



*Proyecto Mirador*

# Carbon Finance & Long Term Capital: A Developer's Perspective

# The Opportunity



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- Gold Standard Certification Can Transform Economics of Projects
  - No Longer Speculation
  - Proyecto Mirador Has Closed the Loop on All Aspects
    - Stove Building to Verification
  - Proyecto Mirador is Financially Sustainable at Current Time
  - Profitability Sufficient to Attract Long Term Equity



# GS Certification: Core Requirements

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- A Great Stove with Long Duration
  - 2 Year Stove Poses Enormous Verification Challenges
- Proven Operational Capabilities in Field
  - Not Enough to Have Western Leadership or Expertise in Field
  - Both are Needed
- Potential for Scale
  - GS Registration Not Viable for Small Projects

# GS Certification: Core Requirements

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- Technical Expertise Needed by Developer
  - Partners Can Fill In Gaps
    - Aprovecho/Zamorano/Regional Test Centers/Yale FES
    - Need to Allocate Funds for Services
- Document Management Capabilities
  - Complexity Not Well Understood
- Determination
  - Frustrations Mount

# GS Certification: Core Requirements

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- Long Term Equity Capital
  - No Presales to Brokers
  - No Loans, Grants, or Donations
  - No Transferring Future Credits
  - No Hybrid Financial Schemes
- Equity Capital
  - Permits Developer to Carry Out All Parts of Certification
  - 100% Ownership of Credits Allows Developer to Transform Economics of Project
  - Elevates Developer Above Financial Investors

# In-House Model for Developers



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- Definition: Developer Funds All Components of Certification & Expansion in Field with Equity
- In-House Has One Benefit & Endless Costs
  - The Benefit is True Financial Sustainability
  - Of Course, This is the Critical Holy Grail
  - Requires Skills at All Levels
  - In-House Model Provides Developers Only Path to Long Term Sustainability with *Margin of Safety*

# Out-Source Model



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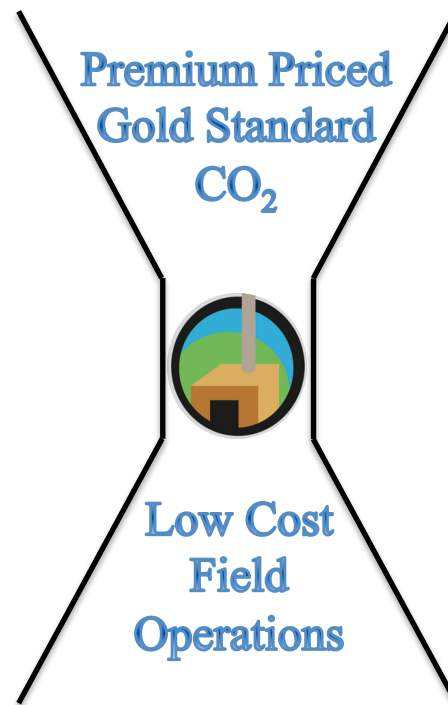
- Romantic Notion that Financial Partners Eliminate All Hassles of Developer
  - Looks Great on Paper, But
  - Developer Responsible for Performance & Heavy Lifting in Field
  - No Short Cuts Available
  - Are Financial Groups in This for Developers, Or Themselves? Who Wrote the Rules?
- In-House Model Is Not Totally Daunting
  - Most Services Needed Can be Bought for a Fee
  - Preserves Equity Ownership & Control
  - 100% Ownership of tCO<sub>2</sub>e Retained by Project



# What Does In-House Model Look Like?



- *El Embudo* Business Model



- Power & Value-Added Resides with Developer
  - A Wonderful Thing

# Capital Raising Process



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- Financial Viability of GS Stove Projects Proven
- Excellent Returns Available to Selected Developers
- Returns Open Doors to Outside Capital
- Model Reflects Traditional Methods
  - Built Around Straight Forward Equity
- Three Periods to Raise Equity Capital

# Stage 1 Capital Raising



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- Start-Up Capital Phase
- Minimum US\$ 600k Required
  - Most Dilutive Round to Ownership of Developers
  - Toughest Challenge
- Uses of Proceeds
  - Expansion in Field
    - Prove Ability to Execute
  - Field & Lab Studies
  - GS Documentation & Validation
  - Need to Reach Official Registration
    - 2 Plus Year Process
- Compromises Here Will Come Back to Bite

# Stage 2 Capital Raising



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- Post Validation/Post Registration Mezzanine Stage
  - Second Opportunity to Raise Capital
  - Target US\$ 0.4 Million
  - Risks for Investors Lower
    - Developer Able to Point to Successes
- Use of Proceeds
  - Scale Up of Project in Field
  - Verification & Monitoring
  - Organization & Infrastructure Building
  - 1 Year Process
- Universe of Investors Much Larger

# Stage 3 Capital Raising



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- Post Certification & Issuance Growth Capital Stage
  - Concept Confirmed
  - GS Documents are Your Business Plan
    - Complete Due Diligence Report
  - Capital at Premium Price
- Size of Capital Depends on Scale in Field
- Professional Investors Just Waiting

# Pitfalls of Raising Capital



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- Huge Challenge For Developers Without Experience
  - Barrier to Entry is High
  - Still Rising?
- Overselling of Returns Leads to Trouble Down the Road with Partners, Buyers & Investors
- Industry has Fallen Prey to Brokers/Finance Industry with Presale Agreements
  - On-Trading of Credits Steals Profits from Developers
- Transparent Trading on an Exchange is a Must
  - Developers Have Nothing to Fear
  - Brokers Have a Lot to Fear
  - Guess Who is Mad?

# Carbon Finance Opens Doors for Developers



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- But.....
- GS Certification Without Performance on Ground Will Not Deliver Premium Price
- Developers Need to Build Own Brand & Brand of Buyers
- Only Well-Designed Projects Will Earn Premium Returns



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