

World Bank's MIGA Supports First Carbon Finance Project

WASHINGTON, DC, July 6, 2006—The Multilateral Investment Guarantee Agency (MIGA), a private sector branch of the World Bank Group, said today it is providing its first-ever support for a project that will sell carbon credits gained by reducing greenhouse gas emissions. The reductions, which can be sold under the Kyoto Protocol, will result from the conversion of methane gases to less harmful carbon dioxide at a landfill in El Salvador.

MIGA is supporting the project by providing \$2 million in guarantee coverage (insurance) to Canadian company Biothermica Energy Inc. The guarantee assures the investor of reimbursement in the event that a harmful political event—including expropriation, war and civil disturbance (including terrorism), and breach of contract—puts a stop to operations. MIGA's coverage also guarantees the Salvadoran government's certification (or letter of approval) of the carbon reduction, issued under the Clean Development Mechanism of the Kyoto Protocol.

The first phase of the project involves the construction and operation of facilities for capturing and flaring gas generated by municipal waste at a landfill that serves metropolitan San Salvador. The landfill currently receives 500,000 tons of solid waste a year, generating some 7,500 tons a year of methane gas. With the landfill slated to expand to meet the entire country's municipal waste disposal needs, methane gas emissions are expected to double within the next decade. The global warming potential of methane is 21 times higher than that of carbon dioxide. Phase two of the project will involve the construction of a 4 MW landfill gas power plant.

Emission reductions from the captured gas are expected to be between 140,000 and 190,000 tons of carbon dioxide equivalent a year from 2006-2012. The guarantee holder, Biothermica Energy Inc., has completed the Kyoto Protocol validation process and has agreed to sell carbon credits to a private carbon fund on delivery of the certified emission reductions.

"We looked at several options for financing the investment, which can be a challenge for small and medium-sized enterprises, particularly in the carbon market," said Maxime Drouin, Financial Analyst at Biothermica. "Carbon credit financing can be very expensive without the appropriate mitigation of risks, and the only way for us to get better financing terms was to lower the project risk. MIGA's coverage helped us achieve that by removing all non-commercial and Kyoto-related risks from our balance sheet. MIGA also gives us the necessary level of comfort to commit our own capital in countries where we would never have considered investing before."

"This groundbreaking deal signals that projects in smaller developing countries can indeed cash in on the benefits of reducing greenhouse gases," said Yukiko Omura, Executive Vice President of MIGA, "and also illustrates how carbon finance can work in a sector that developing countries can easily tap into. We are hopeful that this is just the beginning of a growing role for MIGA in this incredibly important area of reducing the harmful practices that are associated with global warming."

This is the fourth project supported by MIGA in El Salvador, with guarantees issued standing at \$27 million.

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