This is a new section of the Public-Private Partnership Resource Center website and is currently in draft form. Your feedback is welcome: If you would like to comment on the content of this section of the website or if you have suggestions for links or materials that could be included please contact us at ppp@worldbank.org.

Photo Credit

Project ERC Value and Additional Value Enabled by Project, lake in the shape of a rising graph in the middle of unto

# Project ERC Value and Additional Value Enabled by Project

Download Chatbot

***On this page:*** *How to assess the project's financial values in various potential scenarios to determine and stress-test its potential for value maximization. Read more below, or visit Strategic Guidance for Country System Assessments, Guidance for Countries in Assessing ERC Projects, or Mobilizing ERC Finance.*

The two criteria, F1: Project ERC value and F2: Additional value enabled by project, seek to assess the project's financial values in various potential scenarios to determine and stress-test its potential for value maximization. At the initial profiling stage, the NPV of the project's ERC component was rated for F1 while the assessment for F2 was based on the extent to which a per-dollar investment to generate ERCs from the project will enable other sources of economic benefit. At the assessment stage, a more thorough evaluation of these numbers is required, to also consider the business model and stakeholders of the project.

For some projects, in addition to the two NPV components described in Project ERC Value (Initial Profiling and Preliminary Decision), there could be a third NPV that reflects the net benefit to users of the project. While the NPVs of the project's ERC and non-ERC component take the project developer or proponent's perspective, the NPV for users considers the cashflows from stakeholders that are direct beneficiaries of the project activities. The cash inflows are driven by the additional revenues and cost savings that stakeholders benefit from due to the project, while cash outflows are driven by the costs incurred by these stakeholders to implement the activity. For example, for a project that generates emission reductions through providing subsidies for motorbike owners to switch from combustion vehicles to electric ones, the motorbike owners would benefit from a net value. The cost incurred by the owners would be the cost of buying the electric vehicles post-subsidies, while the inflows come from the cost savings from fuel costs that would have otherwise been incurred. The NPV for users, if applicable, should therefore be evaluated separately, and will be used for rating the project's additional value (F2).

The following sources and analyses can serve as a guide for the assessment:

- Using the provided excel model appended to the Project Assessment Template, fill in base values of price per tonne, total volume, cost factors, non-ERC revenues and cost savings (from both the project proponent's and user's perspective), and adjust the assumptions for the project's cashflows accordingly. This can be taken from the initially assessed NPV values in the Project Profile Template, if available. If there are any updates to the figures provided by the project counterparts during interviews, adjust the figures accordingly.
- Establish three potential NPV scenarios to conduct sensitivity analysis by (1) reviewing market trends (e.g., using Ecosystem Marketplace, a web-based news and market insights platform) or the range of prices indicated in data aggregators for insights on potential price changes for the ERC type, (2) assessing potential ex-ante versus ex-post discrepancy via past project examples, or insights from

project counterpart (e.g., applying a 50% deduction for nature-based and 70% for engineered solutions), and (3) reviewing cost factors with high potential for fluctuations via national data, or insights from project counterparts.

Based on the analyses, the project ERC value (F1) is rated based on two subcomponents – its total NPV, and the NPV of its ERC component. This aims to address two key questions – first, whether ERC generation alone will likely help enable the project to be economically viable, withstanding various potential scenarios, and second, whether generating ERCs is economically viable for the project, given its mitigation potential and likely price. See Figure 4.1.

*Figure 4.1. Guideposts for rating project ERC value for the project assessment*

| Values for rating total NPV | Values for rating ERC value | Rating |
|---|---|---|
| • Total NPV is positive across all scenarios, including base total NPV. | • NPV of ERC component is positive across all scenarios, including the base value. | |
| • Base total NPV is positive.<br>• Total NPV is negative in more than 1 out of 3 scenarios. | • Base NPV of ERC component is positive.<br>• NPV of ERC component is negative in more than 1 out of 3 scenarios. | |
| • Total NPV is negative across all scenarios, including base total NPV. | • NPV of ERC component is negative across all scenarios, including the base value. | |

The additional value enabled by the project (F2) is then rated based on the NPV of its non-ERC component and its net benefit to users, if applicable. This aims to reflect whether the project has a net financial benefit to the proponent or users, that ERC finance will enable by potentially helping the project become economically viable. See Figure 4.2.

*Figure 4.2 Guideposts for rating additional value enabled by the project, for the project assessment*

| Values for rating additional value enabled by the project | Rating |
|---|---|
| • Project has a net financial benefit to users, as demonstrated by the positive NPV for users (i.e. beneficiaries of the project with financial benefits from cost savings or revenue generated by the project activities, who are not involved in the project implementation and do not directly receive ERC revenues) | |
| • NPV of non-ERC component is positive to the project developer or proponent, but there are no financial benefits to users | |
| • NPV of non-ERC component is negative and there are no financial benefits to users | |

**Related Content**

- **Guidance for Countries in Assessing ERC Projects (Download PDF version)**

**Additional Resources**

- Finance Structures for PPP

*This section is intended to be a living document and will be reviewed at regular intervals. The Guidelines have not been prepared with any specific transaction in mind and are meant to serve only as general guidance. It is therefore critical that the Guidelines be reviewed and adapted for specific transactions. Unless expressly stated otherwise, the findings, interpretations, and conclusions expressed in the Materials in this Site are those of the various authors of the Materials and are not necessarily those of The World Bank Group, its member institutions, or their respective Boards of Executive Directors or member countries. For feedback on the content of this section of the website or suggestions for links or materials that could be included, please contact the Public-Private Partnership Resource Center at ppp@worldbank.org.*