
Component methodology proposal: Additionality: Investment analysis with discounted cash flow and NPV evaluation

Submission details

Component Methodology Code: M(A)-00078

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Description

This methodology provides the investment analysis requirements to prove additionally for the project activities. The project is deemed additional if the investment analysis shows that the project is only economically feasible with the support of carbon credits revenue (if the project is economically unviable without the further financial influx from carbon credits, it would be considered additional).

The analysis must provide a discounted cash flow analysis indicating that the project's internal rate of return (IRR) is below the risk-adjusted cost of capital for the project type, market and region (it has a negative Net Present Value).

Categorisation

Category: Emission reduction

Sectoral scopes:

- Energy industries**
- Energy distribution**
- Energy demand**
- Manufacturing industries**
- Chemical industries
- Construction
- Transport
- Mining/mineral production
- Metal production
- Fugitive emissions from fuels
- Fugitive emissions from production and consumption of halocarbons and sulphur hexafluoride
- Solvent use
- Waste handling and disposal
- Afforestation and reforestation
- Agriculture
- Other**

Motivation

No current Investment Analysis Additionality component methodology.

Explanation of the compatibilities and possible combinations with other component methods

Compatible with all emissions reduction component methodologies.

Note on required questions

Please be aware that * indicates responding to these questions is required.

Part 1: Project Form

1. Investment Analysis

1.1. * Project Investment

Describe the initial project investment requirement, source of funding (providing clear distinctions regarding debt vs equity, and the ratio of these) and any other relevant project capital investment matters.

1.2. * Project Cash Flow Summary

Describe the monthly project cash in- and out-flows, their sources as well as the level of certainty and/or risk associated with each.

1.3. * Project Cash Flow Detail

Upload the detailed project cash flow spreadsheet (or similar) file.

1.4. * Project Viability

Describe how the project is economically unviable without the revenue generated from the sale of carbon credits, based on the NPV analysis of the project cash flows and investment. The NPV is a calculated output parameter that the ICS platform will provide when all provided input parameters have been completed.
