



**THE
CLIMATE
TRUST**

Invest with purpose.

Environmental Price Assurance Facility

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C-AGG

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Concept: Mitigate the revenue risk carbon offset projects can face.

Problem: Landowners are unwilling to enroll in projects where uncertainty around potential value of the offset revenue stream exists.

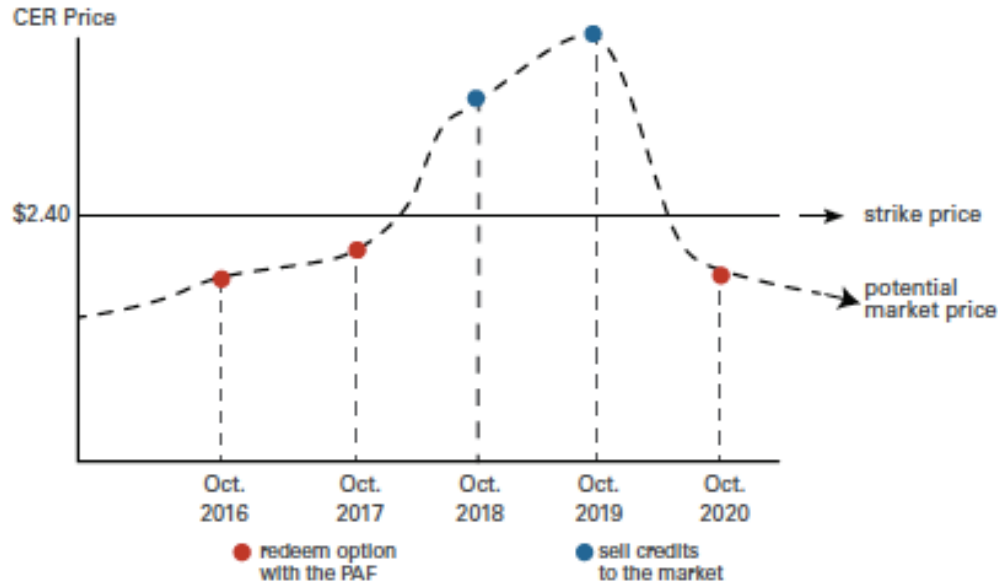
Solution: The Climate Trust will auction off put options that can serve as a guaranteed price floor for new projects.



What's a Put Option?

- **Put Option** – An option contract, giving the owner *the right, but not the obligation*, to sell

Figure 1: Tradable Put Option for Emission Reductions – Hypothetical Projection



Proven Concept- World Bank Pilot Auction Facility

- Demonstrate a new cost effective mechanism to incentive private sector investment
- Originated from 2012 Methane Finance Study Group
- 1,200 project 850 million mtCO₂e in reductions at stake
- Risk due to low carbon market prices



Auction Results

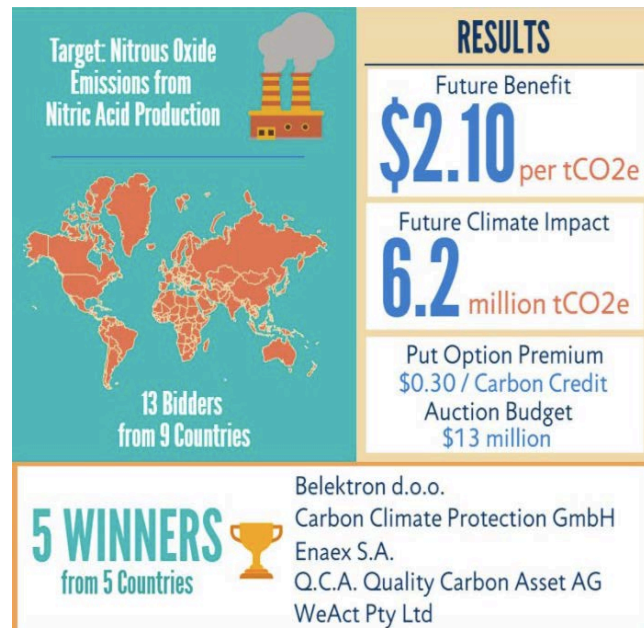
1. June, 2015



2. May, 2016



3. January, 2017



THE CLIMATE TRUST

\$10 million price guarantees
from Environmental Price Assurance Facility
The EPAF provides put options to investors, project developers and landowners which guarantee a minimum value for environmental credits.

2x leverage

\$20 million investment of private carbon finance
Based on The Climate Trust's experience raising a \$5.5 million investment with a \$2.75 million put option, it is assumed that each dollar of price guarantee leverages two of private carbon finance investment.

\$46.67 million investment of private, more traditional project finance
On average, carbon finance covers roughly 30% of the capital cost of projects in The Climate Trust's portfolio. The availability of carbon finance leverages the remaining 70% of finance needed to build a project.

~2.33 x leverage

Worst Case

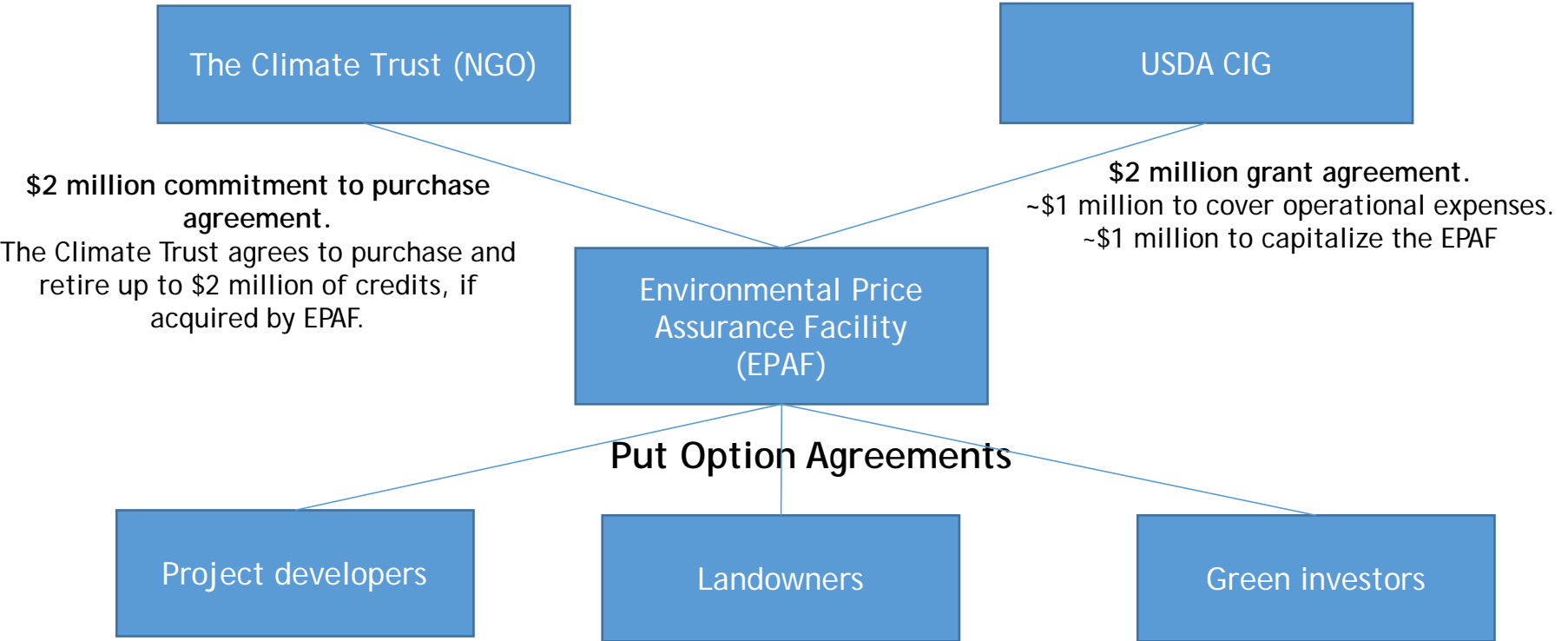
Anticipated Case

Environmental markets end
→ pay for performance
If put options are exercised, verified environmental credits are retired on behalf of EPAF's funders.

Environmental markets continue
→ funding revolves
If put options are not exercised, the original funding revolves into new risk mitigation.

Environmental Price Assurance Facility

- Grant proposal to USDA to bring the World Bank's Pilot Auction Facility concept to domestic agricultural and forestry offset projects.



Design Questions

- What should we auction?
 - The premium or the price?
- Tradability?
 - Should put option holders be able to sell this contract?
- Markets?
 - Compliance and/or voluntary?
- Term
 - 2 years? 5 years? 10 years?



THANK YOU!



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