
- share capital: EUR 130 million
- staff: 372

- export services
- securities services including services for the liberalized energy markets
- information services

- **export insurance**

risks resulting from export credits and investments on government's account

- **export (re-)financing**

on own account

■ **political risks**

war, revolution, etc.

non-payment by a government or governmental organisation

non-convertibility and non-transferability of foreign currency

embargo

■ **commercial risks**

non-payment by a private debtor

payment delay

insolvency

■ **pre-shipment risk**

Insurance portfolio by industrial sectors 47

(Dec. 2005)

sector	in EUR million	in %
energy and electrical industry	2.554,4	30,57%
metal and metallurgy	1.998,7	23,92%
traffic, transport, vehicles	962,4	11,52%
water and environment	572,9	6,86%
construction industry	528,6	6,33%
pulp and paper industry	327,9	3,92%
chemical and plastic industry	269,8	3,23%
telecommunication	191,6	2,29%
agriculture and food	54,6	0,65%
other machinery	476,7	5,70%
other goods and services	419,1	5,02%
total	8.356,7	100,00%

Exportservices Environmental Assessment Procedure

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- introduction in 2000
- modification based on „Common Approaches of the OECD“ approved by guiding authority end December 2001
- modified version in operation from end of February 2002
- details available on www.oekb.at under export market/environment
- permanent revision and improvement is part of the process

Flexible mechanisms according to the Kyoto-Protocol

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The three mechanisms consist of:

- JI (Joint-Implementation)-projects - emission reduction programs with industrialized countries (Annex-I-countries) - possible from 2008 onwards
- CDM (Clean Development Mechanism)-projects - emission reduction programs with developing and emerging countries (non-Annex-I-countries) - possible from 2000 onwards
- ET (Emission Trading) - trading between companies (national and international) - in the beginning only in the EU - starts 2005.

Flexible mechanisms max. 50%



Bulgaria – Hydropower-plant Tsankov Kamak

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Total Investment: EUR 220 million (planning, engineering, construction, electro and electromechanical equipment)

Installed Capacity: 80 MW

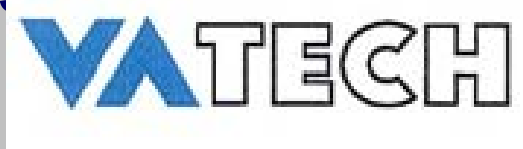
Construction Period: 2004 - 2007

construction of a new power-plant & refurbishment of the existing cascade

improved water management

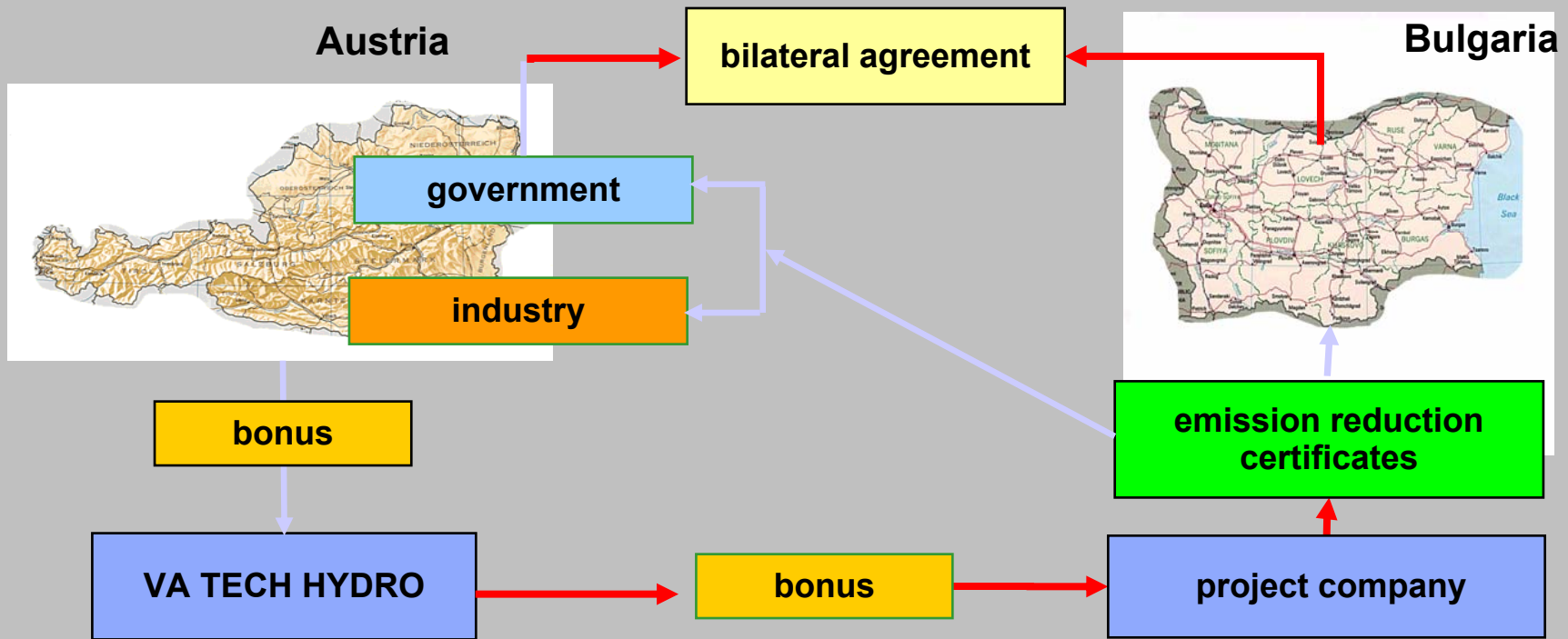
new workforce

improved social standards



Government and Industry benefiting from JI/CDM (flexible Kyoto mechanism)

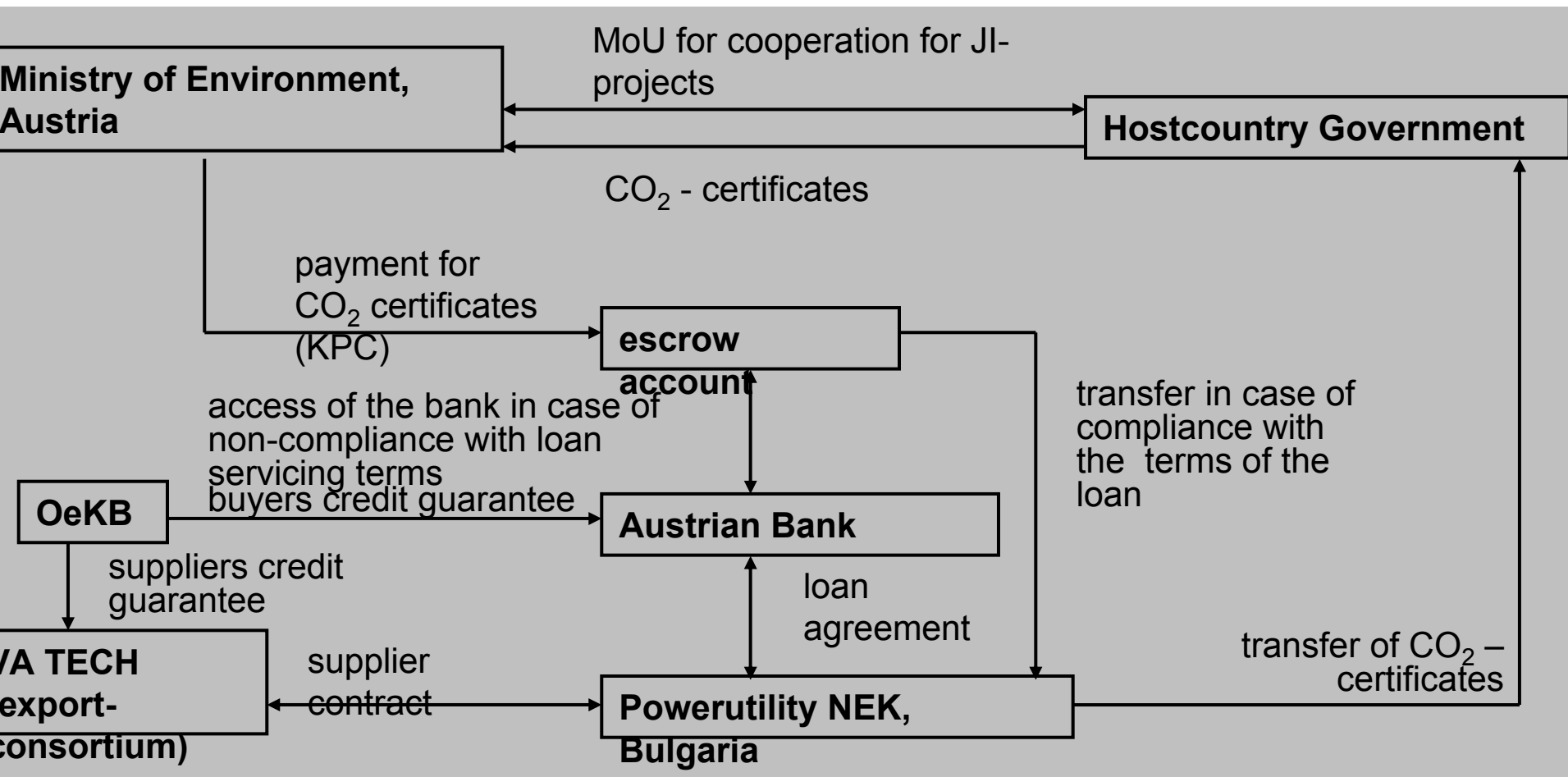
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e.g.: new hydro power-plant with a reduction volume of 200.000 t CO₂ p.a.
remark: according to the Austrian Climate Strategy the industry has to reduce → 1.250.000 t CO₂ p.a.

Financial structure of the project (commercial export credit insurance)

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Time line for the JI project

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Initial talks	2001
Project presentation local offices	01/2003
Preparation of Base Line Study, Project Design Document	02/2003-07/2003
OeKB – application for cover	07/2003
Preparation of a monitoring plan	08/2003
Filing the Project Idea Note with the Austrian program	08/2003*
validation	09/2003-10/2003
OeKB – approval of cover	11/2003

* as of August 21, 2003 an amendment to the Environmental Promotion Act went into effect. Kommunalkredit Public Consulting acts as the domestic handling agent.

2003 Trade Finance Deal of the Year (1)

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Tsankov Kamak – ECA-backed export financing

Lead arranger:	VA Tech Finance
Contractor:	VA Tech Hydro, Alpine Mayreder, Verbundplan
Buyer/Borrower:	Natsionalna Elektricheska Kompania EAD (NEK)
First tranche:	EUR 120 million (down payment, local portion)
Arranger:	Credit Suisse First Boston
Second tranche:	EUR 100 million (ECA tranche)

2003 Trade Finance Deal of the Year (2)

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Arranger and agent of the banking syndicate:	Bank Austria Creditanstalt (Fortis Bank, Oesterreichische Volksbanken, Raiffeisen Zentralbank and SG CIB)
ECAs:	OeKB as lead insurer. Coface, Hermes, EKN, Egap on a reinsurance base
Maturity:	16 years (construction period plus repayment period of 12 years)
Purpose:	To finance a hydro power plant

Key determinants for a successful implementation of a JI project (1)

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- In depth knowledge of the Kyoto mechanism (Austria, EU, international), ongoing market screening
- Integrate climate protection in internal decision-making process (project development, financing, ...)
- Criteria for a showcase project defined as early as 2001 „learning by doing“
- Integrated approach: three legged model: concurrent development of engineering/JI-procedure/classical project finance

Key determinants for a successful implementation of a JI project (2)

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- At an early stage all parties involved have already been committed to the theme JI; advantages have been pointed out
- Early exposure of ideas to financial institutions, including OeKB despite missing framework
- Realistic CO₂ certificate price expectation
- Experienced consultants for baseline study

Opportunities for Austrian exporters in climate protection projects

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- Main factors affecting extent and direction of investments:
 - cost of reduction measures
 - general investment climate in the host country
 - capacity to absorb and to handle projects
- Benefits for the exporting country:
 - new investments support market entry
 - investments enhance demand for environmentally friendly technologies