A Debt-for-Carbon Swap for Russia

Susan Legro
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The Concept

• A buyer in an Annex B country will purchase and retire Russian debt in exchange for Russian carbon.
Debt Swaps: Background

- Debt for Equity
- Debt for Environment (DFE)
  - First in 1987
  - 40+ swaps involving more than $1 billion
  Transition economies: Poland, Bulgaria
## Russian Debt and Equity

<table>
<thead>
<tr>
<th>Debt</th>
<th>Equity</th>
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<tbody>
<tr>
<td>Federal Bonds</td>
<td>Futures Contracts for Carbon</td>
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<tr>
<td>Loans or Credits</td>
<td>Federal, Regional Forest Holdings</td>
</tr>
<tr>
<td>Internal Debt</td>
<td>Ruble Expenditures on Climate Change</td>
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<td>Mitigation Projects</td>
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Elements of a Swap

- Donors
- Partners
- Government Accord
- Feasibility Study
- Brokers
• Debt-for-Equity Swap
  – Relatively straightforward
  – Lower transaction costs
  – Could retire carbon

• Debt-for-Environment Swap
  – Tangible spillover benefits
  – Designed for project-based reductions
Benefits

• **Political benefits**
  – Get climate on the agenda
  – Provide economic relief to Russia

• **Economic benefits**
  – Free up valuable hard currency in Russia

• **Climate benefits**
  – Reduce carbon emissions in Russia

Create market for emissions trading
Next Steps

- Assess Interest
- Identify Public or Private Players
- Resolve Pricing and Contractual Issues