



# What Drives Private Sector Investment in Plantations?

Panel Presentation  
Potential Carbon Credit Buyers

Tim Lesiuk **BC**hydro 

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# About BC Hydro

- **Integrated electricity utility in BC**
  - **1.7 million customers**
  - **80,000 GWh annual sales**
  - **\$3.4 billion annual revenue**
  - **11,300 MW installed capacity**
  - **18,000 km transmission lines**
  - **4,406 employees**



# About BC Hydro

- **Interest in Plantations**
  - 3 thermal plants – 1,000 MW
  - Liability for two independent combined cycle gas turbine plants under voluntary commitment
  - Acquisition of 10,000 GWh over next 10 years
  - Long term goal of **Zero net incremental impact from electricity delivered to customers**



# Plantation related activities

- **2001 requests for proposals**
  - **BC Only – 32 Plantation/Afforestation related proposals**
  - **Extensive research into plantation/afforestation offset mechanisms**
    - **Contracting**
    - **Ownership**
    - **Planting and maintenance**
    - **Validation and verification**



# Plantation related activities

- **2002 requests for proposals**
  - **International – 100+ Plantation/Afforestation related proposals**
  - **Extensive research into Kyoto mechanisms**
    - **CDM and JI**
    - **Contracting**
    - **Ownership**
    - **Planting and maintenance**
    - **Validation and verification**



# Plantation related activities

- **Results**
  - **4 BC projects initiated**
    - No contracts
    - No trees planted
  - **2 Canadian projects investigated**
    - No contracts
    - No trees planted
  - **2 international projects investigated**
    - No contracts
    - No trees planted



# Plantation related activities

- **Conclusions**

- **In BC**

- Provincial government unable to manage Crown land issues surrounding carbon asset
- Sellers unable to provide security
- Many overpriced projects with little project experience and no reliable plan
- Only one credible seller with experience, agreement for crown land, rational price, passed BC Hydro due diligence



# Plantation related activities

- **Conclusions**
  - **In Canada**
    - **Federal Government unable to provide certainty**
    - **Sellers unable to provide security**
    - **Most projects overpriced**





# Plantation related activities

- **Conclusions**
  - **Internationally**
    - **Compliance certainty**
    - **Operating project approval process**
    - **Low relative price**
    - **Politically unacceptable for a BC Crown Corporation**



# Plantation related activities

- **Conclusions**
  - **Plantations/Afforestation are politically acceptable in BC and Canada**
  - **Attractive offset option for long term goals given long term contracts**
  - **Long lead time means more risk (portfolio, delivery, eligibility, etc...)**
  - **Project investment cycle out of step with business investment cycle**



# Considerations and Issues

- **Uncertainty of regulation and crediting means too much risk**
- **Ownership issues mean too much risk**
- **Long lead time and lack of action means too little return**
- **Reducing risk at point of credit sale drives up cost**