



Editor: Hera Leung

BANGKOK RE-CAP

(June 19-21, 2003)

George Zhu

There are a few things which distinguish this Retreat from the previous events. One of them is that the discussions were centered around the future developments of the power industry across Asia, whether it is the future role of long term PPAs, the future of IPPs, the emission trading in the future, CCGT technology or privatization programs in the region. All these are challenges facing the governments, developers and financial institutions. IPPF again demonstrated that it is a well-established forum to discuss these exciting topics.

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YOUR INVITATION TO A
GREAT POWER EVENT:
**IPPF SINGAPORE 1 CONFERENCE &
WORKSHOP**

☆ *Mark your calendar: Aug 28th thru Aug 30th, 2003;
Shangri-la Hotel, Singapore*

To update yourself with the evolving power industry! You just simply cannot miss the upcoming event be held at Singapore on August 28th thru August 30th.

This IPPF event involving leading decision-makers in the power generation, energy and related disciplines will cover a wide range of challenges facing the industry from Greater China to West Asia. Speakers include: The Honourable Frank Lavin, US Ambassador to Singapore, Mr Robert Bestani, Director General, Private Sector of Asia Development Bank in Manila and many more Special Guests. They will present future visions

into various topics: missions/ Greenhouse Gases, Alternative Energy and other Asian-Pacific issues.

If you are our members, you have no reason to prevent you from joining this event. For Full Member companies, FREE registration attendance for THREE persons. Free attendance privilege will be given to TWO individual associate members from the same company.

IPPF Retreat IV at Bangkok

Bill Ruccius

The IPPF Retreat was both enjoyable and informative. A big thanks to Meiya Power for hosting the opening cocktails.

The meetings started on Friday morning with a discussion of Climate Exchanges and Emissions Trading. This was a new topic for many people but with the coming ratification of the Kyoto Protocol it appears this could be a big business for power plants in the developing countries of Asia.

Next we were happy to welcome Mark Hutchison from CERA in Bangkok for a talk on "The Future of IPP's Across Asia." The good news was that there will be lots of demand for new generation in the fast growing economies of Asia, there are shortages of electricity in many countries today, and there is now financing available in local currencies in many countries.

After lunch Gorota Kume from Marubeni gave us the view of the power business from a Japanese perspective. He also sees the high growth and need for power in many countries but there is also a trend for underdeveloped regulatory frame-

works and low per capita income limiting the ability to pay. These factors present challenges but Marubeni thinks it can find opportunities in Asia for IPP and EPC development.

Next, we welcomed Alfredo Pascual from ADB to tell us how they could help with our power project in Asia. Besides the equity investment and loans from ADB Alfredo also explained Partial Credit Guarantee (PCG), Political Risk Guarantee (PRG), and Complementary Financing Schemes (CFS) that are also available from ADB.

Sean Purdie from PB Power then gave us a "Review of CCGT Technology Issues".

Before dinner, Chanmanu Sumawong from Hunton and Williams in Bangkok gave a presentation on "EGAT Privatization". The trend in Thailand is the same as many other countries. (to be continued next page)

EMISSIONS TRADING Programs

Andrew Tan, Martijn Wilder, Partner & Monique Willis, Associate

Baker & McKenzie, Sydney

Earlier this year the European Community announced its intention to implement a European Union wide emissions trading system. This is the first major international trading scheme and is likely to serve as a prototype for similar schemes developed in other regions and countries. The proposed European Union Community-wide Greenhouse Gas ("GHG") Emission Allowance Trading Scheme ("EATS") is almost certain to be adopted during 2003, and more importantly, while it is compatible with the Kyoto Protocol, the EU EATS will operate whether or not the Kyoto Protocol comes into force. Whereas forward looking companies have made climate change an important business issue for some time, now mainstream European industries, including multi-national companies with European interests, must quickly adapt and prepare for a carbon constrained future. The EU EATS is expected to eventually cover 28 European countries and around 40% of CO2 emissions in the EU, potentially creating carbon assets and liabilities worth many billions of euros.

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Kyoto Protocol to Power Industry

Bill Rucci, IPPF Emissions Committee

We all have heard about the Kyoto Protocol to the United Nations Framework Convention on Climate Change (UNFCCC) but what does it mean to the power industry? Well it could mean about US\$20 billion in just a few years. Have I got your attention now? Let's just start with the basics and some of the terms you will start hearing more of as the Kyoto Protocol is expected to go into effect later this year. First there are Annex I countries which are the developed countries of the world. Non-Annex I countries are the

developing countries. Annex I countries that ratify the treaty agree to reduce green house gas (GHG) emissions by at least 5% below 1990 levels between the period of 2008-2012. They can get credit for reductions by doing projects in Annex I countries which is called Joint Implementation (JI). They can invest in projects in non-Annex I countries that reduce emissions which is called Clean Development Mechanism (CDM). Or emission allowances can be traded on an international carbon trading market. The buyers and

sellers can be governments or companies that have extra credits or need credits to meet their targets. A fairly conservative estimate is that the power industry alone could be exchanging US\$ 20 billion of carbon credits. We need to start thinking about how we can take advantage of this opportunity especially in the developing countries of Asia where there should be many low cost projects to reduce GHG emissions.

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Dinner was in the lovely Salathip Thai Restaurant where we ate too much delicious food and were entertained by dancers demonstrating the customs of different groups from around Thailand.

On Saturday morning we covered some IPPF business with Eric d'Esparbes discussing an article we are writing for "Project Finance International" and George Zhu discussing the APEF/ IPPF Task Force. To finish things up Robert Fitzgibbons from Hunton and Williams gave a presentation on the "Future Role of Long-term PPA's."

With the success of this retreat we are looking forward to the next one in Singapore.

UPCOMING EVENTS

*Privilege of IPPF members:
Special Discounts to join these
IPPF-endorsed functions!*

IPPF-endorsed functions:

Asia Pacific Power Forum 2003

Swissotel, Beijing
14-16 October 2003
marcus evans conferences

Sustainable Energy in Asia 2003

Raffles City Convention Centre,
Singapore
18-20 November 2003
IIR Exhibition Pte Ltd

Other functions:

2nd Executive Briefing: National Oil Companies

Singapore
13 September 2003
Global Pacific & Partners

PowerTrends 2003

Manila, Philippines
17-19 September 2003
Leverage International
(Consultants) Inc

Coaltrans Japan

Tokyo, Japan
18-19 September 2003
Coaltrans Conferences

Power-Gen Asia

Ho Chi Ming City, Vietnam
23-25 September 2003
PennWell

Power Generation World 2003

Seoul, Korea
29-30 September 2003
Terrapinn

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The sheer scale of the EU EATS may result in it becoming the foundation of international emissions trading to which other countries will subscribe. The scheme will require each member State of the EU to impose binding caps on emissions of CO₂ from greenhouse gas intensive industries (particularly electricity, the production and processing of ferrous metals, the mineral industry or paper production). The first period of trading will occur between 2005 and 2007, with the second period operating from 2008 to 2012 to coincide with the first Kyoto compliance period. The trading units ("EU Allowances") will be a common carbon currency recognized in all member States, so that companies will be able to trade them across the whole of the EU to meet their obligations under the scheme. At this time it is unclear whether an EU Allowance will be a distinct, stand alone unit or essentially an Assigned Amount Unit under the Kyoto Protocol with an EU 'tag' for EU compliance purposes. The linking of the EU EATS to Kyoto Protocol projects such as CDM, JI or forestry projects will be key in driving global demand for project-based carbon credits.

Interested in joining ADB power projects?

New ADB procurement notices, JULY 2003

- CHINA: Yichang-Wanzhou Railway Project
(to improve the standard of living of people including the project area population and the project railway users)
- BANGLADESH: West Zone Power System Development Project (LOAN NO. 1884(SF)/1885)
- INDONESIA: Power XXIII Project (LOAN NO. 1271; design, manufacture, supply, installation, testing, commissioning, civil and building work)
- MALDIVES: Outer Islands Electrification (LOAN NO. 1887(SF); three turnkey contracts directed towards improving the electricity supply in about 40 islands)
- SRI LANKA: Power Sector Development Project (LOAN NO. 1930; various electrical items)
- TAJIKISTAN: Power Rehabilitation Project (LOAN NO. 1817: design-build and completion of Rehabilitation of the Distribution System in the Khatlon Region, including rehabilitation of Medium Voltage Distribution System)

Making Money out of thin Air

By Kim Phan & Stewart Ballard

Clean air is a commodity and can be bought, sold, and traded. There are a variety of mechanisms to do so: Carbon Trading/ Emissions Trading, Hot Air Trading, and the Clean Development Mechanism. Several developed countries have committed to reducing their emissions of harmful gases. They can achieve this internally by changing their industrial processes, they can purchase emissions credits, or they can help implement emissions reduction projects in other countries to get emissions credits. There is money to be made by cleaning the air by reducing harmful emissions. For example, Russia has an estimated 2 billion tons of reduced emissions annually that they are willing to sell for US\$5 per ton. If a power plant in France did not meet the French emissions target, it can buy the credits from Russia. **This transaction could potentially be US\$10 billion in annual revenue for Russia.**

Assistance could start with identifying which ADB-assisted projects in ADB member developing countries might qualify as potential issuers of CDM certificates due to their environmental performance in reduced emissions measured against a baseline of 1990 emissions from a coal-fired (polluting) thermal power plant. A CDM Security Rating Service—would help developed/donor country buyers of CDM Certificates. There is clearly an opportunity for private sector firms to act as brokers for CDM Securities and/or market makers in CDM Securities.

Although the implantation of a CDM Securities trading regime depends on the ratification of the Kyoto Protocol, the private sector can participate in the benefits immediately. Power and oil companies invested in Asia may be both sellers and buyers of CDM Securities. U.S. stock/commodity exchanges may have some financial expertise to offer Asian exchanges entering into the areas of CDM securities issuance/registration/rating and the trading of CDM securities. Accounting/auditing firms may find new business opportunities as CDM Auditors. Technical consultants may find business opportunities advising firms interested in investing in projects capable of generating CDM certificates (at a lower cost than investing in developed/donor countries). Upgrading developing country projects (e.g., converting coal-fired power plants into gas-fired power plants) to increase the issuance of CDM securities may become a growth industry after the ratification of the Kyoto Protocol. Securities firms may find new business opportunities acting as CDM Securities brokers and market makers.



ADB UPDATES

*The Road to Istanbul Beckons Again**Silas Cathardo*

We are given to understand that after next year's ADB Annual Meeting in Seoul, Korea May 15th-17th 2004, the following meeting could very well be Istanbul which was originally scheduled for May 19th-23rd 2003. Due to the Gulf War II and what seemed at the time to be a very unstable border problem involving Turks, Kurds, and Iraqis, Turkey was declared "off-limits" for just about everything you could think of. This was a huge disappointment for everyone, especially those of us who participated in the ADB-Shanghai meeting. Istanbul-2003 was to have been a watershed event, enhanced by massive European participation and another step up the ladder for Turkey's eventual embrace by the EU. It will all happen hopefully in 2005.....if everything goes to plan!

NEW MEMBERS FOCUS

Joel Laykin

A reminder that as of an Executive Committee action on May 16th, 2003 the following changes have been instituted.

Full Members:

All full member firms may appoint up to **three** individuals to represent their company with in or through IPPF.

Associate Members:

All individual Associate members are automatically "**Company**" memberships which allow for **two** individuals from each **Associate** member firm.

Events / Conferences / Retreats...All IPPF organized events may be attended by **two** individuals from each Associate member firm and **three** individuals from each **Full** member firm.

Committees ...Associate firm members may chair or co-chair committees / focus groups / special task forces of either a generic (fuels, capital formation etc) or geographic (ASEAN, China, Japan, etc.) nature.

Archives...All members have access to IPPF's Library of soft and hard copy of past presentations.

Speaker's Bureau...Associate members are automatically on the IPPF selection of industry experts from which regional and global conference and event programmers draw speakers, panelists and workshop Chairmen.

Attendance Discounts...Conference organizers and NGOs partnering with IPPF will offer special registration discounts and complementary passes (on selected occasions) which may be enjoyed by both **Associate** and **Full** members.

OUR MEMBERS

(Alphabetical by company)

- ~George Cowan – AES Jiaozuo Wan Fang Power
- ~Williams H. Falls – Arizona Asian Pacific Trade and Consulting, Inc.
- ~Stephen Nelson – Baker & McKenzie
- ~Scott Austin – Bechtel Power Corporation
- ~Jon Coates - BHP Billiton China
- ~Jinyi Lee - BNP Paribas Pergrine Capital Ltd
- ~Byron G. Wong – Chevron Texaco Worldwide Power & Gasification
- ~Thomas Bispham - COMMERZBANK
- (Treasurer)**
- ~Bill Ruccius – Consultant
- (Vice Chair – Executive Committee)**
- ~Arun Banskota – El Paso Power
- (Vice Chair – Executive Committee)**
- ~Sarah Zheng – El Paso Power
- ~Lori J. Ryerkerk - ExxonMobil Energy Ltd
- ~Michael Kershaw – HK and Shanghai Banking Corp Ltd
- ~George He Zhu - Hunton & Williams
- ~Richard Hancock - Hill & Associates
- ~Weiming Shi – InterGen (HK) Ltd
- (Vice Chair – Executive Committee)**
- ~Mark Takahashi – InterGen (HK) Ltd
- ~Russell Wilkinson - Jones, Day, Reavis & Pogue
- ~Jeremy P. Haile - Knight Piésold Consulting
- ~Joseph S. Chiang - Lippo / Tati Group
- ~Colin Tam – Meiya Power
- (Chairman – Executive Committee)**
- ~Wei Xiao – Meiya Power
- ~Eric d'Esparbes – Meiya Power Company Limited
- ~Christopher Huang - Morgan Stanley Asia
- ~Yi Zhang - O'Melveny & Myers
- ~Nelson Wong – New Power Investment Ltd
- ~Michael Meng – New Power Investment Ltd
- ~Sean Purdie - PB Power
- ~Daniel Liew – Simmons & Simmons

Asset Protection and Risk Management for Oil & Gas Companies*(extracted from the leaflet from "Hill & Associates")*

In inhospitable environments, the assets and personnel of the world's largest oil and gas companies often need to be protected. The risk management strategy has been applied both upstream and downstream from wellheads to Super tanker fleets and port facilities. This involves the identification of threats, vulnerabilities, prevention of crises, response to incidents and recovery of assets and protection of personnel. When accidents break out, well-prepared companies will have the contingency plans for coordination of all security operations. Evacuating its personnel and escorting key executives from instable social or political environment can be carried out efficiently.