



A Debt-for-Carbon Swap for Russia



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under the Kyoto Protocol”

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The Concept

- A buyer in an Annex B country will purchase and retire Russian debt in exchange for Russian carbon.

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Debt Swaps: Background

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

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Russian Debt and Equity

Debt

Federal Bonds

Loans or Credits

Internal Debt

exchanged for

Equity

Futures Contracts
for Carbon

Federal, Regional
Forest Holdings

Ruble Expenditures
on Climate Change
Mitigation Projects

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Elements of a Swap

- Donors
- Partners
- Government Accord
- Feasibility Study
- Brokers



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- Debt-for-Equity Swap
 - Relatively straightforward
 - Lower transaction costs
 - Could retire carbon
- Debt-for-Environment Swap
 - Tangible spillover benefits
 - Designed for project-based reductions

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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

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Next Steps

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